

FRANCHISE DISCLOSURE DOCUMENT



Billy's Downtown Diner Franchise LLC,
a Delaware limited liability company
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www.billysdowntowndinerfranchise.com

You will establish and operate a fast-casual sit-down dine-in table service restaurant business under the name Billy's Downtown Diner offering a menu featuring award-winning modern American cuisine during breakfast and lunch hours.

The total investment necessary to begin operation of a Billy's Downtown Diner franchise restaurant ranges from \$748,250 to \$1,156,750. This includes the \$62,150 to \$67,150 that must be paid to the franchisor or its affiliates prior to opening of the Billy's Downtown Diner franchise restaurant.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive this disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Dr. Benjamin C. Litalien, CFE at 10 E Broad St., Bethlehem, PA 18018, benl@bddfranchise.com and 866-245-5970.

The terms of your contract will govern your franchise relationship. Do not rely on this disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document is available from the Federal Trade Commission ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You also can visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

Your state also may have other laws on franchising. Ask your state agencies about them.

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How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or <u>Exhibit E</u> .
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or <u>Exhibit B</u> includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Billy's Downtown Diner Franchise business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Billy's Downtown Diner Franchise franchisee?	Item 20 or <u>Exhibit E</u> lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. <i>See</i> the table of contents.

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in [Exhibit A](#).

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. *See* the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation or arbitration only in Pennsylvania. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Pennsylvania than in your home state.
2. **Spousal Liability.** The franchise agreement may require your spouse (or domestic partner or other immediate family member) to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Supplier Control.** You must purchase all or nearly all of the inventory and supplies necessary to operate your business from the franchisor, its affiliates, or from suppliers the franchisor designates at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501-445.1546 applies, the terms of this Addendum apply.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document (“Disclosure Document”), the terms “we”, “us”, “our”, or “Franchisor” mean Billy’s Downtown Diner Franchise LLC, a Delaware limited liability company. The terms “you” and “your” refer to the individual or business entity which acquires a franchise to operate a Billy’s Franchise restaurant (the “Franchise”). The terms “you” and “your” do not include any individual or business entity which owns an interest in you. We may require all individuals and business entities which own an interest in you to guarantee your obligations to us.

The Franchisor, Its Parent, Predecessors, and Affiliates

We are a Delaware limited liability company formed on January 5, 2025. Our principal business address is 10 E Broad St., Bethlehem, PA 18018. Our agents for service of process are listed in Exhibit A to this Disclosure Document. We do business under our corporate name and the trade name “Billys Downtown Diner Franchise.” We do not do business under any other name. We began offering franchises for regional developer businesses (under a separate disclosure document) as of March 12, 2025, and for Billy’s Downtown Diner individual restaurants under this Disclosure Document on March 12, 2025. As of December 31, 2025, there are two open Billy’s Downtown Diner restaurants in the United States operated by our affiliates. We have not offered franchises in any other line of business, nor do we operate any business of the type being offered to you.

Our parent, All American Hospitality Group, LLC (“AAHG”) is a Pennsylvania limited liability company formed on February 23, 2015. AAHG’s principal business address is 10 E Broad St., Bethlehem, PA 18018. AAHG has not offered franchises in this or any other line of business.

We do not have any predecessors. We do not have any affiliates that offer franchises in this or any other line of business, or that provide goods or services to our franchisees.

The Franchised Business

We offer qualified individuals and business entities the opportunity to operate Billy’s Downtown Diner Franchise restaurant businesses (“BDD Restaurant(s)” or “Restaurant(s)”) in specific geographic areas. BDD Restaurants offer dining to the general public serving Franchise food and beverage products through a menu featuring a scratch-made omelets, benedicts, melts, bowls, French toast, pancakes, wraps, sandwiches, salads, burgers and other breakfast, brunch and lunch offering, side items, beverages and specials and such additional or alternate menu and other items as we may designate from time to time for on-premises and off-premises consumption (“Menu Items”).

Each BDD Restaurant operates according to our proprietary business format and system (“System”), the distinguishing characteristics of which include, among other things, one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage color scheme and furnishings, trade dress elements; proprietary products; standards, specifications, policies and procedures for construction and management; quality, distinctiveness and uniformity of products and services; standards, specifications, policies and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which we may change, improve, and further develop at its option from time to time. We identify the System by certain licensed trade names, service marks, trademarks, logos, emblems, including the name and marks “Billy’s”, “Billy’s Downtown Diner” and “Not Your

Ordinary Diner” and such other trade names, service marks, trademarks, logos, designs, emblems and other marks and symbols as are now designated (and may hereinafter be designated by us or our affiliate in writing) for use in connection with the System (collectively, the “Proprietary Marks”). We acquired the right to use and sublicense to franchisees the Proprietary Marks, the System and the copyrights, patents, know-how and trade secrets, owned and developed in connection with the System (the “Intellectual Property”) under a license agreement with our affiliate, All American Hospitality Holdings LLC (“IP Holdco”). IP Holdco is a limited liability company organized under the laws of the Commonwealth of Pennsylvania on September 23, 2020 and owns the Marks and Intellectual Property used by the System.

We offer the right to operate one BDD Restaurant using the System and Proprietary Marks at or from a physical premises located within the Designated Area (defined below) under the terms of a single unit franchise agreement (the “Franchise Agreement”), attached to this Disclosure Document as Exhibit C. If, at the time you enter into the Franchise Agreement, a location for the Restaurant has not been approved, you must lease, sublease, or acquire a site for your Restaurant, subject to our approval, under a site selection addendum, which is attached to the Franchise Agreement (“Site Selection Addendum”). The procedures for finding, selecting, and receiving authorization for a location for the Restaurant under the Site Selection Addendum are described in Item 11 of this Disclosure Document. You will operate your BDD Restaurant at a physical premises located within an area that is designated in the Franchise Agreement (the “Designated Area”). Item 12 of this Disclosure Document, and the Franchise Agreement, will describe the rights that you and we will have regarding the Designated Area. BDD Restaurants are typically 1,800 to 2,400 square feet and located in high traffic environments with good visibility and are in-line or end cap facilities in retail centers or office buildings.

You must operate your BDD Restaurant according to our standards and procedures, as set forth in our confidential operations manuals (the “Manuals”). We will lend you a copy of the Manuals for the duration of the Franchise Agreement. We may periodically change and improve the System, and you must promptly comply with all new or changed items.

We also offer an optional program (the “Regional Developer Program”) under which a franchisee receives the right to identify and qualify potential BDD Restaurant franchisees within a specified geographic area (“Regional Developer Franchise”). We have a separate disclosure document and regional developer agreement (“Regional Developer Agreement”) pertaining to our Regional Developer Program. If you qualify to participate in the Regional Developer Program and we offer you a Regional Developer Franchise, you must enter into a Regional Developer Agreement with us. Our current list of Regional Developers are listed on Exhibit E.

The Franchise Agreement requires you to designate an “Operating Principal.” Your Operating Principal must (1) have at least five (5) years of management experience in the operation of a quick service restaurant (or, if you or one of your affiliates or owners operates at least one BDD Restaurant as of the effective date of the Franchise Agreement, the Operating Principal of the Restaurant must have at least two (2) years of management experience in the operation of a quick service restaurant), (2) have completed our required training program, (3) have been approved to supervise the day-to-day operations of the Restaurant, (4) own at least five percent (5%) of the equity interest in Franchisee if Franchisee is a business entity, and (5) live no more than a two (2) hour drive from the Restaurant. You must also designate at least one (1) full-time general manager to run the day-to-day operations of the Restaurant (the “General Manager”). Your Operating Principal may act as the General Manager or you may designate a General Manager, who must complete our initial training program to our satisfaction. You may also hire additional assistant managers for your Restaurant as you see fit.

We require your current and future owners and principals to sign a Guarantee, Indemnification and Acknowledgement in the form attached to the Franchise Agreement as Exhibit E your performance and

binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures.

You must operate your Franchise only at the location approved in the Site Selection Addendum and in accordance with the System, standards and procedures designated by us.

Market and Competition

The market for restaurants generally is highly competitive and fragmented; the number, size and strength of competitors may vary widely by geographic region, especially within the full-service casual dining category. There is active competition among restaurants based on the quality of food products, customer service, management personnel, reputation, restaurant décor, location, name recognition, and price. You will compete with other restaurants offering a wide variety of menu items and alcoholic and non-alcoholic beverages and other competing concepts. Competitors may be locally owned or large, regional, or national chains. The restaurant business is also affected by changes in general economic conditions (including economic uncertainty), consumer preferences and demographics as well as negative publicity related to core menu items or food-borne illness and increase in prices of and/or reductions in the availability of commodities. Full-service industry restaurants are subject to seasonal fluctuations comparable to most restaurants (for example, during holiday seasons).

Industry Specific Laws and Regulations

In addition to the laws, regulations, and ordinances applicable to the businesses generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupational Safety and Health Act, you should consider that certain aspects of the restaurant and related bar business are heavily regulated by federal, state, and local laws, rules, and ordinances.

The U.S. Food and Drug Administration and the U.S. Department of Agriculture, as well as state and local departments of health and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose caps on emissions resulting from commercial food preparation.

Some state and local authorities have adopted, or are considering adopting, laws or regulations that would affect the content of food served in restaurants, such as the level of sodium and trans fats contained in a food item. The U.S. Food and Drug Administration has issued regulations that require certain restaurants and retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request.

You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2 BUSINESS EXPERIENCE

Billy Kounoupis - Founder & CEO

Billy Kounoupis is our Founder and CEO and has held these positions since our formation on January 5, 2025. Mr. Kounoupis is also currently the CEO and Chief Operating Officer of our parent company, AAHG,

since February 23, 2015 and the CEO of the IP Holdco since its formation on September 23, 2020. Mr. Kounoupis is also the owner of East Broad Enterprises, LLC which has operated a Billy's Downtown Diner Restaurant in Bethlehem, Pennsylvania since August 2000 and Center Valley Hospitality Group LLC which has operated a Billy's Downtown Diner Restaurant in Easton, Pennsylvania since October 2019. Mr. Kounoupis fulfills each of these positions from his headquarters in Bethlehem, Pennsylvania.

John Jaendl - Director

John Jaendl has been our director since our formation on January 5, 2025. Mr. Jaendl is also currently the Senior Advisor and an equity partner for AAHG and has held these positions since February 23, 2015, an owner of Platinum Limousine, a car service business based in Hawaii, since September 2016, and partner in Northeast Rotors, a private air transportation business based in Pennsylvania since October 2016 and owner of Lehigh Grains Corporation, an agriculture business based in Pennsylvania since 1985. Mr. Jaendl fulfills all of these positions from his offices in Orefield, Pennsylvania.

Dr. Ben Litalien, CFE - Chief Development Officer & Director

Ben Litalien is our Chief Development Officer and has held this position since our formation on January 5, 2025. Mr. Litalien is also the Founder and Principal of Franchise Well, LLC in Stafford, Virginia since October 2007, the Chief Development Officer of fit20 USA Franchising, LLC in Stafford, Virginia since March 2018, and President since December 2022, the Chief Development Officer for Dill Dinkers Franchising LLC in Stafford, Virginia since April 2023, the director of Brain Balance Holdings, Inc. in Stafford, Virginia since June 2016, the director of JIBU Holdings, LLC in Stafford, Virginia since January 2014, and an adjunct associate professor at The University of Maryland Global Campus in College Park, Maryland since October 2010. Dr. Litalien also serves as adjunct faculty at Georgetown University in Washington, D.C., where he has taught the franchise management program since September 2008 and serves as an adjunct faculty at the Liniger Center on Franchising at the University of Denver since April 2023.

Fred Pierson, CFE - Director of Food & Beverage

Fred Pierson is our Director of Food & Beverage and has held this position since our formation on January 5, 2025. Mr. Pierson is also the President & CEO of RestaurantCAT, Inc. since March 2010. Mr. Pierson fulfills his position from his office located in Nashville, Tennessee.

Dr. Rocco Rinaldi - Director of Franchise Training & Support

Rocco Rinaldi is our Director of Franchise Training & Support and has held this position since our formation on January 5, 2025. Mr. Rinaldi has served as a Senior Franchise Consultant for Franchise Well, LLC since January 2020, an assistant professor at Delaware Technical Community College since September 2021, and an adjunct assistant professor at Wilmington University since November 2021. Mr. Rinaldi serves in these positions from his office located in Middletown, Delaware.

Panayioti Kounoupis - Director of Franchisee Support

Panayioti Kounoupis is our Director of Franchisee Support and has held this position since our formation on January 5, 2025, in Bethlehem, Pennsylvania. Mr. Kounoupis has served as a general manager for our two affiliates, East Broad Enterprises, LLC and Center Valley Hospitality Group LLC operating two Billy's Diners in Pennsylvania since September 2024 in Bethlehem, Pennsylvania. Prior to that, Mr. Kounoupis

was a student at Penn State University until his graduation in May 2024. Mr. Kounoupis fulfills each of these positions from his headquarters in Bethlehem, Pennsylvania.

Rebecca Church - Director of Marketing

Rebecca Church is our Director of Marketing and has held this position since our formation on January 5, 2025. Ms. Church also serves as the chief marketing officer for Franchise Well, LLC since January 2020 and CMO for Franchise Well Fitness dba fit20USA since June 2022. Ms. Church fulfills this position from her office located in Fredericksburg, Virginia

Doug Sudell - Franchisee Onboarding Manager

Doug Sudell is our Franchisee Onboarding Manager and has held this position since September 2025. Mr. Sudell also serves as senior consultant for Franchise Well, LLC since September 2025 and as President of OW Woodworks, Inc. since October 2023. From January 2011 to September 2021, Mr. Sudell was President of Billy Jean, Inc., a franchise of Two Men and a Truck and Subway Restaurants. Mr. Sudell fulfills these positions from his office located in Wethersfield, Connecticut.

Unless otherwise specified, each position listed above is or was based in Bethlehem, Pennsylvania.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay us an initial lump sum franchise fee of \$45,000 (“Initial Franchise Fee”). If you are a qualifying honorably discharged United States veteran, you will receive a \$5,000 discount off the Initial Franchise Fee for your first Franchise Agreement. This discount is only granted to new franchisees and is not available to existing franchisees or regional developers. We may discontinue or modify this discount program at any time.

Training Fee

When you sign the Franchise Agreement, you will pay us a training fee of \$5,000 (“Training Fee”) for your Franchisee’s Principal Trainees (defined in Item 11 below) to attend our initial training program (“Initial Training Program”). You are solely responsible for all costs and expenses, including wages, travel and lodging of yourself and your attendees.

Technology Fee

If we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. The current Technology Fee is \$650 per month, beginning in the month before you open your Franchised Business. We currently require you to obtain or access our required management software and platform, intranet, online ordering system, streaming music software, learning management system, and Billy's Downtown Diner email addresses from or through us.

Grand Opening

You must spend at least \$10,000 ("Grand Opening Program Amount") for your Restaurant's initial grand opening pursuant to a grand opening marketing plan that you and we will collaborate and agree upon ("Grand Opening Program"). The Grand Opening Program will start approximately 60 days prior to the soft opening of your Restaurant and will generally be completed within 60 days after your Restaurant commences operation. We can require you to pay the Grand Opening Program Amount to us, in which case we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Restaurant. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree, in writing, are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Restaurant. We estimate that you will spend \$10,000 to \$15,000 in connection with your Restaurant's grand opening.

Site Review

If we determine that an on-site evaluation of a site you propose for your Restaurant is appropriate, you must reimburse us for all costs incurred by our representative in visiting the site, including travel, lodging, and meals. We estimate such costs will not exceed \$1,500. Upon payment, these costs are non-refundable.

The Initial Franchise Fee, Training Fee, Technology Fee, Grand Opening Program Amount (if collected by us), and Site Review reimbursements (if any) are fully earned and non-refundable when paid and are uniformly applied.

There are no other payments to or purchases from us or our affiliates that you must make before your Restaurant opens.

ITEM 6 OTHER FEES

Type of Fee¹	Amount	Due Date	Remarks
Royalty Fee ²	6% of Gross Sales.	On the 5 th for the preceding 16 th to end of the calendar month and on the 20 th for the preceding 1 st to the 15 th of the calendar month.	Paid by electronic Funds Transfer (" <u>EFT</u> ") or other manner we designate.

Type of Fee ¹	Amount	Due Date	Remarks
Brand Development Fund Contribution	Currently 0% of Gross Sales, but if the Brand Development Fund is established, then 1% of Gross Sales up to a maximum during the term of 5% of Gross Sales. ³	15 th day of each month based upon the Gross Sales for the immediately preceding calendar month.	Paid by EFT or other manner we designate.
Local Advertising	Greater of 2% of Gross Sales or \$2,000 per month. ⁴	As incurred.	Currently, paid to various third-party suppliers.
Technology Fee ⁵	Currently \$650 per month, but we reserve the right to increase the Technology Fee not to exceed \$1,500 per month.	Monthly on the 5 th day of each calendar month.	The technology fee covers the cost of developing, improving, upgrading, modifying changing technology including potential website development, ordering systems, loyalty programs, customer portals, online platforms, mobile applications, software, phone systems, and maintenance, and support of our email system. We reserve the right to implement or increase this fee upon 30 days' notice to you if we develop or introduce new technology, improve, upgrade, modify or change existing technology or if our costs or supplier pricing increases. Paid by EFT or other manner we designate.
Late Payment / Late Report Charges	\$100 for each week or part of a week that any payment or report is late, and interest at the lesser rate of 1.5% per month or the maximum rate permitted by law.	Immediately upon notice from us.	Interest is due on all overdue payments. Interest accrues from the original due date until payment is received in full.

Type of Fee ¹	Amount	Due Date	Remarks
Additional Training/ Assistance	Our current fee for such assistance, is \$500 per day, plus expenses, including travel, lodging, meals and applicable wages. We may increase this fee during the Term, but it will not exceed \$750 per day in any year in addition to any increase due to our trainer's wage increases.	Prior to training.	If you request that we provide on-site training in addition to the initial training, refresher training, or training after opening we may provide.
Remedial Training Fee	Our current fee is \$500 per day, plus expenses. You are also responsible for both you and your trainees' expenses including travel, lodging, meals and applicable wages. We may increase this fee during the Term, but it will not exceed \$750 per day in any year in addition to any increase due to our trainer's wage increases.	Prior to additional or remedial training.	Remedial Training is additional training we determine is necessary or appropriate in our sole discretion to protect the quality, integrity and reputation of the System, Proprietary Marks and Intellectual Property.
Remodeling	Up to \$150,000 upon expiration of every 5 year period following the opening of the Restaurant.	As incurred.	Currently, paid to various third-party suppliers. Alternatively, we may require upon notice that you pay us the amount for Remodeling to us to conduct the Remodeling.
Transfer Fee	\$10,000.	The earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training.	Payable to us if you transfer your Franchise or your interest in your Franchise.

Type of Fee ¹	Amount	Due Date	Remarks
Relocation Fee	Our costs and expenses associated with the relocation.	As incurred.	If you relocate your Restaurant you must pay us any costs we incur in assisting you with the relocation including salary and travel expenses, professional fees, demographic reports and other costs.
Renewal Fee	25% of our then-current initial franchise fee for a new BDD Restaurant.	Prior to renewal.	Payable to us as a condition of the renewal of your Franchise along with other conditions for renewal.
Local Marketing Cooperative Fee	Up to 3% of Gross Sales. ⁶	Monthly.	The payments you make to a Local Marketing Cooperative may be applied by you toward satisfaction of your Local Advertising for up to 2% of Gross Sales, but if the amount you contribute to a Local Marketing Cooperative is less than the amount you must spend on local advertising, you must still spend the difference locally.
Audit Fees and Expenses	Cost of audit, plus Late Report Charges	Immediately after notice from us.	Payable only if the audit shows that you understated your Gross Sales by more than 2%.
Annual Convention, Meeting or Conference Fee	Currently \$249. ⁷ You are responsible for both you and your attendees' expenses including travel, lodging, meals and applicable wages.	Prior to convention or conference.	If you do not attend an annual conference, you will be responsible for making up any training offered at the conference at a time and location we designate in our sole discretion and at your sole expense.

Type of Fee ¹	Amount	Due Date	Remarks
Software License Fee ⁸	Currently, \$0 per month, but we reserve the right to increase it upon notice to \$250 per month.	As incurred.	Payable if we elect to you have license or sublicense software from us or our affiliates.
Alternative Supplier Review	Our then-current fee not to exceed the reasonable cost of an inspection or actual cost of our test.	As incurred.	Payable to us if you request our approval of an unapproved supplier of any product or service, and we inspect the opposed supplier's facilities or test samples.
Management Fee ⁹	20% of Gross Sales, plus expenses.	Payable weekly out of Restaurant proceeds.	The Management Fee is paid to us.
Insurance	The premium plus 20% of the premium	When incurred.	If you fail to maintain the required insurance, we have the right, but not the obligation, to procure insurance on your behalf and you must reimburse us the premium payment plus a fee of 20% of the premium to compensate us for our time, cost and expense.
Quality Assurance Audit Fee Mystery Shopper or Secret Customer Program Fee	Our costs and expenses.	When billed.	You must reimburse us for our out-of-pocket expenses which may include the personnel compensated to conduct a quality assurance audit, secret shopper, or mystery visit or expenses of a third-party firm hired to conduct the quality assurance audit, plus the cost of food and drinks consumed, when applicable. Paid by EFT or other manner we designate.

Type of Fee ¹	Amount	Due Date	Remarks
Costs of Enforcement and Defense	Amount will vary under the circumstances.	Date incurred.	You must pay our costs and attorneys' fees if we must take action to enforce your obligations to us.
Liquidated Damages ¹⁰	Based on formula in Note 10 below.	Within 10 days following the effective date of termination.	Payable to us as liquidated damages if we terminate the Franchise Agreement due to your default.
Indemnification Costs	Actual legal damages, fees, costs, and expenses.	As incurred.	You must pay for the cost of defending us against any liability as a result of your operations.

NOTES

1. Unless otherwise noted, all fees are payable to us and non-refundable. At our option, all payments to us (other than the Initial Franchise Fee), must be made via automatic bank draft. We uniformly impose the fees described above. If we elect not to increase the Technology Fee, Local Advertising Fee, any of our training fees, or any other fees which we reserve the right to increase in any given year, such election shall not be deemed a waiver of our right to do so in subsequent years. Our right to increase each of these fees is cumulative and we may, in any following year, increase the applicable fee by an amount reflecting both (a) the permissible increase for that year and (b) any unexercised increases from prior years. Any cumulative increase shall remain subject to any applicable maximum annual or aggregate increase limitations expressly stated in this Document.

2. “Gross Sales” means all revenue from the sale of all products, including all menu items and all other products or services offered at or from your Restaurant, and all other income of every kind and nature related to, derived from, or originating from your Restaurant, including proceeds of any business interruption insurance policies, whether at retail, delivery, catering, or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit. “Gross Sales” excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities, and third-party delivery fees (e.g., UberEats) paid by you or your Restaurant’s customers for the delivery of Menu Items to Restaurant customers. “Sales Week” means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday.

3. We may establish a brand development fund (“Brand Development Fund”). Once we have established our Brand Development Fund, you will be required to contribute 1% of your monthly Gross Sales. Thereafter, the Brand Development Fund Contribution may be increased by no more than 1% of Gross Sales per year up to a maximum of 5% of Gross Sales.

4. The amounts you will pay for the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in the Designated Area (“Local Advertising”), advertising agency fees and expenses, postage, shipping, telephone, and photocopying. The amounts you will pay for Local Advertising and Promotion

will not include costs or expenses incurred by or on behalf of you in connection with: (a) salaries and expenses; (b) charitable, political, or other contributions or donations; (c) the value of discounts provided to customers; and (d) the cost of food items. We may require upon notice that you pay us the Local Advertising amount (i) to us to conduct your location advertising using our preferred marketing firm; or (ii) directly to our marketing firm. See Item 11.

5. The Technology Fee covers your access to, or our development of, certain technology systems, services, platforms, and software we require you to obtain or access through us, as we deem necessary and advisable, including, for example, licenses, subscriptions, development, maintenance, and/or access to our required franchise management software and platform, website, customer portals, intranet, online ordering system, streaming music software, mobile applications, phone systems, learning management system, and a BDD Restaurant email address. We may make changes to the types, nature, and ultimate vendor of technology systems, services, platforms, and software we require you to obtain or access through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.

6. We currently do not have a market brand development and promotional cooperative fund (“Local Marketing Cooperative”) in any geographical area, but we may establish Local Marketing Cooperatives in any geographical areas at our sole discretion. If a Local Marketing Cooperative is established which encompasses your Designated Area, you will automatically and immediately become a member of the Local Marketing Cooperative and you must agree to contribute to the Local Marketing Cooperative the amount agreed upon by a majority of the members of the Local Marketing Cooperative, and to abide by the Local Marketing Cooperative’s rules. Restaurants owned by us or our affiliates will have the same voting power as BDD Restaurant with respect to fees imposed by cooperatives. Item 11 contains more information about the Local Marketing Cooperative.

7. We may hold an annual convention that our franchisees are required to attend. You will be responsible for your and any approved attendees’ costs and expenses to attend the convention, including transportation, meals and lodging. We may charge a registration fee for franchisees to attend the annual convention.

8. We may implement a separate software license fee if we elect to have you purchase, license or sub-license under a master agreement, certain software. Item 11 contains more information about Computer System, software and other technology requirements.

9. In addition to our right to terminate the Franchise Agreement, we may manage and operate your Restaurant if you fail to cure a default within the applicable cure period (if applicable). We also have the right to step in and operate your Restaurant in certain circumstances, including your death, disability or prolonged absence where you are unable to provide oversight of the Franchise to prevent harmful interruption of your Restaurant. The reimbursable expenses include our and our representatives’ wages, travel, lodging and meals. During any management period, you will still be required to pay to us all recurring fees.

10. If we terminate the Franchise Agreement due to your default, you will pay us liquidated damages in an amount equal to the product of the average yearly amount of Royalty Fees paid during the 3 years immediately preceding the termination (or such period as the Restaurant was open for business, if the Restaurant was not open for business during the entire three-year period), multiplied by the lesser of 3 or the number of years remaining in the then-current term.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure ¹	Amount		Method of Payment	When Due	To Whom Paid
	Low	High			
Initial Franchise Fee ²	\$40,000	\$45,000	Lump Sum	Upon signing Franchise Agreement	Us
Site Review ³	\$0	\$1,500	Lump Sum	As Invoiced	Us
Training Fee & Expenses ⁴	\$5,750	\$13,250	Lump Sum to us regarding Training Fee (\$5,000); Otherwise, As Agreed	Upon signing Franchise Agreement; As Agreed	Us; Third Parties
Architectural, Engineer, and Legal Counsel ⁵	\$17,500	\$34,000	As Agreed	As Agreed	Approved Vendors or Third Parties
Construction Management ⁶	\$18,500	\$23,000	As Agreed	As Agreed	Vendors or Third Parties
Real Estate, Leasehold Improvements, and Construction Costs ⁷	\$237,000	\$434,000	As Incurred	Prior to Opening	Various
Signage, Graphics & Interior Décor Items ⁸	\$18,000	\$21,000	As Incurred	Prior to Opening	Approved Vendors or Third Parties
Furnishings, Fixtures and Equipment ⁹	\$270,000	\$398,500	As Agreed	As Agreed	Approved Vendors or Third Parties
POS and Technology Systems including Initial Setup ¹⁰	\$45,000	\$58,500	As Incurred	Prior to Opening	Approved Vendors
Insurance ¹¹	\$1,500	\$3,500	As Arranged	As Agreed	Vendors
Initial Inventory & Smallwares ¹²	\$30,000	\$34,500	Lump Sum	Prior to Opening	Approved Vendors or Third Parties
Grand Opening Marketing ¹³	\$10,000	\$15,000	Various	As Incurred	Various (which may include Us)
Licenses, Fees and Deposits ¹⁴	\$5,000	\$15,000	As Incurred	As Incurred	Various
Additional Funds – Initial 3 months ¹⁵	\$50,000	\$60,000	Various	As Incurred	Various
TOTAL¹⁶	\$748,250	\$1,156,750			

NOTES

1. The chart above describes the estimated initial investment for a BDD Restaurant operated from a leased facility. We prepared these estimates based on the experience and data collected from our affiliate-owned operating experience and the franchise locations that have opened. Inflation and tariffs may impact various costs, including, among others, furnishings, fixtures, signs, décor items, building costs, technology, and equipment. Except as expressly indicated otherwise, these estimates are intended to estimate the required initial cash investment up to the opening date of a BDD Restaurant, and potential working capital needs for the first 90 days of operations thereafter. They do not include cash needs to cover any financing incurred or other expenses. You should not plan to draw income from your BDD Restaurant during the start-up and development stage of your business, the actual duration of which will vary materially from one franchisee to another. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of a BDD Restaurant which, in turn, will depend upon factors such as public awareness of the business, the franchisee's ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from business to business, you should retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your BDD Restaurant. We have no obligation to refund any costs paid to us. Whether any third party will refund any costs will depend on the third party involved.

2. Initial Franchise Fee. The Initial Franchise Fee is discussed in Item 5.

3. Site Review. The Site Review Fee (if any) is discussed in Item 5.

4. Training Fee & Expenses. This estimate includes the Initial Training Fee of \$5,000 discussed in Item 5 plus travel costs and expenses for three attendees. The low estimate assumes a short travel distance and the high estimate assumes a longer travel distance.

5. Architectural, Engineer, and Legal Counsel. We recommend that you consult an attorney of your own choosing to review this Disclosure Document and the Franchise Agreement, as well as an independent accountant to review the attached financial statements, before signing the Franchise Agreement. Additionally, you will need to solicit the services of an architect approved by Franchisor to prepare, for our approval, preliminary plans and specifications for site improvement and construction of your Restaurant based upon the site construction package furnished by us.

6. Construction Management. This represents the cost for you to hire a third-party service provider to oversee and manage the construction and build-out of your Restaurant.

7. Real Estate, Leasehold Improvements and Construction Costs. We expect that you will either purchase or lease the real estate for your Restaurant. Monthly rental rates could range between \$8,000 to \$20,000 per month based upon local market availability, size, condition, location of the property, and negotiations with the landlord. The figures above include the estimated cost of one month's rent. The rent will vary depending on the size and location of your Restaurant. Often, the first month's lease payment becomes due upon execution of the lease. We based the amounts on a build-to-suit or build-out lease from a third party, which includes land, building and construction costs. The lease you sign also may include percentage rent, contributions for taxes, common area maintenance fees, and payments for utilities, security deposits, and other items, which may result in higher monthly payments. Should you choose to purchase and pay separately for the construction of the building, you should adjust the total investment costs to cover the actual land and development costs. Land acquisition costs are too varied and site dependent to be estimated.

8. Signage, Graphics and Interior Décor Items. Signage will include, but not be limited to, an exterior sign, interior signage and logo graphics for windows, wall graphics and interior brand identification as we designate. This estimate reflects the approximate cost of the signage required under the Franchise Agreement. The cost of the signs depend on the size of building façade, the particular requirements of the landlord and local and state ordinances and zoning requirements.

9. Furnishings, Fixtures and Equipment. This estimate is based on leasing 2,100 square feet of space for a Restaurant and applying our requirements to the space as outlined in the Manuals, which includes designated paint colors and schemes, flooring, furnishings, fixtures, kitchen display systems and equipment. The total costs of the furnishings, fixtures, kitchen display systems and equipment will depend on the vendors' pricing, circumstances at a location, a franchisee's distance from vendors, shipping charges, reimbursement of costs to employees for lodging, meals and travel expenses and similar variables, including point-of-sale equipment, ancillary small computer hardware and software items, small wares related to kitchen equipment, and the sign package, all of which a franchisee must purchase or lease.

10. POS and Technology Systems including Initial Set-Up. You must obtain a computer and technology equipment as prescribed in the Manuals for use within your BDD Restaurant. *See* Item 11.

11. Insurance. You must carry insurance for the types of coverages and in the amounts that we specify in the Franchise Agreement and the Manuals. The amount listed above represents our best estimate of the premiums for the insurance coverage that we require during a BDD Restaurant's first year of operation. Insurance costs vary in different locations. You may be required to obtain certain licenses or certifications to operate your BDD Restaurant. Requirements vary by state.

12. Initial Inventory and Smallwares. You must stock the Restaurant with an initial inventory of food and beverage products, ingredients, accessories and other supplies. These figures reflect the basic cost of food, beverages, products, cups, bowls, utensils, trays, sleeves and paper related items associated with opening the Restaurant. This amount will vary based on the size of the Restaurant, the anticipated business volume of customers, and the amount of inventory and smallwares you will need.

13. Grand Opening Marketing. In addition to your expenditures for local advertising and promotion, you must spend at least \$10,000 for your BDD Restaurant's initial grand opening pursuant to a grand opening marketing plan that you and we will collaborate and agree upon ("Grand Opening Program"). If we spend additional amounts on advertising as part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after receipt of notice.

14. Licenses, Fees and Deposits. The range given provides our best estimate of the costs a franchisee will incur for business permits, licenses, first and last month's rents, a security deposit to lease an approved location, and miscellaneous deposits, including utility deposits.

15. Additional Funds. This is an estimate of miscellaneous expenses a franchisee will incur before operations begin and during the first three months of operating the business. Many of the initial expenses, such as advertising, payroll, insurance, and transitional living expenses, will repeat on a monthly basis, and you should therefore make sure you have sufficient additional funds to meet the franchise business operation commitments during the first 90 days of operation. Costs will depend on factors like the size of the Restaurant; how closely a franchisee follows our methods and procedures; a franchisee's management skill, expenses and business acumen; financing costs; local economic conditions; the local market for Restaurants; the prevailing wage rate; competition; and the sales level reached during the initial period.

16. Total. This total estimate is for expenses incurred before operations begin and during the first three months of operating the business. You should review the amounts listed above carefully with a business advisor before making any decision to purchase the franchise. This is an estimate only and the actual cost can vary largely depending on the site-specific conditions and requirements for each location. We do not offer any financing directly or indirectly for any part of the initial investment. We prepared these estimates based on the experience and data collected from our affiliates operating BDD Restaurants.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Operation Standards

You must develop your Restaurant premises and purchase, lease, license, and install and use all equipment, food products, beverages, ingredient, supplies, fixtures, furnishings, computer, audio-visual, and point-of-sale systems, décor, signs, goods, uniforms, memorabilia, and merchandise and items intended for retail sales (whether or not bearing the Proprietary Marks), payment processing services, music services, and other products and services for your Restaurant according to our standards and specifications, contained in the Manuals or that we otherwise provide in writing, solely from the suppliers we have approved in writing (which may be us or our affiliate), unless you have first obtained our written consent to do otherwise. We may modify our standards and specifications from time to time. We will notify you of any changes to our standards and specifications. You may use the point-of-sale system of your choice so long as we are able to fully access your system and download all the transactional data from your operations.

Generally, you must purchase all goods, products, menu items, ingredients, foodstuffs, beverages, packaging materials, signage, furniture, fixtures, equipment, computer hardware and software, and small wares used to operate or furnish your Restaurant from approved suppliers who demonstrate the ability to meet our standards and specifications and whom we have approved in writing. In the operation of your Restaurant, you are required to use only displays, trays, boxes, bags, wrapping paper, labels, forms, and other paper and plastic products imprinted with our Proprietary Marks in accordance with our then-current standards and specifications. You may purchase items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our minimum standards and specifications. These standards and specifications will be set forth in the Manuals and may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands. We may modify these standards and specifications, as well as the other standards and specifications discussed in this Item 8, by providing you with written notification.

We may appoint only one supplier for any particular good or service, and we may designate ourselves or our affiliate as the only, or one of a limited number of, suppliers for any goods or services. Currently, neither we nor any of our affiliates are an approved or sole supplier of any goods or services. We will provide you with a list of approved suppliers, which we may update from time to time. In addition to approved suppliers, we may require you to buy your requirements of food, beverages, ingredients, and supplies from affiliated or third-party distributors. Some suppliers may require you to enter into a separate agreement with them.

In connection with your local marketing, you must use advertising, promotional, and marketing materials that we have prepared or approved, and you must use a national or regional advertising agency acceptable to us.

Except for certain officers' interest in us, none of our officers own an interest in any required or approved supplier, although we reserve the right in the future to designate, as an approved supplier, any supplier in which any of our officers owns an interest.

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, will range from 90% to 100% of the total cost of establishing your BDD Restaurant and approximately 90% to 100% of the total cost of operating your BDD Restaurant after that time.

Approval of Alternative Products, Services and Suppliers

If you desire to purchase any unapproved products or services or purchase any products or services from a supplier not previously approved, you must obtain our prior written approval. In determining whether to approve any products, services, or supplier, we consider various factors, including, for example: for products and services, those that meet our then-current standards and specifications, and for suppliers, suppliers who (i) can demonstrate the ability to meet Franchisor's then-current standards and specifications for such products and services; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; (iii) enable the network of BDD Restaurants to take advantage of marketplace efficiencies; and (iv) have been approved in writing by us prior to any purchases of such supplier's products or services by franchisees.

As a condition to granting approval for any unapproved products or services, or any products or services from an unapproved supplier, you must first submit to us a written request for such approval. We or our representatives may inspect the unapproved products or services, or in the case of an unapproved supplier, the supplier's facilities, and may require samples of the products be delivered, either to us or to an independent laboratory we designate for testing. For approval of suppliers, we may also require that the supplier comply with such other requirements we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees. If we elect to inspect the proposed supplier's facilities or test samples, you or the proposed supplier must pay a fee not to exceed the reasonable cost of the inspection and the actual cost of the test. We may reinspect from time to time the facilities and products or services of any approved supplier and revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. We must consent to your use of any supplier you propose and will make reasonable efforts to provide you with written notification of the approval or disapproval of any supplier you propose within thirty (30) days after written receipt of your request. For this approval or disapproval, you must reimburse us for our out-of-pocket expenses.

Computer System, Software and Other Technology

You must purchase, lease, license, and/or subscribe to solely from suppliers that we approve in writing (which may be us or our affiliate) a Computer System (as defined in Item 11 below) that meets our specifications, which are further detailed in Item 11, including any required hardware and software indicated in the Manuals. We may require that you purchase, lease, license, and/or subscribe to additional hardware, software, or other technology systems, services, or platforms we specify, meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf.

If we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. The current Technology Fee is \$650 per month. We currently require you to obtain or access our required management software and platform, intranet, digital phone line for your Restaurant, streaming music software, learning management system, and your Franchise email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the

Computer System or in the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.

Insurance

You must obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering the items specified in the Franchise Agreement and/or Manuals, including comprehensive general liability, fire, business income and extra expense, automobile liability, workers' compensation, commercial umbrella liability, property, products liability, cyber liability and employment practices. We may change the insurance coverages and policies we require from time to time. Each insurance policy must be issued by an insurance company or companies we approve, who must have an A.M. Best Rating of at least A-VII in the most recent Key Rating Guide published by the A.M. Best Company and who is licensed to do business in the state in which your Restaurant is located. These policies must be primary and non-contributory to any policies we might carry and include a waiver of subrogation in our favor. The policies must list us and our affiliates, and our and their officers, directors, employees, partners, members, subsidiaries, employees and agents as additional named insureds. The policies must provide that we will receive written notice of cancellation, material change, or non-renewal. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we may require, 30 days prior to commencement of any activities or operations pursuant to the Franchise Agreement, 30 days prior to the expiration or renewal of any such policy, on each anniversary of the effective date of the Franchise Agreement, and from time to time upon written request from us. If you do not provide proof of insurance to us as required under the Franchise Agreement, we may secure insurance for you and charge the cost to you. We require you to obtain the following coverages and amounts:

Insurance Policy Type	Required Coverage
Comprehensive General Liability	\$2 million aggregate for bodily injury liability and property damage/\$1 million per occurrence, with no exclusion for third-party delivery services or communicable diseases.
Fire	100% of replacement value of premises.
Business Income and Extra Expense	Amount required to pay for monthly rent reserved under lease or sublease for a limit of 50% of annual sales or 12 months actual loss.
Automobile Liability	\$1 million per occurrence for bodily injury and property damage, with no exclusion for delivery.
Workers' Compensation	\$1 million per accident/\$1 million by disease policy limit/\$1 million by disease each accident.
Commercial Umbrella Liability	Amount with limits which bring the total of all primary underlying coverages to \$3 million.
Property	Coverage for direct physical loss or damage to real and personal property for all risk perils.
Products Liability	\$1 million.
Cyber Liability	Amount we designate (currently \$1 million).

Insurance Policy Type	Required Coverage
Employment Practices	\$1 million for employment-related wrongful acts (including third-party coverage for harassment and discrimination of non-employees) and \$100,000 for third-party coverage and wage-and-hour defense costs.
Trade Name Restoration	\$500,000 to provide coverage for actual or alleged food borne illness outbreak or contamination event at any BDD Restaurant.
Other	Any other coverage required by federal, state, or municipal law.

Revenue from Franchisee Purchases

We and our affiliates do not currently derive revenue or other material consideration from required purchases or leases by franchisees; however, we and our affiliates may become an approved or required supplier and earn revenue from franchisees' required purchases or leases in the future. In the fiscal year ended December 31, 2025, neither we nor our affiliates derived revenue or other material consideration from required purchases or leases by franchisees.

We and our affiliates do not currently receive payments, rebates, commissions, marketing or promotional allowances, discounts, and/or other consideration from suppliers based on franchisees' purchases from such approved suppliers; however, we and our affiliates reserve the right to do so in the future. If that occurs, we and/or our affiliates may retain all of the rebates, payments, commissions, allowances, discounts, or other consideration we or they are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate.

Cooperatives

We currently have no purchasing or distribution cooperatives.

Negotiated Prices

We may negotiate purchase arrangements with our designated or approved suppliers, including price terms, for the benefit of the System, including us and company- or affiliate-owned Restaurants and franchised Restaurants.

Material Benefits

You do not receive any material benefits from us, other than prices that we may have negotiated, as a result of your use of our designated or approved suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other items of this Disclosure Document.

Obligation	Section in Franchise Agreement (FA)	Item(s) in Disclosure Document
a. Location selection and acquisition/lease	FA – 1.1, 1.2, Exhibit A – Identification of Franchisee and Exhibit B – Site Selection Addendum	7 and 11
b. Pre-opening purchases/leases	FA – 5.2	7, 8 and 11
c. Location development and other pre-opening requirements	FA – 5.1 and 5.2	5, 6, 7, 8 and 11
d. Initial and ongoing training	FA – 5.4	7 and 11
e. Opening	FA – 5.3	7 and 11
f. Fees	FA – 3	5, 6 and 7
g. Compliance with standards, policies and manuals	FA – 5	8 and 11
h. Trademarks and proprietary information	FA – 8, 9 and 10	13 and 14
i. Restrictions on products and services offered	FA – 5.12	16
j. Warranty and customer service requirements	FA – 5.4 and 5.6	Not Applicable
k. Territorial development and sales quotas	FA – 1 and Exhibit B – Site Selection Addendum	12
l. Ongoing product and service purchases	FA – 4 and 5.12	8
m. Maintenance, appearance and remodeling requirements	FA – 5.7–5.11	11
n. Insurance	FA – 11	6, 8
o. Advertising	FA – 6	11
p. Indemnification	FA – 16	Not Applicable
q. Owner’s participation, management and staffing	FA – 5.6 and 5.26	11 and 15
r. Records and reports	FA – 5.18 and 7	Not Applicable
s. Inspections and audits	FA – 5.17, 5.13 and 7.4	6
t. Transfer	FA – 12	6 and 17
u. Renewal	FA – 2	17
v. Post-termination obligations	FA – 14	17
w. Non-competition covenants	FA – 10 and Exhibit F – Non-Disclosure and Non-Competition Agreement	17
x. Dispute resolution	FA – 17	17

All individuals owning a direct or indirect interest in you must execute the Guarantee, Indemnification, and Acknowledgment, covering all of your obligations under the Franchise Agreement. We may also require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification and Acknowledgement. The current form of Guarantee, Indemnification, and Acknowledgement is attached to the Franchise Agreement as Exhibit E.

ITEM 10 FINANCING

Neither we nor any of our affiliates offer, directly or indirectly, any financing arrangements to our franchisees. We do not guarantee your notes, leases, or other obligations.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-opening Obligations

Before you open your BDD Restaurant, we will:

1. Provide a copy of our standard construction/build-out package, as we may modify from time to time, including plans and specifications, site criteria, and sample site plans. We will also provide you a copy of our specifications for the furniture, fixtures, furnishings, equipment, signs, and other property that we may specify for use in the Restaurant. You must adapt those plans and specifications, at your expense, for use at the location of the Restaurant designated in Exhibit A to the Franchise Agreement. (Franchise Agreement, Section 4.1)
2. Provide pre-opening training to your Operating Principal, General Manager, and you employees whom we approve, at such times and places we designate for our training programs, together with any ongoing training we may, from time to time, deem appropriate. (Franchise Agreement, Section 4.2)
3. Provide you pre-opening and opening supervision and assistance as we deem advisable. (Franchise Agreement, Section 4.3)
4. Loan to you or otherwise provide you access to our Manuals, which we may revise from time to time. (Franchise Agreement, Section 4.4)

We do not provide you with any assistance with respect to hiring or training your personnel.

Post-opening Obligations

During the operation of your BDD Restaurant, we will provide the following assistance:

1. Provide ongoing training as we deem appropriate during the term of the Franchise Agreement. (Franchise Agreement, Section 4.2)
2. Loan to you or otherwise provide you access to our Manuals, which we may revise from time to time. (Franchise Agreement, Section 4.4)
3. Provide you with merchandising, marketing and other related advice as we deem advisable and as we may develop from time to time. (Franchise Agreement, Section 4.5)

4. Provide periodic individual or group advice, consultation and assistance, rendered by personal visit, telephone, mail or e-mail from time to time as we deem advisable. (Franchise Agreement, Section 4.6)
5. Maintain the Brand Development Fund in accordance with the Franchise Agreement. (Franchise Agreement, Section 6.2).
6. Design, update and host the Website and provide you with a microsite designated for your Restaurant that you must prepare in accordance with our Manual. (Franchise Agreement, Section 5.20).
7. From time to time and in our sole discretion, invite you to our franchisee annual convention or convention. (Franchise Agreement, Section 5.4.5).
8. Periodically and in our sole discretion, specify minimum policy limits for certain types of insurance coverage and review, verify and/or approve proof of insurance and forms of additional insured endorsements. (Franchise Agreement, Section 11).
9. Provide you with access to any proprietary software programs as may be developed by us or on our behalf for use in the System in the future. (Franchise Agreement, Section 5.14).

Our individualized assistance to any franchisee (whether in person or by telephone, fax, or mail), is subject at all times to the availability of our personnel. All of our obligations under the Franchise Agreement are to you only.

We do not provide assistance with respect to: (i) establishing and using administrative, bookkeeping, accounting and inventory control procedures, or (ii) hiring or training your personnel.

Location Selection and Opening

We grant each BDD Restaurant franchise for a specific location. You will select the proposed location for your Restaurant. We generally do not own, or lease to you, the real estate for your location. We must approve the location for your Restaurant, and we may grant or withhold our consent of the location of the Restaurant at our sole option. If you have not obtained a location for the Restaurant at the time of execution of the Franchise Agreement, you must obtain a location for the Restaurant in accordance with the Site Selection Addendum, which will be executed at the time you execute your Franchise Agreement. The Site Selection Addendum will identify the geographic area in which you may search for a site (the “Site Selection Area”).

You will submit to us a site selection package containing all the information that we request relating to the location you propose, to obtain our approval for the proposed location. We may conduct on-site visits for any proposed site, but we are not obligated to do so. You will reimburse us for our reasonable expenses incurred in connection with all on-site visits, including travel, lodging, and meals. We will have 30 days after receipt of a complete site selection package and request for approval to approve or disapprove the proposed site. If we do not approve a proposed site by written notice within 30 days after receipt of all relevant information, the site will be deemed disapproved. The factors that we consider in approving your location include demographics of the market area for the location (including the population and income level of residents in the market area); size and other physical attributes of the location; tenant mix; proximity to residential neighborhoods; and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic. Within 60 days after we approve your proposed site, you must execute a lease (which will be coterminous with the term of the Franchise Agreement) or purchase

agreement regarding the site. Our acceptance of the site does not mean we believe your Restaurant will be successful at that location, and we do not guarantee the success of your Restaurant at the site that we provide our consent to. If you will lease the premises for the Restaurant, we must review the terms of the lease before you sign it. You are solely responsible for negotiating a lease for the premises. Our consent to any lease is conditioned upon the inclusion of our Addendum to Lease into the lease. If your landlord refuses to agree to our Addendum to Lease, we may disapprove the lease, in which case you must find a new site for your Restaurant. You must deliver a copy of the signed lease to us within fifteen (15) days of its completion.

We expect 6 to 24 months to elapse between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business. The factors affecting that length of time are expected to include time for obtaining financing arrangements, time for obtaining permits, construction time for the building and related improvements, local ordinance compliance, and delivery and installation of furniture, fixtures, equipment, and signs. If you have obtained an approved location for the Restaurant at the time of execution of the Franchise Agreement, you must open the Restaurant or business to the public within 180 days after the date you sign the Franchise Agreement. If you have not obtained a location for the Restaurant at the time you sign the Franchise Agreement, you must open the Restaurant 180 days from the later of our approval of the location for the Restaurant, or your access to the leased premises as permitted by your landlord under the lease. You may request an extension of these deadlines, which we may grant at our option, if you experience delays beyond your reasonable control in connection with obtaining necessary permits. Your failure to timely open will constitute an event of default under the Franchise Agreement, for which we may terminate your franchise.

Advertising and Promotion

The Brand Development Fund

We or our designee may establish a Brand Development Fund. We have no obligation to conduct advertising (or spend any amount on advertising in the area or territory where you are located), except through the Brand Development Fund once established. Once established, we or our designee will administer and maintain the Brand Development Fund as follows:

1. You must pay us a monthly Brand Development Fund contribution fee equal to 1% of the preceding month's Gross Sales. We may increase this contribution amount by up to 1% of Gross Sales per year, but in no event will the contribution amount exceed 5% of Gross Sales during the term of the Franchise Agreement.
2. We or our designee may direct all advertising programs conducted by the Brand Development Fund, including the concept, materials, and media used in the programs and the placement and allocation of the programs. The Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System; and we and our designee are not obligated, in administering the Brand Development Fund, to make expenditures for you which are equivalent or proportionate to your contribution, to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund.
3. The Brand Development Fund, and all contributions to and earnings from the Brand Development Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and/or conducting media advertising campaigns, social media campaigns, direct mail

advertising, marketing surveys and other public relations activities; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; creating menu boards, developing new or modified trade dress and marks; point of purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System, the Proprietary Marks and/or the “Franchise” brand; providing promotional and other marketing materials and services to the BDD Restaurants operated under the System; the salaries of Franchise employees to the extent such employees provide services in conjunction with System marketing activities; and all administrative and internal costs and expenses incurred in connection with the above. Media coverage may be national, regional, or local, and may be prepared by us in-house or by an advertising agency.

4. Although we intend to use the monies to develop advertising and marketing materials and programs and to place advertising that will benefit the entire network of BDD Restaurants, we have no obligation to use the contributions made from your Restaurant or from the Restaurants in your area for advertising in the area in which your Restaurant operates. We cannot assure you that your Restaurant will benefit directly or in proportion to your contribution.
5. The Brand Development Fund will not be audited. We are not required to keep Brand Development Fund segregated in a separate account and they may be commingled with general operating funds, however, we will account for it separately. After the Brand Development Fund has been established, we or our affiliate will prepare an unaudited annual statement of monies collected and costs incurred by the Brand Development Fund. We will furnish the statement to you upon your reasonable written request. Any unspent accrued Brand Development Fund for any calendar year will be used in the subsequent calendar years.
6. Although the Brand Development Fund is intended to be perpetual, we may terminate the Brand Development Fund at any time and we have no obligation to maintain the Brand Development Fund in perpetuity. If the Brand Development Fund is terminated, all unspent monies on the date of termination will be used for Brand Development Fund purposes.

As of December 31, 2025, we have not yet established a Brand Development Fund.

BDD Restaurants owned by us or our affiliates will contribute to the Brand Development Fund at the same rate as franchisees.

We will not use any portion of the Brand Development Fund for marketing that is principally a solicitation for the sale of franchises.

Grand Opening Program and Initial Marketing

In addition to your payment of the Brand Development Fund Fee and any expenditures for local advertising and promotion, you must spend at least \$10,000 (the “Grand Opening Program Amount”) for the Restaurant’s Grand Opening Program. If we require that you pay the Grand Opening Program Amount to us, we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program

for your BDD Restaurant. The Grand Opening Program will start approximately 60 days prior to the soft opening of your Restaurant and will generally be completed within 60 days after your Restaurant commences operation. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Restaurant. We estimate that you will spend \$10,000 to \$15,000 in connection with your Restaurant's grand opening.

Local Marketing Cooperative

We may establish a Local Marketing Cooperative for any geographic area in which a BDD Restaurant is located ("Local Marketing Cooperative"). If a Local Marketing Cooperative is established which encompasses your Designated Area, you will automatically and immediately become a member of the Local Marketing Cooperative and you will contribute up to 3% of the preceding month's Gross Sales to the Local Marketing Cooperative. Any amount you pay toward the Local Marketing Cooperative Fee will offset your obligation to spend the amount of Local Advertising up to 2% of Gross Sales, but if the amount you contribute to a Local Marketing Cooperative is less than the Local Advertising, you must still spend the difference locally. We may change, dissolve, or merge any Local Marketing Cooperative. The purpose of the Local Marketing Cooperative is to conduct marketing campaigns for the BDD Restaurants located in that geographic area.

You will not be required to be a member of more than one Local Marketing Cooperative for your BDD Restaurant. The following provisions will apply to each Local Marketing Cooperative (if and when organized):

1. Local Marketing Cooperatives will be organized and governed in the form and manner that we approve in advance. Unless we specify otherwise, the activities carried on by each Local Marketing Cooperative will be decided by a majority vote of its members. Each BDD Restaurant owner will be entitled to cast one vote for each BDD Restaurant owned.
2. Local Marketing Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising.
3. Local Marketing Cooperatives may not use advertising, promotional plans, or materials without our prior written approval, as described below.
4. You must submit your required contribution to the Local Marketing Cooperative at the same time as payments are required for royalties and the Brand Development Fund Contribution, together with the statements and reports that may be required by us or by the Local Marketing Cooperative, with our written approval. If we request in writing, you must submit your payments and reports for the Local Marketing Cooperative directly to us and we will distribute the money and reports to the Local Marketing Cooperative.
5. A violation of any Local Marketing Cooperative agreement will be a default under the Franchise Agreement. We are not required to prepare annual or periodic financial statements for the Local Marketing Cooperative. If we do prepare financial statements for the Local Marketing Cooperative they will be available for your review.
6. Although, if established, a Local Marketing Cooperative is intended to be of perpetual duration, we may terminate any Local Marketing Cooperative. A Local Marketing Cooperative will not be

terminated, however, until all monies in that Local Marketing Cooperative have been expended for marketing or promotional purposes or returned to its members.

Currently, we have not formed any Local Marketing Cooperatives. BDD Restaurants owned by us or our affiliates will contribute to the Local Marketing Cooperative if established in their geographic areas at the same rate as franchisees.

Local Advertising

You must spend at least \$2,000 or 2% of Gross Sales per month, whichever is greater, on Local Advertising. All of your local advertising and promotion must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements. You must comply with all of our written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Area, outside of the Designated Area, and in areas that may be territories assigned to other BDD Restaurants or franchisees (including, for example, rules regarding honoring of gift certificates and promotions). You may not use any marketing or promotional plans (either in connection with local advertising and promotion, or any Local Marketing Cooperative) that we have not approved in writing, as set forth below.

The term Local Advertising consists only of direct costs of purchasing and producing advertising materials (such as camera-ready advertising and point-of-sale materials), media (space or time), and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your Designated Area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. Local advertising and social engagement does not, however, include any of the following:

- (a) salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to your employees, including discount coupons;
- (b) charitable, political, or other contributions or donations, whether in cash or services unless otherwise approved;
- (c) the value of discounts given to consumers; or
- (d) the cost of food items.

Approval of Advertising Materials

For all proposed Local Advertising, you will submit samples of plans and materials to us for our review and prior written approval. If you do not receive written approval from us within 15 days after the date of our receipt of such samples or materials, we will be deemed to have disapproved the proposed Local Advertising. You may not use any advertising or promotional materials that we have not approved or disapproved. All advertising, promotion and marketing must be completely clear, factual and not misleading, conform to the highest standards of ethical marketing, and comply with the promotional policies we establish.

We have no obligation to conduct advertising, or to spend any amount on advertising, in your area or territory.

We reserve the right to require you to include certain language in your local advertising materials, such as “Franchises Available” and the addresses of our Website and phone number.

Marketing Council

We may establish a marketing council in the future, but have not done so as of December 31, 2025. We may form, change, dissolve, or merge any marketing council.

Pricing

We may provide advice and guidance to you regarding establishing prices. In addition, we reserve the right to establish minimum and/or maximum prices you may charge for products and services, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify. Subject to your compliance with any minimum and/or maximum prices we specify, you may determine your local pricing strategy and are not obligated to follow your advice or recommendations. (Franchise Agreement, Section 5.24)

Computer Systems

You will purchase or lease, and thereafter maintain, certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware to be used by, between, or among BDD Restaurants and us including: (a) back office and point-of-sale (“POS”) systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the “Computer System”). We and our affiliates are not currently a supplier of the Computer System, though in the future we may designate ourselves or our affiliate as an approved or sole supplier of the Computer System. You must comply with Franchisor requirements, specifications and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Franchisor may prescribe. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your Computer System is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your Computer System and determine the cost for these services.

We expect that the total cost to purchase or lease the Computer System will range from \$45,000 to \$58,500. In addition, you must pay us a monthly Technology Fee if we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us. The current Technology Fee is \$650 per month. We currently require you to obtain or access our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a BDD Restaurant email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access from or through us, or in our costs regarding such technology systems, services, platforms, and software.

You will be solely responsible for the cost of ongoing maintenance, updating, upgrading, and support contracts for the Computer System. Neither we, our affiliates, nor any third parties are responsible for such costs. We estimate your annual cost of maintenance, updating, upgrading, and support contracts related to

the Computer System will be at least \$750 to \$1,500. The precise cost of maintenance, updating, upgrading, and support contracts related to the Computer System cannot be estimated at this time because it will depend on, among other factors, your repair history, local costs of computer maintenance and service in your area, and technological advances that we cannot predict.

We may independently remotely access your computer at any time to retrieve and use data and information generated and stored in your Computer System, consult with you on problems you may be experiencing, and download information to update your software.

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, data related problems and attacks by hackers and other unauthorized intruders (“E-Problems”). We do not guarantee that information or communication systems we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-Problems. This may include trying to secure your Computer Systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

We are not obligated to provide or assist you in obtaining any of the above items or services.

Signs, Fixtures, Opening Inventory, and Supplies

Except as otherwise disclosed in this Disclosure Document, we and our affiliates are not approved or required suppliers for signs, fixtures, opening inventory, and supplies. We and our affiliates will not provide, deliver, or install any signs, fixtures, opening inventory, and supplies for your Restaurant. We will provide you with a list of approved suppliers. To the extent we have established standards and specifications for such items, we will provide our current standards and specifications for such items to franchisees and approved suppliers.

Remodeling and Upgrades

We may require you to remodel, replace and redecorate in and upon your premises and equipment as we may deem necessary, but no more than once the expiration of every 5-year period following the opening of the Restaurant for business with the public. The expenditure to remodel the Restaurant will be capped at \$150,000. You must also make, from time to time, the upgrades and other changes to the Computer System and electronic equipment utilized in the Restaurant as we may request in writing (“Equipment Upgrades”). The cost for such Equipment Upgrades will be determined solely by the manufacturer or support provider. We may require any Equipment Upgrades we deem necessary for your BDD Restaurant. Other than as stated in this paragraph or described in the Franchise Agreement or Manuals, there are no other limitations on our ability to require you to upgrade your BDD Restaurant.

BDD Restaurant Operations Manuals

We will provide you with a copy of our Manuals. The Manuals contain mandatory and suggested specifications, standards, operating procedures, programs, and rules we prescribe periodically, as well as information relative to your obligations under the Franchise Agreement and the operation of your BDD Restaurant. The Manuals is highly confidential, are on loan to you and remain our property. We may revise the Manuals from time to time by posting the revisions electronically or by letter, memorandum, bulletin, videotape, audiotape, diskette, CD ROM, electronic mail or by other written or electronic communication, including the Internet. You must abide by all revisions. The table of contents for our Manual is attached to this Disclosure Document as Exhibit G. The Manual contains 117 pages. You are prohibited from copying

or distributing the Manuals in any manner whatsoever. You must only use the information contained in the Manuals to manage and operate the Restaurant and may not use such information for any other purpose.

Training

You (or your Operating Principal or General Manager) and at least one other employee that attends our Initial Training Program must satisfactorily complete state and/or local mandated food handling training and be certified as having successfully completed the training prior to attending our Initial Training Program. At least three individuals must attend and successfully complete Franchisor's Initial Training Program: your Operating Principal, your full-time General Manager, and one other of your employees as approved by Franchisor (collectively, the "Franchisee's Principal Trainees"). We reserve the right to modify any aspect of our training program to accommodate the needs or experience of any individual trainee. As consideration for initial training for your Franchisee's Principal Trainees, you will pay us a Training Fee of \$5,000 upon execution of the Franchise Agreement. The Initial Training Program is held in Easton, Pennsylvania, or at another location we designate. The failure of your Franchisee's Principal Trainees to complete the Initial Training to our satisfaction will give us the right to terminate your Franchise Agreement. (Franchise Agreement – Section 13.2.3).

We may require the Franchisee's Principal Trainees to attend refresher or continuing courses, seminars, and other training programs as we may reasonably specify from time to time, including up to 20 days of refresher programs each year during the term of the Agreement. In addition, some of your Franchisee's Principal Trainees as Franchisor may require, may be required to attend Franchisor's annual or periodic conventions or conference, as applicable, for up to three days per year.

Except for the Training Fee, we do not charge a training fee payable for the above-described training. However, you must pay for all costs and expenses, like salaries, wages, supplies, rooms, meals and transportation for you, your managers, and each of your employees participating in the training program.

The following table summarizes the subjects taught during our initial training program:

TRAINING PROGRAM

Subject	Hours of Pre-Training	Hours of Classroom Training	Hours of On-the-job Training	Location
Introduction/Orientation	2	6	4	Virtual /Easton PA Training Facility
History / Philosophy of DCS	2	4	0	Virtual
Industry Breakdown	1	0	0	Virtual
Strategy/Goal Setting	2	2	2	Virtual
Franchise Compliance	8	4	2	Virtual
Restaurant Operations	4	4	12	Virtual /Easton PA Training Facility
Financial Management	2	2	4	Virtual /Easton PA Training Facility
Technology	2	4	12	Virtual /Easton PA Training Facility
Marketing	2	4	0	Virtual
Vendors/Suppliers	2	2	0	Virtual

Subject	Hours of Pre-Training	Hours of Classroom Training	Hours of On-the-job Training	Location
Customer Service	2	100	100	Virtual /Easton PA Training Facility
Grand Opening	2	2	0	Virtual
Reporting	2	3	2	Virtual /Easton PA Training Facility
Emergency Procedures	1	0	1	Virtual /Easton PA Training Facility
TOTAL	34	137	139	

Our training programs are overseen by Billy Kounoupis our Founder and CEO. Billy has 26 years of training, operations, and restaurant experience, and has been with Franchisor since our inception. We may use additional or substitute instructors as needed, in our discretion. The training materials include our Manuals and other written materials that will be provided. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees and other factors.

Remedial Training

You will be responsible for all of our expenses and costs including transportation and meals of our personnel if we determine, in our sole discretion, that we need to provide required training to your Owners, your Operating Principal or General Manager (1) because we determine it is necessary or appropriate, in our sole discretion, to protect the quality, integrity and/or reputation of the System, Proprietary Marks and/or Intellectual Property, including, without limitation, because you are in default of the Franchise Agreement or otherwise in violation of our System Standards; (2) because you fail to attend the annual conference; or (3) upon a change in your Operating Principal or General Manager. You will also pay us our then-current fee, which is currently \$500 per day. (Franchise Agreement, Section 5.4.4). Failure to attend any required Remedial Training is a default under the Franchise Agreement. We reserve the right to impose reasonable charges for training materials in connection with Remedial Training.

Additional Training

We may provide additional training requested by you at your Restaurant or within your Designated Area, subject to availability of personnel and other factors as we deem necessary and in our sole discretion. If we provide on-site training, you will pay us the then-current fee per trainer, currently \$500 per day, to conduct the on-Site training plus the trainers' travel, lodging, meals and applicable wages.

Annual Convention, Meeting & Conference

We may in our discretion also conduct seminars or hold annual meetings or conferences from time-to-time for the benefit of all franchisees. The current registration fee is \$249, and you must pay for all of your associated expenses, including the expense of salaries, travel, meals, lodging, and miscellaneous expenses of your personnel attending such conventions, meetings or conferences. Your failure to attend mandatory conventions, meetings or conferences will be treated as a default under the Franchise Agreement.

ITEM 12 TERRITORY

The Franchise Agreement grants you the right to operate one BDD Restaurant at or from a single physical premises, selected by you and approved by us, within the Designated Area, with certain non-exclusive rights as described below. If an approved location has not been identified when you execute the Franchise Agreement, a Site Selection Addendum to the Franchise Agreement will identify the geographic area in which you may search for a site (the “Site Selection Area”). The exact size of the Site Selection Area will be agreed upon by you and us before the Franchise Agreement is executed. Once determined and/or approved by us, we will list the Restaurant’s approved location and Designated Area (described below) on Exhibit A of the Franchise Agreement.

You are required to operate the Restaurant only at the location we approve. You may not operate the Restaurant or offer or sell any products or services at or from any location other than the approved location identified in Exhibit A of the Franchise Agreement. We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Area, under the Proprietary Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media or make sales outside of your physical premises located within the Designated Area, except as otherwise described in the Franchise Agreement. No restrictions exist that prevent us from soliciting or accepting orders from consumers inside your Designated Area in the same manner, and we will owe you no compensation if we do so. You may not relocate the Restaurant without our prior written consent. You must comply with our then-current site selection and construction standards.

Except as described below, we will grant you an area around the approved location of the Restaurant (the “Designated Area”). The Designated Area is the area described in Exhibit A to the Franchise Agreement, excluding Alternative Points of Distribution (defined below). The Designated Area will typically encompass a population of not less than 50,000 people, but the ultimate size of your Designated Area may vary from that of other franchisees based on various factors. We will determine the Designated Area based on several factors, including, among other factors, the population base; density of population; growth trends of population; the density of residential and business entities; traffic generators, driving times; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas.

We have not established conditions under which we will approve the relocation of your BDD Restaurant, or conditions under which we will approve your establishment of additional Restaurants. The Franchise Agreement does not grant you options, rights of first refusal, or similar rights to acquire additional Restaurants.

We may offer and sell goods and services through other channels of distribution, including the Internet, within the Designated Area, under the Proprietary Marks, or under different trademarks without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media or make sales outside of your physical premises located within the Designated Area, except as otherwise described in the Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

As long as you are in compliance with the Franchise Agreement, we will not operate or license others to operate a BDD Restaurant at a physical premises located within the Designated Area (subject to the reservations and limitations described below) during the term of your Franchise Agreement. Except as

expressly limited by the previous sentence, we and our affiliates retain all rights with respect to BDD Restaurants, other branded, co-branded, or multi-branded restaurants, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire. Specifically, we and our affiliates retain the following rights:

1. Advertise and promote the System within and outside of the Designated Area.
2. Develop, construct, operate, sell, license, franchise, and/or authorize others to sell BDD Restaurant menu items, foods, and other products to the public within the Designated Area, including the immediate area surrounding any BDD Restaurant location you submit to us for approval or any BDD Restaurant you establish, through restaurant outlets (whether mobile or fixed, permanent or temporary) located on military bases, institutional outlets (including, for example, college campuses, hospitals, and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, including (without limitation) Wal-Mart and Home Depot, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state (collectively referred to as “Alternative Points of Distribution”) and to use the System in connection with those Alternative Points of Distribution.
3. Operate, and license others to operate, BDD Restaurants at any location outside the Designated Area, including at locations that are adjacent to the Designated Area and despite the proximity of such Restaurants to the Designated Area or your Restaurant or their actual or threatened impact on sales at your Restaurant.
4. Offer and sell, and license others to offer and sell, any products or services (including those offered by your BDD Restaurant), under any marks (including the Proprietary Marks) outside of the Designated Area, and through any means (including through a BDD Restaurant).
5. Establish, operate, and license others to establish and operate, businesses other than BDD Restaurants, including other food-related businesses, which businesses may be identified by other trademarks, and which may offer or sell products and services that are the same as or similar to the products and services offered by BDD Restaurants, within and outside of the Designated Area and despite the proximity of such businesses to the Designated Area or your Restaurant or their actual or threatened impact on sales at your Restaurant.
6. Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Area.
7. Acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Area; (i) convert the other businesses to BDD Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing BDD Restaurants to such other name.
8. Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Designated Area to customers located within the Designated Area via take-out, catering, or delivery, including through an online ordering site or platform authorized by Franchisor.

9. Engage in any other activity, action or undertaking that Franchisor or its affiliates are not expressly prohibited from taking under the Franchise Agreement.

Neither we nor any affiliate currently operates, franchises, or plans to operate or franchise any business under a different trademark that sells or will sell goods or services similar to those of BDD Restaurants, but we and our affiliates have the right to do so under the Franchise Agreement.

We make no guarantees, promises, representations, statements or warranties that other franchisees will not advertise or market to customers within your Designated Area. We, in our sole discretion, may enforce the advertising and marketing restrictions indicated in this Item, but we are under no obligation to do so. Under no circumstances will we be liable to you if other franchisees market or advertise to customers within your Designated Area. Other franchisees may advertise and market within your Designated Area if the advertising or marketing is not specific to your Designated Area (for example, advertising in a newspaper with general circulation).

The continuation of your rights within the Designated Area under the Franchise Agreement does not depend on the achievement of a certain sales volume, market penetration, or any other contingency. The restrictions on our right to operate in your Designated Area do not apply to any BDD Restaurant existing or under development on the date the Franchise Agreement is signed. We are not required to pay you if we or our affiliates exercise any of the rights specified above inside or outside your Designated Area.

ITEM 13 TRADEMARKS

We grant you the right to operate a Restaurant under the name “Billy’s Downtown Diner” and to use the Proprietary Marks that we designate for the operation of your Regional Developer Business.

Our affiliate, IP Holdco owns the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”).

Our affiliate, IP Holdco registered with the U.S. Patent and Trademark Office (“USPTO”) the following Marks:

MARK	REGISTER	REGISTRATION DATE	U.S. TRADEMARK REGISTRATION NUMBER
BILLY’S DOWNTOWN DINER	Principal	June 12, 2018	5490560
NOT YOUR ORDINARY DINER	Principal	March 11, 2008	3394905
NOT YOUR ORDINARY CAFE	Principal	August 15, 2023	7139550

At the appropriate times, IP Holdco intends to renew the registration and to file all appropriate affidavits. There are no determinations of the USPTO or any Trademark Administrator or court, nor any pending interference, opposition or cancellation proceeding or any pending material litigation involving such Marks.

We will also license to you the right to use the below logo:



We do not have a federal registration for the above logo. Therefore, these Marks do not have as many protections as a federally registered trademark. If our right to use the Mark is challenged, you may have to change to an alternative trademark.

Use of the Proprietary Marks

IP Holdco has licensed to us the non-exclusive right to use, and sublicense the use of, the Marks, Intellectual Property, and System in connection with the development and operation of a franchise system offering Regional Developer Businesses and Billy's Downtown Diner Restaurants pursuant to a license agreement effective as of January 5, 2025 (the "License Agreement"). The License Agreement is for a term of 99 years unless IP Holdco or us terminates the License Agreement. Either party may terminate the License Agreement by written notice to the other if a material breach of the License Agreement occurs and is not cured within 30 days after the non-breaching party gives the breaching party notice of the breach. If the License Agreement is terminated, any then-existing franchise agreements will continue for the duration of their terms, provided that the franchisees comply with all other terms of their franchise agreements. The License Agreement contains no other material limitations. There are no other agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes, or other commercial symbols in any manner material to the franchise.

With the exception of the license with IP Holdco described above, there are no agreements currently in effect that significantly limit our rights to use or license the use of such Marks in a manner material to the Franchise. There are no infringing uses actually known to us which could materially affect your use of the Marks.

Infringements

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. As between you and us, we have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. As between you and us, we also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We have no obligation to protect or defend your right to use the Proprietary Marks or protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks, although we intend to do so when in the best interest of the System. If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and do the things as may, in our counsel's opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the

result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Regional Developer Agreement, we will reimburse you for your out-of-pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Regional Developer Agreement, then you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement. We do not have to indemnify you against, or reimburse you for, any damages in any proceeding arising out of the use of any name or Proprietary Mark or for any costs incurred by you in the defense of any of those claims.

Changes to the Proprietary Marks

We may substitute different marks for use in identifying the System and the businesses operating under it. You must bear the costs of modifying your signs and advertising materials to conform to our new Proprietary Marks as a result of this substitution.

We are not aware of superior prior rights to, or infringing uses of, the Proprietary Marks that could materially affect your use of the Proprietary Marks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Copyrights

We or our affiliate, claim copyright protection in our Manuals, related materials, service materials, advertising materials and related items (the "Copyrighted Materials"). We may further register, develop, change, cancel, enhance or modify Copyrighted Materials at any time. We have not registered any Copyrighted Materials with the United States Registrar of Copyrights.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the Copyrighted Materials. We have no agreements in effect that significantly limit our right to use or license the use of our Copyrighted Materials. Furthermore, there are no infringing uses actually known to us that could materially affect your use of our Copyrighted Materials in any state. We have no obligation to protect or defend our Copyrighted Materials or confidential information, although we intend to do so when in the best interest of the System.

If we decide to add, modify or discontinue the use of a Copyrighted Material, you must also do so. We are not obligated to reimburse you for any costs of complying with this obligation. You do not have the right to take any action to enforce or defend any rights associated with the Copyrighted Materials. However, you must promptly notify us in writing if you become aware of any infringement of our copyrights, or if any infringement claims are made against you in connection with your use of the Copyrighted Materials or for expenses, costs and damages in actions involving Copyrighted Materials. We will then decide, in our sole discretion, what action, if any, will be taken. In the event that we engage in any litigation in the defense or prosecution of the Copyrighted Materials, we will bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Regional Developer Agreement's restrictions on the use of the Copyrighted Materials. Except for the costs and expenses incident to litigation just described, we have no obligation under the Regional Developer Agreement to protect you against, participate in your defense of, or reimburse you for, any damages for which you are held liable in any proceeding arising out of your use of the Copyrighted Materials. You agree to execute any and all documents and do such acts and things as may be necessary or desirable, in the sole opinion of our legal counsel, to carry out such defense or prosecution. You are not entitled to any compensation as a result of the discontinuation or modification

of any of the Copyrighted Materials as a result of any proceeding or settlement. If you elect to be represented by personal legal counsel in connection with any proceeding involving the Copyrighted Materials, you will bear the fees, expenses, and other costs associated with such personal legal counsel.

Patents

We hold no patents material to the BDD Restaurant.

Confidential Information

During the term of the Franchise Agreement, you will receive information that we consider to be our trade secrets and confidential information, including confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of your BDD Restaurant, which may be communicated to you or which you may be apprised of by virtue of your operation under the terms of the Franchise Agreement (“Confidential Information”). You may only divulge Confidential Information to your owners, directors, members, officers, managers, or employees as must have access to it in order to operate your BDD Restaurant.

You may not use our and our affiliate’s Confidential Information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others. Your right to use those materials continues as long as the Franchise Agreement remains in effect. Your employees who may have access to our Confidential Information must sign a confidentiality agreement. Our current form of confidentiality agreement is attached to the Franchise Agreement as Exhibit F. You will be liable for any unauthorized disclosure of our Confidential Information by your principals, employees, and agents. Upon expiration, non-renewal, or termination of a Franchise Agreement, you must immediately stop using the Confidential Information in any business or otherwise and must return all proprietary or confidential materials to us.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require you to participate personally in the direct operation of your BDD Restaurant, but we do recommend it. In any case, your designated Operating Principal must be approved by us and must supervise and participate personally in the day-to-day operations of your BDD Restaurant. Your designated Operating Principal or your designated General Manager and you must attend and satisfactorily complete the Initial Training Program conducted by us as described in Item 11. To ensure a consistent brand experience, we require that the person responsible for the direct operation of the franchise (1) have at least five years of management experience in the operation of a quick service restaurant (or, if you or your affiliate operates at least one BDD Restaurant as of the effective date of the Franchise Agreement, the Operating Principal of your BDD Restaurant must have at least two years of management experience in the operation of a quick service restaurant), (2) have an equity interest of at least 5% in the business, if you are a legal entity, and (3) live no more than a two-hour drive from your Restaurant. You will control and be solely responsible for the day-to-day operation of your Restaurant and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

We may require that you and each person who is actively involved in the operation of the franchise, including the manager, execute an agreement in the form provided by us, under which each agree not to divulge any of our trade secrets or confidential or proprietary information, including the contents of any of our manuals, or to participate in or have any interest in any competitive business.

If you operate as a legal entity, we will require all of your owners to execute the personal guaranty of your obligations attached to the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products you use or sell at the BDD Restaurant must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Restaurant.

You must offer and sell only the menu items, products, and services that we have expressly approved in writing. You may not offer for sale any products or perform any services that we have not authorized previously in writing, and you must stop selling any menu items, products, or services that we disapprove in writing. We may change the types of authorized products and services, without limitation. There is no limit on our right to add or remove items from our standard menu, and you must promptly comply with any changes that we make to the menu. You must prepare all menu items using the procedures for preparation contained in our Manuals or other written instructions. You must not use or offer nonconforming items unless we first give you our prior written consent.

We do not restrict whom you may serve. You must open and operate the Restaurant during the hours we specify in the Manuals or otherwise in writing.

You must participate in all market research programs that we require, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not install and offer vending machines, ATM machines, or other activities (such as cigarette machines, pool, darts, gambling activities, video games, slot machines, and other gaming devices) unless we have given our prior written consent to you to do so. We reserve the right to require you to use specified game consoles, vending machines, jukeboxes, or other entertainment devices or services that we designate.

We reserve the right to require you to only play such music and video programming at your Restaurant that we have designated in the Manuals or approved in writing. We reserve the right to require you to subscribe to specific music and television offerings at your Restaurant that we designate, including designated playlists, streaming services, specific television packages, premium channels, and/or other customized content distribution.

We reserve the right to establish minimum and/or maximum prices you may charge for food and beverage products, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify.

We may change, supplement, improve, or modify the System at any time, as we deem appropriate. These changes may include, among others, the adoption and use of new or modified products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. You must, upon reasonable notice, accept, adopt, implement, use, and display any change to the System we may make, at your expense. There are no limits on our right to make changes.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following table lists certain important provisions of the Franchise Agreement pertaining to renewals, terminations, transfers and dispute resolutions. You should read those provisions in the Franchise Agreement attached as Exhibit C to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	2.1	The initial term expires 10 years after the effective date of the Franchise Agreement.
b. Renewal or extension of the term	2.2	One additional term, which will be the lesser of (a) 10 years or (b) the remaining term of the lease for the Restaurant premises.
c. Requirements for you to renew or extend	2.2.1–2.2.9	Renewal means the right to sign a successor franchise agreement to remain a franchisee. Requirements for renewal include: No default may exist under the existing agreement; you must provide notice of renewal at least 12 months in advance; you must sign our then-current franchise agreement, which may contain materially different terms and conditions; you must sign a general release (<i>see Exhibit F</i>); you must satisfy all monetary obligations to us; you must pay a renewal fee; and you must present evidence that you have the right to remain in possession of the premises of the Restaurant for the duration of the renewal term (or obtain our approval of new premises for the duration of the renewal term). We also may require that you remodel your Restaurant and complete additional training.
d. Termination by you	Not Applicable	Not Applicable, provided franchisee may terminate under any grounds permitted by law.
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	13	We may terminate upon default.
g. “Cause” defined – defaults which can be cured	13.3	You have 30 days to cure operational defaults and 5 days to cure monetary defaults.
h. “Cause” defined – defaults which cannot be cured	13.1–13.2	The term “cause,” among other defaults, includes danger to health or safety; bankruptcy; assignment for the benefit of creditors; felony conviction; repeated violations; execution of levy not discharged within five days; attachment of property;

Provision	Section in Franchise Agreement	Summary
		failure to obtain approval of the site for your Restaurant; failure to repair or renovate your Restaurant premises; failure to complete initial training; abandonment of your Restaurant; fraud; unauthorized transfer; failure to comply with non-compete and confidentiality obligations; default under lease or sublease for your Restaurant; abandoning or failing to operate the Restaurant for three (3) consecutive business days; and unsatisfied final judgments of \$10,000 or more for 30 days or longer, and default under any other agreement between you and us or our affiliates.
i. Your obligations on termination and non-renewal	14	Among other obligations, you must cease to operate your Restaurant, pay amounts due, cease the use of our System and Proprietary Marks, return our manuals, de-identify the Restaurant, and comply with the post-term covenant not to compete.
j. Assignment of contract by us	12.1	The Franchise Agreement has no restriction on our right to assign.
k. “Transfer” by you – definition	12.3	The term “transfer” includes the transfer of the Franchise Agreement, the Restaurant’s assets, the leases or interest in the Restaurant, or any interest in you.
l. Our approval of transfer by you	12.4	We have the right to approve all transfers; we will not withhold our consent unreasonably.
m. Conditions for our approval of transfer	12.4	Among other conditions, no default may exist and you pay all amounts due, sign a general release and pay a transfer fee. The transferee must complete our training and meet all of our qualifications and other requirements and sign our then-current form of franchise agreement.
n. Our right of first refusal to acquire your business	12.6	We have an option for 30 days to purchase on the same terms and conditions offered to the third party.
o. Our option to purchase your business	14.1.7 and 14.1.8	We have an option to acquire the leases to, or the right to acquire, the premises upon the termination or expiration of your Franchise Agreement. We have an option to purchase any or all of your business’s equipment or inventory related to the operation of the Restaurant upon the termination or expiration of your Franchise Agreement.
p. Your death or disability	12.7 and 12.8	Within six months of your death or disability, your interest in the Franchise Agreement, or in you, must be transferred to a third party whom we approve.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	10.5	You cannot divert business to a competitor. You cannot operate any “ <u>Competitive Business</u> ,” which means any quick service, fast food, or fast casual dining restaurant or food service establishment for which twenty-five percent (25%) or more of its menu entrees feature fried chicken (including, without limitation, fried chicken sandwich, wrap, or burrito menu items) or for which such menu items account for twenty-five percent (25%) or more of its gross sales (subject to state law).
r. Non-competition covenants after the franchise terminates or expires	10.6	For a period of two years, you cannot operate a Competitive Business within two miles of your original location or any other existing BDD Restaurant (subject to state law).
s. Modification of the agreement	23	No changes to agreement can take place unless mutually agreed to in writing, except we can unilaterally modify the Manual and System.
t. Integration / merger clause	23	Only the written terms of the agreement and exhibits bind the parties (subject to applicable state law). However, nothing in the Franchise Agreement will exclude any representations we make in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	17	The parties must arbitrate any controversy or claim, except that either party may file for temporary or preliminary injunctive relief, a restraining order, or order of specific performance, including, without limitation, injunctive relief pertaining to the use of the System, Proprietary Marks and Confidential Information.
v. Choice of forum	17.2 and 17.3	All litigation and arbitration must take place in Lehigh County, Pennsylvania, subject to applicable state law. <i>See Exhibit D.</i>
w. Choice of law	17.1	Delaware law applies, subject to applicable state law. <i>See Exhibit D.</i>

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote BDD Restaurant franchises.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance

information that differs from that included in Item 19 may only be given if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dr. Benjamin C. Litalien, CFE, 10 E Broad St., Bethlehem, PA, 18018 benl@bddfranchise.com and 866-BILLYS-0, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS 2023 TO 2025**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company-Owned	2023	2	2	0
	2024	2	2	0
	2025	2	2	0
Total Outlets	2023	2	2	0
	2024	2	2	0
	2025	2	2	0

**TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR FISCAL YEARS 2023 TO 2025**

State	Year	Number of Transfers
All States	2023	0
	2024	0
	2025	0
Totals	2023	0
	2024	0
	2025	0

TABLE NO. 3
FRANCHISED OUTLETS STATUS SUMMARY
FOR FISCAL YEARS 2023 TO 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Totals	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0

TABLE NO. 4
COMPANY-OWNED OUTLETS STATUS SUMMARY
FOR FISCAL YEARS 2023 TO 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At End of Year
Pennsylvania	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Totals	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2

TABLE NO. 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2025

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	0	1	0
Indiana	0	1	0
Texas	0	1	0
Totals	0	3	0

Our fiscal year ends on December 31st.

Lists of Current and Former Franchisees

Exhibit E to this Disclosure Document reflects the name of each of our franchisees and the address and telephone numbers of their businesses as of December 31, 2025. Exhibit E also reflects the name, city, state, and current business telephone number of every franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, not renewed, or transferred within the last fiscal year ended December 31, 2025, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

Trademark-Specific Franchisee Organizations

We know of no active franchisee organization associated with the System.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit B to this Disclosure Document is audited financial statements dated May 11, 2026 for the period from January 1, 2025 to December 31, 2025 and January 1, 2024 to December 31, 2024 of All American Hospitality Group, LLC, our parent company. All American Hospitality Group, LLC has guaranteed our performance with you. A copy of the Guaranty of Performance is included in Exhibit B. Our fiscal year end is December 31 of each year. We have not been in business for three or more years and therefore cannot provide all of the financial statements otherwise required to be disclosed in this Item.

ITEM 22 CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C	Franchise Agreement
Exhibit D	State Specific Addenda
Exhibit F	Form of General Release

ITEM 23 RECEIPTS

Exhibit I of this Disclosure Document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return the other signed copy of the Receipt to us. The Receipt contains the names of our franchise sellers.

EXHIBIT A
TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677 www.dfpi.ca.gov Ask.DFPI@ca.gov
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222
New York (Agent)	New York Secretary of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Dakota	North Dakota Insurance & Securities Department	600 East Boulevard Avenue, Dept. 401 Bismarck, ND 58505 701-328-2910
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

EXHIBIT B
TO THE FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

GUARANTEE OF PERFORMANCE

For value received, All American Hospitality Group, LLC, a Pennsylvania limited liability company (the "Guarantor"), located at 10 E Broad Street, Bethlehem, PA 18018, absolutely and unconditionally guarantees to assume the duties and obligations of Billy's Downtown Diner Franchise LLC located at 10 E Broad Street, Bethlehem, PA 18018 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. This Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee on the 17 day of May, 2026.

Guarantor:

All American Hospitality Group, LLC

By: _____

Name: Billy Kounoupis

Title: CEO

All American Hospitality Group, LLC

**Independent Auditor's Report
And
Financial Statements
December 31, 2025 and 2024**

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Metwally CPA PLLC**CERTIFIED PUBLIC ACCOUNTANT**

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Independent Auditor's Report

To the members of

All American Hospitality Group, LLC

Opinion

We have audited the accompanying financial statements of All American Hospitality Group, LLC (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 4 to the financial statements, the Company has extensive transactions and relationships with its affiliates. Accordingly, the accompanying financial statements may not be indicative of the results of operations that would have been achieved if the Company had operated without such affiliations. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in note 5 to the financial statements, the Company has a net loss for the years ended December 31, 2025 and 2024 of \$262,767 and \$86,263, respectively. As of December 31, 2025 and 2024 the Company also has a low liquidity level in comparison to its short-term obligation. This raises substantial doubt about its ability to continue as a going concern. Management's plan in this regard is also described in note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, which raises substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, which raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Metwally CPA PLLC

Metwally CPA PLLC
Flower Mound, Texas
May 11, 2026

All American Hospitality Group, LLC
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 548	\$ 828
Total Current Assets	548	828
Total Assets	\$ 548	\$ 828
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,810	\$ -
Due to related parties	401,598	164,138
Total Current Liabilities	413,408	164,138
Total Liabilities	413,408	164,138
Members' Equity (Deficit)		
Members' equity (deficit)	(412,860)	(163,310)
Total Members' Equity (Deficit)	(412,860)	(163,310)
Total Liabilities And Members' Equity (Deficit)	\$ 548	\$ 828

The accompanying notes are an integral part of the financial statements.

All American Hospitality Group, LLC
Statements of Operations
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>
Operating Expenses		
Legal and professional	187,558	59,448
General and administrative	44,626	9,285
Marketing and advertising	30,583	17,530
Total Operating Expenses	<u>262,767</u>	<u>86,263</u>
Net Income / (Loss)	<u>\$ (262,767)</u>	<u>\$ (86,263)</u>

The accompanying notes are an integral part of the financial statements.

All American Hospitality Group, LLC
Statements of Members' Equity (Deficit)
Years Ended December 31, 2025 and 2024

Members' Equity (Deficit) At December 31, 2023	\$ (87,047)
Net income (loss)	(86,263)
Members' contributions	10,000
Members' Equity (Deficit) At December 31, 2024	\$ (163,310)
Net income (loss)	(262,767)
Members' contributions	13,217
Members' Equity (Deficit) At December 31, 2025	\$ (412,860)

The accompanying notes are an integral part of the financial statements.

All American Hospitality Group, LLC
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Net income / (loss)	\$ (262,767)	\$ (86,263)
Adjustments to reconcile net income to net cash provided by operating activities		
Change in assets and liabilities		
Accounts payable and accrued liabilities	11,810	(4,340)
Due to related parties	237,460	80,812
Net Cash Flows Provided By (Used In) Operating Activities	(13,497)	(9,791)
Cash Flows From Investing Activities		
Net Cash Flows Provided By (Used In) Investing Activities	-	-
Cash Flows From Financing Activities		
Members' contributions	13,217	10,000
Net Cash Flows Provided By (Used In) Financing Activities	13,217	10,000
Net Change In Cash And Cash Equivalents During The Year	(280)	209
Cash and cash equivalents - beginning of the year	828	619
Cash And Cash Equivalents - End of The Year	\$ 548	\$ 828

The accompanying notes are an integral part of the financial statements.

All American Hospitality Group, LLC
Notes to Financial Statements
December 31, 2025 and 2024

1. COMPANY AND NATURE OF OPERATIONS

All American Hospitality Group, LLC (the "Company") was established in Pennsylvania on January 1, 2015. The Company is the holding company for Billy's Downtown Diner Franchise, LLC, a subsidiary formed specifically for the purpose of offering franchise opportunities. The Company provides a guarantee of performance for Billy's Downtown Diner Franchise, LLC, which grants qualified individuals the right to operate fast-casual, sit-down restaurants under the name "Billy's Downtown Diner".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

A. Basis of Accounting

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

B. Cash and Cash Equivalents

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

C. Federal Income Taxes

The Company has elected to be taxed for U.S. Federal, and to the extent applicable, U.S. State purposes under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, federal income tax liabilities relating to the Company's profits are the stockholders' responsibility; therefore, no provision has been made for federal income taxes.

D. Concentration of Credit Risk

The Company maintains cash and cash equivalents with major financial institutions. At various times during the years, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

E. Use of Estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

F. Advertising and Marketing

Advertising and marketing costs are charged to operations in the years incurred.

G. Revenue Recognition

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark, and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following various sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned overtime as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales, less any amount paid towards sales tax, payable monthly.

Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized as expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The Company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

H. Recent Accounting Pronouncements

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meets the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments. ASU 2016-13, along with subsequent clarifications and improvements (collectively, ASC 326), replaces the incurred loss impairment methodology in prior U.S. GAAP with a methodology that instead reflects a current estimate of all expected credit losses on financial assets, including receivables. ASC 326 requires that the Company measure and recognize expected credit losses at the time the asset is recorded, while considering a broader range of information to estimate credit losses including country specific macroeconomic conditions that correlate with historical loss experience, delinquency trends, and aging behavior of receivables, among others. ASC 326 is effective for the Company since inception. There was no impact on the Company's financial statements as a result of the implementation of this standard.

3. CASH AND CASH EQUIVALENTS

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2025 and 2024, the Company's cash balance didn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. As of December 31, 2025 and 2024, the Company had \$548 and \$828 in cash in its bank accounts, respectively.

4. RELATED PARTY TRANSACTIONS

At December 31, 2025 and 2024, the Company had a payable to the related party in the amount of \$401,598 and \$164,138, respectively which resulted from non interest bearing loans and various intercompany transactions. These amounts are presented in the accompanying balance sheets as follows:

	<u>2025</u>	<u>2024</u>
John Jaendl, Co-Founder	\$ 275,349	\$ 115,022
William Kounoupis, Co-Founder	39,979	4,475
Center Valley Hospitality, LLC	29,699	14,464
East Broad Enterprises, LLC	50,633	24,266
Kounoupis Organization	5,938	5,913
	<u>\$ 401,598</u>	<u>\$ 164,138</u>

5. LIQUIDITY RISK

As shown in the accompanying financial statements, the Company had a net loss for the years ended December 31, 2025 and 2024 of \$262,767 and \$86,263, respectively. The Company also has a low liquidity level in comparison to its short-term obligations, negative cash flow from operation, and working capital deficiencies. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence. Management's plans in connection with such concerns include implementing operations modification anticipated to increase efficiency and reduce operation costs. In addition, management is working on various efficiencies to generate sales and increase profitability. The Company's members are also capable and willing of contributing more funds if needed. The Company's members have guaranteed the ongoing operation of the Company for the next twelve months.

6. ADVERTISING EXPENSES

Advertising costs for the years ended December 31, 2025 and 2024 were \$30,583 and \$17,530. These costs were expensed as incurred.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2026, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

EXHIBIT C
TO THE FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT



BILLY'S DOWNTOWN DINER FRANCHISE LLC

FRANCHISE AGREEMENT

NAME:

DATE:

FRANCHISE NO.:

DESCRIPTION:

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Exhibits:

Schedule I - List of Minimum Insurance

- A Identification of Franchisee
- B Site Selection Addendum
- C Authorization Agreement for Prearranged Payments (Direct Debits)
- D Statement of Ownership Interests
- E Guarantee, Indemnification, and Acknowledgment
- F Non-Disclosure and Non-Competition Agreement
- G Addendum to Lease

FRANCHISE AGREEMENT

Billy's Downtown Diner Franchise LLC, a Delaware limited liability company ("Franchisor") and the undersigned (the "Franchisee") enter into this Franchise Agreement (together with all appendices, schedules, exhibits, and ancillary agreements signed in connection with the grant of the Restaurant defined below and described herein, collectively referred to as the "Agreement") as of the ____ day of _____, 20__ (the "Effective Date").

RECITALS

A. Franchisor, as the result of the expenditure of significant time, skill, effort and money, has developed a distinctive and proprietary system (the "System") for establishing and operating restaurant businesses, which specialize in the sale of scratch-made omelets, benedicts, melts, bowls, French toast, pancakes, wraps, sandwiches, salads, burgers and other breakfast, lunch and brunch menu items, side items, beverages, and such additional or alternate menu and other items as Franchisor may designate from time to time for on-premises and off-premises consumption ("Menu Items");

B. The distinguishing characteristics of the System include, among other things: one or more specially-designed buildings or facilities for restaurant operations with specified site furniture, fixtures, kitchen display systems and equipment; site selection and layout criteria; distinctive interior and exterior design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for restaurant operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which Franchisor may change, improve, and further develop at its option from time to time;

C. Franchisor identifies the System by means of certain licensed trade names, service marks, trademarks, logos, slogans, taglines, product names, emblems, and indicia of origin, including the marks "Billy's", "Billy's Downtown Diner" and "Not Your Ordinary Diner" and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated) by Franchisor in writing for use in connection with the System, in each case whether registered or unregistered and including all similar or equivalent rights relating to the BDD Restaurant and the System (the "Proprietary Marks"). Franchisor uses such Proprietary Marks in order to identify for the public the source of products and services marketed thereunder and under the System, and to represent the System's high standards of quality, appearance, and service;

D. Franchisor is in the business of franchising others to operate restaurants that sell Menu Items and products and services that Franchisor designates under the System and the Proprietary Marks (each a "BDD Restaurant") and Franchisee desires to operate a BDD Restaurant and to receive the training and other assistance provided by Franchisor in connection therewith; and

E. Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with Franchisor's standards and specifications.

Now, therefore, in consideration of the foregoing and of the covenants contained in this Agreement, the parties agree as follows:

1. GRANT

1.1 Grant of Rights. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Franchisee the right, and Franchisee accepts and undertakes the obligation, to: (a) operate one (1) BDD Restaurant under the System (the “Restaurant”); (b) to use, only in connection with the Restaurant, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) and to do so only at or from a physical premises located within the Designated Area (defined below in Section 1.2) at the location specified in Exhibit A. If, at the time of execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and approved by Franchisor, Franchisee shall lease, sublease, or acquire a site for the Restaurant, subject to Franchisor’s written consent in accordance with the Site Selection Addendum attached as Exhibit B (the “Site Selection Addendum”). Franchisee shall not relocate the Restaurant without Franchisor’s prior written consent. Franchisor shall grant or withhold consent of the location of the Restaurant under this Section 1.1, at its sole option. In connection with Franchisor’s consent to the location, Franchisee shall execute, and cause the landlord to execute, the Addendum to Lease appended hereto as Exhibit G. Franchisee acknowledges and agrees that Franchisor’s consent to Franchisee’s proposed location, under this Section 1.1 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Franchisor of any kind.

1.2 Designated Area. Except as otherwise described in this Agreement, for so long as Franchisee is in full compliance with this Agreement, Franchisor will not, during the term of this Agreement, operate or license others to operate a BDD Restaurant at a physical premises located within the Designated Area. “Designated Area” shall mean the area described in Exhibit A, with the exception of any outlet that is defined in this Agreement as an Alternative Point of Distribution (defined below) that is developed, constructed, operated, merchandised, sold, licensed, and/or franchised to others by Franchisor to sell Menu Items, products, and services to the public within the Designated Area, as may be revised in accordance with Section 1.2.2 hereof. “Alternative Point(s) of Distribution” shall mean any outlet described in Section 1.2.2 of this Agreement. Franchisor retains all other rights not expressly granted in this Agreement. Without obligation to Franchisee, Franchisor and its affiliates may, among other things, and regardless of proximity to or economic impact upon the Restaurant:

1.2.1 Advertise and promote the brand and System within and outside of the Designated Area;

1.2.2 Sell or authorize others to sell Menu Items, products, and services to customers within and outside the Designated Area through Alternative Points of Distribution, which include outlets (whether mobile or fixed, permanent, or temporary) located on military bases, institutional outlets (including college campuses, hospitals and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, including Wal-Mart and Home Depot, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or other transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state, or any other outlet and to use the System in connection with those Alternative Points of Distribution;

1.2.3 Operate, and license others to operate, Restaurants at any location outside the Designated Area, including at locations that are adjacent to the Designated Area and despite the proximity of such Restaurants to the Designated Area or Franchisee’s Restaurant or their actual or threatened impact on sales at Franchisee’s Restaurant;

1.2.4 Offer and sell, or license others to offer and sell, any products or services (including those offered by the Restaurant), under any marks (including the Proprietary Marks) outside of the Designated Area, and through any means (including through a BDD Restaurant);

1.2.5 Establish, operate, and license others to establish and operate, businesses other than BDD Restaurants, including other food-related businesses, which businesses may be identified by other trademarks and/or may offer or sell products and services that are the same as or similar to the products and services offered by BDD Restaurants, within and outside of the Designated Area and despite the proximity of such businesses to the Designated Area or Franchisee's Restaurant or their actual or threatened impact on sales at Franchisee's Restaurant;

1.2.6 Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Designated Area;

1.2.7 Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Designated Area; (i) convert the other businesses to BDD Restaurants, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing BDD Restaurants to such other name. Franchisee agrees to participate at Franchisee's expense in any such conversion as may be required by Franchisor and to waive any claims, demands or damages arising from or related to the loss of the "BDD Restaurant" name, the Proprietary Marks (or any variation thereof) and the System and/or the loss of association with or identification of BDD Restaurant under this Agreement;

1.2.8 Offer and sell, and authorize others to offer and sell, products from Restaurants located outside the Designated Area to customers located within the Designated Area via take-out, catering, or delivery, including through an online ordering site or platform, such as UberEats, Grubhub, DoorDash, SkiptheDishes, Postmates, Chownow, Seamless, Deliveroo, or other third party delivery service providers such as Postmates and Amazon Restaurants, authorized by Franchisor; and

1.2.9 Engage in any other activity, action, or undertaking that Franchisor or its affiliates are not expressly prohibited from taking under this Agreement.

1.3 No Right to Subfranchise. Franchisee may not subfranchise, sublicense, or relicense to others any right to use the System or the Proprietary Marks.

1.4 Goodwill and Franchisor Name. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title or interest in and to the System. Any and all goodwill associated with the System or Proprietary Marks shall inure exclusively to Franchisor's benefit; and, upon the expiration or termination of this Agreement for any cause whatsoever, Franchisor shall not have any obligation to pay any money for any goodwill associated with Franchisee's use of the System. Franchisee shall not take any action whatsoever to contest the validity or ownership of the System or the goodwill associated with the System. Franchisee shall have no right to use in its name the name "Billy's Downtown Diner," "Billy's," or any other names used by Franchisor.

2. TERM AND RENEWAL

2.1 Term. Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the initial term of this Agreement shall commence on the Effective Date and expire on the date that is ten (10) years after the Effective Date.

2.2 Renewal. If Franchisor is still offering and selling BDD Restaurant franchises and operating the System at the expiration of your initial term in the United States and the state in which you are operating your Restaurant, Franchisor may, at its option, renew Franchisee's right to operate the Restaurant for one (1) additional term which shall be the lesser of (a) ten (10) years or (b) the remaining term of the lease for the Restaurant premises, including all applicable extensions or renewals, subject to the following conditions, each of which Franchisee must meet prior to such renewal:

2.2.1 Franchisee shall deliver to Franchisor a written notice of Franchisee's election to renew no fewer than twelve (12) months nor more than eighteen (18) months prior to the end of the initial term;

2.2.2 Franchisee shall pay in lieu of the initial franchise fee, a renewal fee equal to twenty five percent (25%) of Franchisor's then-current initial franchise fee for a new BDD Restaurant when it delivers the written notice required under Section 2.2.1;

2.2.3 Franchisee shall not have received, prior to its election to renew, written notice of three (3) or more separate defaults under this Agreement or written notice of default on more than three (3) separate occasions and, from the time of Franchisee's election to renew through the expiration of the initial term, Franchisee shall not have been in default of any provision of this Agreement, any amendment to this Agreement, or any other agreement between Franchisee or its affiliates and Franchisor or its affiliates; and, in the reasonable judgment of Franchisor, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the term of this Agreement;

2.2.4 Franchisee shall present evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Restaurant for the duration of the renewal term, or shall obtain approval by Franchisor of a new location for the Restaurant for the duration of the renewal term;

2.2.5 Franchisee shall refurbish, remodel, renovate, and upgrade the Restaurant to comply with Franchisor's then-current specifications for new BDD Restaurants of the same or similar type, including the design, equipment, signs, interior and exterior decor, fixtures, furnishings, technology and kitchen equipment, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, which may differ materially from the specifications in effect as of the Effective Date of this Agreement;

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

2.2.7 Franchisee shall execute a general release, in a form satisfactory to Franchisor of any and all claims against Franchisor and its current and former affiliates, and their respective past and present owners, officers, directors, agents, and employees;

2.2.8 Franchisee shall execute Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2.2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including a higher percentage Royalty Fee and Brand Development Fund Contribution or local advertising expenditure, and a different or modified Designated Area; and

2.2.9 Franchisee and its personnel shall comply with Franchisor's then-current qualification and training requirements, prior to commencement of operations under the renewal form of franchise agreement.

2.3 No Assurances of a Renewal Franchise Agreement. Franchisee accepts this Agreement with the full and complete understanding that the grant of rights to operate a franchise hereunder is not a promise or assurance that Franchisee will be granted a renewal franchise agreement.

3. FEES AND PAYMENTS

3.1 Franchise Fee. Franchisee shall pay Franchisor an initial franchise fee of Forty-Five Thousand Dollars (\$45,000) (the "Franchise Fee"), upon execution of this Agreement. Except as otherwise stated in this Agreement, the Franchise Fee is 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 offer the rights to this franchise to others.

3.2 Training Fee. Franchisee shall pay to Franchisor's a training fee of Five Thousand Dollars (\$5,000) (the "Training Fee") upon execution of this Agreement. The Training Fee is consideration for initial training for Franchisee's Principal Trainees, as described in Section 5.4. Franchisee is solely responsible for all costs and expenses, including wages, travel and lodging of itself and Franchisee's Principal Trainees.

3.3 Royalty Fees. Franchisee shall pay Franchisor a continuing royalty fee in an amount equal to six percent (6%) of the Restaurant's Gross Sales ("Royalty Fees"). Franchisee shall pay the Royalty Fees twice per calendar month, once on the 5th of each month for the preceding Gross Sales from the 16th of the month through the last day of the month, and again on the 20th of each month for the preceding Gross Sales from the 1st day of the month through the 15th day of the month. within two (2) days after the close of each Sales Week (defined below), or for such other period as Franchisor may specify in the Manuals or otherwise in writing.

3.3.1 "Gross Sales" means all revenue from the sale of all products, including all Menu Items and all other products or services offered at or from the Restaurant, and all other income of every kind and nature related to, derived from, or originating from the Restaurant, including proceeds of any business interruption insurance policies, whether at retail, delivery, catering, or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Gross Sales" excludes any customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities, and third-party delivery fees (e.g., UberEats) paid by Franchisee or Restaurant customers for the delivery of Menu Items to Restaurant customers. If you participate in any discount program, including but not limited to Groupon, Gross Sales will include the full retail value of the goods or services rendered to the customer before any discounts or commission, provided that you may not participate in such a program without obtaining our prior written consent.

3.3.2 The term "Sales Period" means the period from the 1st day of the month through the 15th day of the month or the 16th day of the month through the last calendar day of the month.

3.4 Brand Development Fund Contribution. Following establishment of a Brand Development Fund, Franchisee shall pay Franchisor or its designee a Brand Development Fund Contribution (defined in Section 6.2) in an amount designated by Franchisor, but in no event no more than five percent (5%) of Gross Sales. The Brand Development Fund Contribution is payable on the 15th day of each month by

Franchisee in the manner designated or prescribed by Franchisor in Sections 3.5 and 6.2 below and/or in the Manuals.

3.5 Continuing Payments, EFT, and Reporting Obligations. All payments required by Section 3.3 based on the Gross Sales for the preceding Sales Period (or for such other period as Franchisor may specify in the Manuals or otherwise in writing), shall be paid and submitted by electronic funds transfer so as to be received by Franchisor within five (5) days after the close of the Sales Period. All payments required by Section 3.4 based on the Gross Sales and any other monthly payments required hereunder, shall be paid and submitted by electronic funds transfer so as to be received by Franchisor within five (5) days after the close of the applicable Sales Period. Franchisee shall execute a form of electronic funds transfer (“EFT”) authorization (in the form attached as Exhibit C to this Agreement or such other forms that Franchisor designates) for direct debits from Franchisee’s business bank operating account. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 7 below, at the time and in the format reasonably requested by Franchisor, which may include electronically polled data from Franchisee’s point-of-sale system. Franchisee shall comply with the payment and reporting procedures specified by Franchisor in this Agreement and the Manuals. To ensure that payments are received by Franchisor on as timely basis, such policies and procedures may require that Franchisee have sufficient funds in its account by a date certain, as the EFT process may sweep such account the day before for payment on the preceding day. Franchisee’s obligations for the full and timely payment of Royalty Fees and Brand Development Fund Contributions, and all other amounts provided for in this Agreement, shall be absolute, unconditional, fully earned, and due upon Franchisee’s generation of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow, or set off same against any claims or alleged claims Franchisee may allege against Franchisor or others. Franchisee shall not, on grounds of any alleged nonperformance by Franchisor or others, withhold payment of any fee, including Royalty Fees or Brand Development Fund Contributions, nor withhold or delay submission of any reports due hereunder. Franchisor reserves the right to change the due date of any fees upon ten (10) days’ prior written notice to Franchisee.

3.6 Technology Fee. Franchisee must pay Franchisor a monthly technology fee (“Technology Fee”) in its then-current amount, currently \$650 per month, for access to and/or use of technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain or access through Franchisor, as Franchisor deems necessary and advisable in its sole determination, which may include, for example, licenses, subscriptions, development, maintenance, and/or access to point-of-sale software and platform, mobile applications, phone systems, loyalty programs, customer portals, intranet, online ordering system, streaming music software, learning management system, and a BDD Restaurant email address. Franchisor reserves the right to change, add to, remove from, or substitute the types, nature, and ultimate vendor of technology systems, services, platforms, and software that Franchisee must obtain or access through Franchisor. Franchisor may increase or otherwise change the amount of the Technology Fee upon prior written notice to Franchisee, including upon changes in the technology systems, services, platforms, and software that Franchisee must obtain or access through or from Franchisor or changes in Franchisor’s costs regarding such technology systems, services, platforms, and software. Franchisor may implement a separate software fee if Franchisor sells, licenses or sub-licenses software under a master license agreement or similar structure so long as the software fees are not for the same software or service included as part of the Technology Fee.

3.7 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the Royalty Fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

3.8 Overdue Payments and Reports; Interest. Any payment or report not actually received by Franchisor (or the appropriate brand development fund) on or before the date such payment or report is due

shall be deemed overdue. If any payment or report is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, a late payment/late report charge of one hundred dollars (\$100) for each week or part thereof that the payment or report is late, and interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

3.9 Payments on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

3.10 Relocation Fee. If Franchisee relocates the Restaurant, Franchisee must pay Franchisor any costs incurred in assisting Franchisee with the relocation including salary and travel expenses, professional fees, demographic reports and other costs.

3.11 Other Payments. All payments and fees owed by Franchisee to Franchisor shall be paid by Franchisee in the manner and within the time periods as provided for in this Agreement or in the Manuals. Franchisor reserves the right to collect all fees and payments due by Franchisee by EFT as provided for in Section 3.5 or otherwise in the Manuals.

3.12 No Refunds. Upon the expiration or termination of this Agreement, Franchisor shall not refund any amounts paid pursuant to this Agreement for any reason whatsoever.

4. SERVICES BY BILLY'S DOWNTOWN DINER FRANCHISE

4.1 Development of the Restaurant. Franchisor or its designee shall make available to Franchisee a copy of its standard construction/build-out package, as modified from time to time, including plans and specifications, site criteria, and sample site plans, which Franchisee must adapt, at Franchisee's expense, for use at the site selected by Franchisee and approved by Franchisor, and a copy of Franchisor's specifications for the furniture, fixtures, furnishings, equipment, signs and all other property that Franchisor may specify for use in the Restaurant. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction/build-out drawings or other documentation necessary to obtain permits or authorization to build a specific BDD Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Restaurant location, subject to Franchisor's approval, as provided in Section 5.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. Franchisee understands and acknowledges that Franchisor has the right to modify the architectural plans and specifications as Franchisor deems appropriate from time to time.

4.2 Initial and Ongoing Assistance. Prior to the Restaurant opening, Franchisor shall provide to Franchisee's Operating Principal (as defined in Section 5.27.4.1 below), General Manager (as defined in Section 5.27.4.3 below) and to such of Franchisee's other employees of which Franchisor shall approve for training, such training programs as Franchisor may designate, to be conducted at such time(s) and location(s) designated by Franchisor. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate. Franchisor shall be responsible for the cost of instruction and materials, subject to the terms set forth in Section 3.2 above and Section 5.4 below.

4.3 Opening Assistance. Franchisor will provide such pre-opening assistance to Franchisee as Franchisor deems advisable, which may include assisting Franchisee in formulating its initial opening orders for equipment, inventory, and supplies. Franchisor may have one of its representatives present at the Restaurant for such assistance and consultation as it deems appropriate. The date, time, and nature of the pre-opening support will be determined by Franchisor at its sole option. Franchisor will provide such additional onsite preopening and opening supervision and assistance as Franchisor deems advisable.

4.4 Manuals. Franchisor shall loan or otherwise provide Franchisee access to Franchisor's confidential Standard Operating Procedures Manual and other manuals (the "Manuals"), which may be revised from Franchisor from time to time.

4.5 Merchandising and Marketing Advice. Franchisor shall provide Franchisee such merchandising, marketing and other related advice as Franchisor deems advisable and as Franchisor may develop from time to time.

4.6 Ongoing Assistance. Franchisor shall provide such periodic individual or group advice, consultation, and assistance, rendered by personal visit, telephone, mail, or e-mail and made available from time to time as Franchisor deems advisable at the time(s) and in the manner determined by Franchisor.

4.7 Bulletins and Reports. Franchisor shall provide Franchisee such bulletins, intranet information, brochures, and reports published by Franchisor from time to time as Franchisor deems advisable regarding its plans, policies, research, developments, and activities.

4.8 Computer System. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, kitchen display systems, software, and hardware to be used by, between, or among BDD Restaurants, including: (a) back office and point-of-sale systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems for use at Franchisee's Restaurant, between or among BDD Restaurants, and between and among Franchisee's Restaurant and Franchisor and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "Computer System").

4.9 Inspection. Franchisor shall have the right to inspect the Restaurant prior to the opening of the Restaurant and periodically throughout the term of this Agreement as described in Section 5.13 below.

4.10 Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on or available to Franchisor by this Agreement, as Franchisor may direct.

5. OBLIGATIONS OF FRANCHISEE; OPERATIONAL STANDARDS

5.1 System Standards and Development of Restaurant. Franchisee understands and acknowledges that every detail of the Restaurant is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchisees, and to protect Franchisor's reputation and goodwill. Franchisee shall construct, furnish, and open the Restaurant according to the requirements contained herein, and Franchisee shall open the Restaurant at the later of (a) one hundred eighty (180) days after the Effective Date, or (b) if upon execution of this Agreement, a location for the Restaurant has not been obtained by Franchisee and approved by Franchisor, one hundred eighty (180) days after the later of (i) Franchisor's approval of the

location for the Restaurant pursuant to the Site Selection Addendum, or (ii) Franchisee's access to the leased premises as permitted by the lessor under the lease.

5.2 Pre-Opening Obligations. Before commencing any construction of the Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall employ a qualified, licensed architect or engineer who is approved by Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for site improvement and construction of the Restaurant based upon the site construction package furnished by Franchisor or its designee pursuant to Section 4.1, and as may otherwise be authorized by Franchisor due to the particularities of the site of the proposed location. Franchisor's approval shall be limited to conformance with Franchisor's standard image specifications and layout and shall not relate to Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant, which subjects shall be Franchisee's sole responsibility.

5.2.2 Franchisee shall comply, at Franchisee's expense, with all federal, state, and local laws, codes, and regulations, including the applicable provisions of the ADA regarding the construction/build-out, design, and operation of the Restaurant.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for BDD Restaurants. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Restaurant for business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained. Franchisee shall provide copies of all such permits and certificates to Franchisor within ten (10) days of Franchisor's request for same.

5.2.5 Franchisee shall employ a qualified licensed general contractor approved by Franchisor to construct/build-out the Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 11 below; and Franchisee shall deliver to Franchisor such proof of such insurance as Franchisor shall require.

5.2.6 Prior to signing a lease, Franchisee shall submit to Franchisor a final draft of the lease for the Restaurant premises. The lease must contain the provisions contained in Exhibit G (Addendum to Lease) hereof and be approved in writing by Franchisor prior to Franchisee's signing of the final lease. Within fifteen (15) days following Franchisee's execution of the lease for the Restaurant premises, Franchisee shall provide to Franchisor copies of (i) the fully-executed lease for the premises and the executed Addendum to Lease and (ii) the landlord's and property management company's notice address and contact information.

5.3 Restaurant Opening. In connection with the opening of the Restaurant:

5.3.1 Franchisee shall not open the Restaurant for business without first complying with all of Franchisor's pre-opening requirements and obligations contained in this Agreement and the Manuals and obtaining Franchisor's prior written consent.

5.3.2 Franchisee shall draw upon the Grand Opening Program Amount as described in Section 6.1 to conduct such grand opening and promotional activities as Franchisor may require.

5.3.3 Franchisee shall not open the Restaurant until Franchisor has determined that all construction/build out has been substantially completed, and that such construction/build out conforms to Franchisor's standards, including materials, quality of work, signage, decor, paint, and equipment.

5.3.4 Franchisee shall not open the Restaurant until the Operating Principal, the General Manager, and one (1) other Franchisee Principal Trainee (as defined in Section 5.4 below) has successfully completed all training required by Franchisor, and Franchisee has hired and trained a sufficient number of employees to service the anticipated level of the Restaurant's customers.

5.3.5 Franchisee shall not open the Restaurant until all amounts due to Franchisor under this Agreement or any other related agreements have been paid.

5.4 Training. Franchisee acknowledges that its owners and managers must be knowledgeable regarding the operation of BDD Restaurants, including the preparation and delivery of Menu Items and the provision of customer service in accordance with the brand standards established by Franchisor, which may be modified by Franchisor from time to time. Franchisee acknowledges that successful completion of Franchisor's training programs by Franchisee's owners and managers is critical to properly own, operate, and manage the Restaurant. Franchisee acknowledges that applicable laws and regulations require that at least one person on the staff at a food service business must satisfactorily complete state and/or local mandated food handling training, and be certified as having successfully completed the training. Franchisee (or the Operating Principal or General Manager) and at least one other employee that attends Franchisor's initial training program must also successfully complete a state and/or local mandated food handling program before commencing training with Franchisor, and Franchisee (or the Operating Principal or General Manager) and each trainee must provide a certificate of successful completion of such program prior to commencing training. Also, Franchisee's employees must be covered by Franchisee's workers' compensation insurance policy prior to commencing training with Franchisor, and Franchisee must provide evidence of such coverage upon request by Franchisor. At least three (3) individuals must attend and successfully complete Franchisor's initial training program: the Franchisee's Operating Principal, one (1) full-time General Manager, and one (1) other employee of Franchisee as approved by Franchisor (collectively, the "Franchisee's Principal Trainees").

5.4.1 Initial Training. Prior to the opening of the Restaurant, the Franchisee's Principal Trainees, and such other employees of Franchisee who Franchisor shall have the right to designate and approve, shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor. All aspects of the Restaurant shall be conducted under the management and supervision of the Operating Principal. In addition, the daily operations of the Restaurant shall be supervised under the active full-time management of the Operating Principal or General Manager who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program.

5.4.2 Operating Principal and General Manager. If the Operating Principal or the General Manager cease active management of or employment at the Restaurant, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Franchisor) in Franchisor's initial training

program not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall attend and successfully complete the initial training program, to Franchisor's reasonable satisfaction, as soon as it is practical to do so. Franchisee shall pay Franchisor's then-current training fees and per diem expenses for such training.

5.4.3 Refresher Training. The Franchisee's Principal Trainees may also be required to attend such refresher courses, seminars, and other training programs as Franchisor may reasonably specify from time to time, including up to twenty (20) days of refresher programs each year during the term of the Agreement. In addition, such of the Franchisee's Principal Trainees as Franchisor may require, may be required to attend Franchisor's annual or periodic conventions or conference, as applicable, for up to three (3) days per year.

5.4.4 Annual Convention. If Franchisor elects to hold an annual convention, Franchisee shall attend Franchisor's annual convention and attend the annual convention at Franchisee's expense. Franchisee shall be responsible for Franchisee's and any approved-attendees' costs and expenses to attend the convention, including transportation, meals and lodging. Franchisor reserves the right to charge a registration fee in the amount of \$249 for franchisees to attend the annual conference in the future, plus Franchisee and its attendees' expenses including travel, lodging, meals and applicable wages.

5.4.5 Training Costs. In exchange for Franchisee's payment of the Training Fee set forth in Section 3.2, the cost of all initial training instruction and required materials shall be borne by Franchisor. All other expenses incurred in connection with training and, if required, attendance at Franchisor's conventions and conferences, including the costs of transportation, lodging, meals, wages, workers' compensation insurance and trainees' meals during training sessions, for Franchisee, its investors, and all of its employees, shall be borne by Franchisee.

5.4.6 Additional Training. If Franchisee requests that Franchisor provide on-site training in addition to that described in this Section 5.4, and Franchisor agrees to do so, then Franchisee shall pay Franchisor's then-current per diem charges, which is currently \$500 per day, and out-of-pocket expenses, including travel, lodging, meals and applicable wages, which shall be as set forth in the Manual or otherwise in writing.

5.4.7 Remedial Training. If Franchisor requires any remedial training ("Remedial Training") (i) that Franchisor determines is necessary or appropriate, in its sole discretion, to protect the quality, integrity and/or reputation of the System, Marks and/or Intellectual Property, including, without limitation, because Franchisee is in default or breach under this Agreement or otherwise in violation of System Standards; (ii) upon renewal of this Agreement; (iii) upon a change in Operating Principal or General Manager; or (iv) due to Franchisee's failure to attend the annual convention, then we will charge you our then-current fee, which is currently \$500 per day, to conduct such Remedial Training, plus attendees' wages, travel, living and miscellaneous expenses incurred in connection with such Remedial Training.

5.5 Restaurant Premises. Franchisee shall use the Restaurant premises solely for the operation of the Restaurant; shall keep the Restaurant open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manuals or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the Restaurant premises for any other purpose or activity at any time. As used in this Section 5.5, the term "premises" shall include the grounds surrounding the Restaurant. Franchisee shall comply with all terms and conditions of the lease for the Restaurant, and shall provide Franchisor with copies of all notices of default or breach of the lease, notices regarding the renewal or extension of the lease, and all other notices or correspondence related to Franchisee compliance

with lease and Franchisee's right to remain in possession of the premises not later than two (2) days after receipt thereof by Franchisee.

5.6 Personnel. Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers, including at least one (1) General Manager on duty at all times and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe. Franchisee shall comply with all applicable employment, personnel, and wage and hour laws and regulations. Franchisee is solely responsible for all employment and personnel decisions and functions of the Restaurant, including those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Franchisor on these subjects. Franchisee acknowledges and agrees that all employment and personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by Franchisee, without any influence from Franchisor, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Franchisor. Further, it is the intention of the parties to this Agreement that Franchisor shall not be deemed an employer or joint employer of Franchisee or Franchisee's employees for any reason. Franchisee is solely responsible for ensuring its managers and employees are adequately trained and supervised.

5.7 Health, Sanitation, and Safety Standards. Franchisee shall meet and maintain the highest health, sanitation, and safety standards and ratings applicable to the operation of the Restaurant. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state, or municipal agency with jurisdiction over the Restaurant. Without limiting the foregoing, Franchisee and all required personnel shall obtain and maintain all necessary and required licenses and certificates for food service and food handling as may be required by applicable local rules and regulations and/or the Manual.

5.8 Restaurant Maintenance. Franchisee shall at all times maintain the Restaurant in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and décor as Franchisor may reasonably direct.

5.9 Remodeling. Without limiting Section 5.10 below, Franchisor shall have the right (the "Remodel Right") to require Franchisee to perform such remodeling, repairs, replacements, and redecoration in and upon the premises and equipment as Franchisor may deem necessary and practical to bring the premises and equipment up to the then-current operational standards and image of Franchisor. Franchisor may exercise its Remodel Right upon (a) the expiration of every 5-year period following the opening of the Restaurant for business with the public. The expenditure required to remodel the Restaurant shall be capped at one hundred fifty thousand dollars (\$150,000) indexed pursuant to the Consumer Price Index (CPI); (b) the sale, assignment, transfer, or encumbrance (collectively, the "Transfer") of any of the rights created by this Agreement, any part of the System, or any other interest created under this Agreement, including if Franchisee is a legal entity, the sale, resale, pledge, assignment, transfer or encumbrance of any ownership interest in Franchisee that, alone or together with any other related, previous, simultaneous or proposed transfers, would result in a change in "control" of Franchisee within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated under that act; or (c) the issuance of a renewal or successor franchise agreement. If Franchisor chooses to exercise its Remodel Right upon the occurrence of a Transfer, then, after the Transfer, Franchisor may exercise its Remodel Right upon the occurrence of any of the following events: (a) the expiration of every 5-year period following the Transfer; (b) a subsequent Transfer; or (c) the issuance of a renewal or successor franchise agreement. Franchisor reserves the right to designate the type and scheduling of the refurbishing, remodeling and/or renovation

referred to above. If Franchisee at any time deems it necessary and practical to replace any equipment or repair or remodel the premises or take any similar action, Franchisee shall perform the replacement, repairs or remodeling in accordance with Franchisor then-current standards and specifications. The obligations imposed under this Section 5.9 supplement any obligation to maintain, restore or repair the premises imposed under any lease or sublease with respect to the Restaurant. Such remodeling may include extensive structural changes to the Restaurant fixtures and improvements as well as such other changes as Franchisor may direct, and you shall undertake such a program promptly upon notice from us.

5.10 Equipment Upgrades. In addition to the Remodel Right, Franchisee shall make, from time to time, such upgrades, replacements, or other changes to the electronic equipment utilized in the Restaurant and the Computer System as Franchisor may request in writing (and as also specified above) (collectively, “Equipment Upgrades”). Franchisor shall have the right to require any Equipment Upgrades it deems necessary for Franchisee’s Restaurant.

5.11 Standards and Specifications. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

5.11.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, ingredients, materials, supplies, and paper goods as conform to Franchisor’s written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Franchisor’s specific prior written consent.

5.11.2 To sell or offer for sale only such products and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all such products and services, utilizing the ingredients and employing the preparation standards and techniques, as specified by Franchisor; to refrain from any deviation from Franchisor’s standards and specifications, including the manner of preparation of products and services, without Franchisor’s prior written consent; and to discontinue selling and offering for sale any products and services, which Franchisor shall have the right to disapprove, in writing, at any time.

5.11.3 To permit Franchisor or its agents, at any reasonable time, to remove samples of products and to observe and receive the delivery of services, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples and services meet Franchisor’s then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample or service fails to conform to Franchisor’s specifications.

5.11.4 To purchase and install, at Franchisee’s expense, all fixtures, kitchen display systems, furnishings, equipment (including the Computer System), décor, and signs as Franchisor shall specify; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor’s prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Franchisor’s standards and specifications.

5.11.5 To refrain from installing or permitting to be installed any vending machine, game or coin operated device, unless specifically approved in writing, in advance, by Franchisor.

5.11.6 To fully and faithfully comply with all applicable governing authorities, laws, and regulations. Franchisee shall immediately close the Restaurant and terminate operations in the event that:

(i) any products sold at the Restaurant evidence adulteration or deviation from the standards set for products by Franchisor (ii) any products sold at the Restaurant fail to comply with applicable laws or regulations; or (iii) Franchisee fails to maintain the products, Restaurant premises, equipment, personnel, or operation of the Restaurant in accordance with any applicable law or regulations. In the event of such closing, Franchisee shall immediately notify Franchisor in writing and Franchisee shall destroy or preserve for inspection and analysis immediately in accordance with procedures set forth in the Manual, or otherwise in writing by Franchisor, all products which it knows, or should know through the exercise of reasonable care, to be adulterated, tainted, contaminated, spoiled, unsafe, or otherwise unfit for human consumption and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Restaurant until after Franchisor has inspected the Restaurant premises, and Franchisor has determined that Franchisee has corrected the condition and that all products sold at the Restaurant comply with Franchisor's standards.

5.12 Supplies and Suppliers. Franchisee shall purchase, lease, or license all equipment (including the Computer System), supplies, ingredients, products, fixtures, furnishings, décor, signs, goods, and services (including payment processing services) that are designated or prescribed in the Manuals ("goods" and "services"). Such purchase may include the purchase of software licenses and the entry into software license agreements. Franchisee shall purchase, lease, or license such goods and services solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate. In determining whether it will approve any particular good or service or supplier, Franchisor shall consider various factors, including, for goods and services, those that meet Franchisor's then-current standards and specifications, and have not thereafter been disapproved, and for suppliers, suppliers who can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the network of BDD Restaurants, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Franchisor's prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "supplier" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular good or service, and Franchisor may designate itself or its affiliate as the only, or one of a limited number of, suppliers for any goods or services. Franchisor or its affiliate(s) may earn a profit from the sale of any goods or services.

5.12.1 If Franchisee wishes to purchase any unapproved goods or services, or any goods or services from an unapproved supplier, Franchisee shall first submit to Franchisor a written request for such approval. Franchisee shall not purchase any unapproved goods or services or any goods or services from any unapproved supplier unless and until such goods or services or such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the unapproved goods or services, or in the case of an unapproved supplier, the supplier's facilities, and that samples of the goods be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. For approval of unapproved suppliers, Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers. Franchisor reserves the right, at its option, to reinspect from time to time the facilities and goods or services of any approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria.

5.12.2 Nothing in the foregoing shall be construed to require Franchisor to approve any particular goods or supply or supplier, nor to require Franchisor to make available to prospective suppliers, standards, and specifications, which Franchisor shall have the right to deem confidential.

5.12.3 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some BDD Restaurants with some or all of the goods and services that Franchisor requires for use and/or sale in the development and/or operation of BDD Restaurants. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all goods and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the network of BDD Restaurants. Franchisor shall have the sole option to approve or disapprove of the suppliers who may be permitted to sell goods and services to Franchisee.

5.12.4 Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, distribution allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "Allowances") offered by suppliers to Franchisee or to Franchisor or its affiliates based upon Franchisee's purchases of goods and services. These Allowances are based on network-wide purchases of goods and services. Franchisee assigns to Franchisor or its designee all of Franchisee's right, title, and interest in and to any and all such Allowances and authorizes Franchisor or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier); provided, however, that Franchisor's current policy is to utilize such funds for purposes that Franchisor believes, in its sole determination, may enhance the "Billy's Downtown Diner" brand and/or public awareness of the brand.

5.12.5 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise or multiple-BDD Restaurant supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such supplier(s) on behalf of Franchisee, and Franchisee shall promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through the EFT process described in Section 3.9 above and the Manuals.

5.12.6 WE AND OUR AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, EQUIPMENT, INVENTORY, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT, SUPPLIES, OR OTHER APPROVED ITEM.

5.13 Inspections. Franchisee grants Franchisor and its agents the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Proprietary Marks, and verifying Franchisee's compliance with this Agreement and the policies and procedures outlined in the Manuals. Franchisor shall also have the right to take and maintain photographs and videos, in any medium, of the Restaurant and the operations at the Restaurant. Franchisee shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor other rights under this Agreement, Franchisee shall take such steps as may be necessary

to correct immediately any deficiencies detected during any such inspection. Franchisee shall reimburse Franchisor for all of Franchisor's costs and expenses, including labor and travel expenses, incurred in conducting all such follow-up inspections after the first follow-up inspection. Franchisee shall make such payments within fifteen (15) days of receipt of an invoice from Franchisor, or Franchisor may elect to obtain payment through the EFT provisions of Section 3.5.

5.14 Technology and Computer System. At Franchisor's request, Franchisee must purchase, lease, license, and/or subscribe to solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate, and thereafter maintain, the Computer System, and comply with Franchisor's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Franchisor may prescribe. Franchisee must pay the then-current Technology Fee in connection with any aspects of the Computer System or related technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain from or access through Franchisor.

5.14.1 Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Franchisor deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's Computer System, and will otherwise operate its Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee shall keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically or otherwise beneficial to all System franchisees, that Franchisee shall promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee shall provide to Franchisor, upon Franchisor's request, all e-mail lists and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

5.14.2 Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; (e) an Extranet for informational assistance, which may include the Manuals, training other assistance materials, and management reporting solutions; and (f) answering service requirements and/or system-wide phone order processing of all delivery orders, and/or to designate vendors that will provide such order processing.

5.14.3 Franchisee agrees to install and use the Computer System and Required Software in the manner that Franchisor requires and to use only the Computer System and Required Software that Franchisor designates.

5.14.4 Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Franchisor may reasonably request in writing (collectively, "Computer Upgrades"), at Franchisee's own expense.

5.14.5 Franchisee agrees to comply with Franchisor's written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

5.14.6 Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Franchisor requests.

5.14.7 Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor has the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's reasonable new standards as if this Section 5.14, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.14.8 Franchisee may be required to pay certain designated third-party providers a monthly fee, subscription, or licensing amount associated with the licensing and use of certain Required Software. Franchisor reserves the right to collect this fee from Franchisee or have Franchisee pay Franchisor this fee directly so Franchisor can administer the process and then remit to the third-party provider. Franchisor has the right to increase this fee based on Franchisor's costs to administer, changes in providers or licensing terms, and third-party provider fee increases.

5.15 Customer Data. Franchisee may collect information from customers and potential customers in connection with the operation of the Restaurant, including personally-identifiable names and addresses, payment information and other information ("Customer Data"). All data provided by Franchisee in any form, and whether required by this Section 5.15 or any other requirement under the System or in the Manuals, including data uploaded to Franchisee's Computer System, and/or downloaded from Franchisee's Computer System to Franchisor's computer system, is and will be owned exclusively by Franchisor, including without limitation, Customer Data, customer lists, and e-mail lists, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Restaurant (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon its request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the Restaurant. Franchisee shall not sell, share, or otherwise disseminate such data without Franchisor's prior written consent. Franchisor may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, and providing information to prospective franchisees, and/or in complying with government regulations. Franchisee must secure from its vendors, customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law (including any Applicable Data Protection Laws) requires to transmit the Customer Data to Franchisor and its affiliates and for Franchisor and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

5.16 Data Protection Obligations. For purposes of this Section 5.16, "Personal Information" means information that identifies, relates to, or could reasonably be linked to individuals, including but not limited to, Franchisee's customers, employees, independent contractors, and business contacts, and/or otherwise including particular elements of "personal information" as defined under Cal. Civ. Code § 1798.140.

5.16.1 Franchisee acknowledges and agrees that it will collect, process, and otherwise use Personal Information, and transfer Personal Information to Franchisor, in compliance with all applicable laws, rules, and regulations applicable to privacy and security of Personal Information, including, but not limited to, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act (“Applicable Data Protection Laws”). Franchisee agrees to hold Franchisor and its affiliates harmless of any liability and losses and expenses incurred, suffered or sustained by Franchisor and its affiliates, shareholders, officers, directors, employees and agents, as a result of Franchisee’s non-compliance with Applicable Data Protection Laws.

5.16.2 Franchisee agrees to comply with Franchisor’s standards and policies pertaining to Applicable Data Protection Laws. If there is a conflict between Franchisor’s standards and policies pertaining to Applicable Data Protection Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Applicable Data Protection Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor’s prior written consent as to said policy.

5.16.3 With regard to Personal Information that Franchisee may collect, receive, or otherwise process as a result of any agreements between Franchisee and Franchisor (or its subsidiaries or affiliates), including this Agreement, Franchisee agrees and certifies that it will:

5.16.3.1 Process Personal Information only for the limited and specified purposes of providing services requested by Franchisor.

5.16.3.2 Assist Franchisor with the resolution of any request or inquiries that Franchisor receives from individuals and/or data protection regulators relating to Franchisee’s processing of Personal Information and, if and to the extent requested by Franchisor, cooperate with any regulators’ requests.

5.16.3.3 Implement and maintain reasonable and appropriate physical, technical, and administrative safeguards, procedures, and practices to protect and maintain the confidentiality, security, accuracy, integrity, availability, and authenticity of Personal Information.

5.16.3.4 Notify Franchisor, and provide Franchisor with the ability to object, before transmitting Personal Information to a service provider, sub-processor, subcontractor, or other vendor.

5.16.3.5 Require any service provider, sub-processor, subcontractor, or other vendor that receives Personal Information to agree to provisions materially similar to those found within this Section 5.16.

5.16.3.6 Notify Franchisor if it believes that it can no longer meet the obligations of this Section 5.16.

5.16.3.7 Allow and contribute to reasonable audits by Franchisor, including inspections by the Franchisor or its auditor, to verify Franchisee’s compliance with data processing and security obligations and Applicable Data Protection Laws.

5.16.4 For purposes of this Section 5.16, “Security Incident” means any actual or reasonably suspected unauthorized disclosure, release, access, or acquisition of Personal Information. In

the event of any Security Incident, Franchisee shall notify Franchisor immediately but no later than forty-eight (48) hours after Franchisee or any of its vendors become aware of a Security Incident. Such notifications shall include, at a minimum, the following information to the extent known by Franchisee and as it becomes available: (i) detailed description of the Security Incident, (ii) the date or estimated date of the Security Incident, (iii) the date range of the Security Incident within which the Security Incident occurred, (iv) the type of Personal Information that was the subject of the Security Incident, whether the notification was delayed as a result of a law enforcement investigation, and (v) the identity of each impacted individual. Franchisee shall take immediate action to investigate the Security Incident and shall use industry standard, reasonable efforts to mitigate the effects of any such Security Incident. Franchisee shall also provide Franchisor with reasonable assistance to satisfy any legal obligations (including obligations to notify impacted individuals and any data protection regulator) of Franchisor in relation to such Security Incident.

5.16.5 To the extent Franchisee's activities require a restricted transfer (as such term is defined under Applicable Data Protection Laws) of Personal Information to Franchisor, such restricted transfer shall be undertaken pursuant to a legal mechanism for transfer as approved under Applicable Data Protection Laws (which legal mechanism may include, without limitation, the entry into standard contract clauses for restricted transfers).

5.16.6 Franchisee further agrees and certifies that it will not:

5.16.6.1 Sell, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information to another business or a third party for monetary or other valuable consideration.

5.16.6.2 Retain, use, disclose, collect, sell, or otherwise process Personal Information for any purpose other than for the specific purpose of, and as necessary for, performing services for Franchisor pursuant to a written agreement(s). For clarity, Franchisee may not retain, use, or disclose the Personal Information for any other commercial purposes or outside of the direct business relationship between Franchisee and Franchisor.

5.16.6.3 Combine the Personal Information that it receives from Franchisor with the Personal Information that it receives from another company or business (or that it collects from its own interaction with individuals), except if expressly permitted to do so by Franchisor or required to do so by law.

5.16.6.4 Share, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information for the purpose of cross-context behavioral advertising.

5.16.7 This Section 5.16 will survive expiration or termination of this Agreement and any other agreement(s) that may exist between Franchisee and Franchisor (or its subsidiaries or affiliates). Existing terms in such agreement(s) remain in effect except that this Section 5.16 controls in the event of a conflict with such terms. In the event of a breach of this Section 5.16, Franchisor may take reasonable and appropriate steps to stop and remediate the unauthorized use by Franchisee of Personal Information. Franchisee will make available to Franchisor all information requested by Franchisor to demonstrate Franchisee's compliance with the obligations set out in this Section 5.16.

5.17 Website and Internet Advertising. Franchisor shall have the right to establish and maintain an Internet website that provides information about the System, brand, and the products and services that BDD Restaurants offer. Franchisor will have sole control over the website's design and contents and may

modify the content of and/or discontinue the website at any time. Franchisor may use part of the Brand Development Fund Contributions it collects and part of the Brand Development Fund's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use Brand Development Fund Contributions to pay for those components of the website that are devoted to the sale of franchises for new BDD Restaurants. The website may include a section that provides the address, telephone number, and e-mail address of each BDD Restaurant in the System, including the Restaurant; provided, the Restaurant may be referenced on the website only while Franchisee is in full compliance with this Agreement. In addition, Franchisor's approved supplier may establish an individual webpage identifying the Restaurant's location and services. Franchisor must approve all content on the individual webpage. Franchisor will own the website (including any webpages for the Restaurant) and domain name at all times. Franchisee will not have any independent right to advertise the Restaurant on the Internet or in any form of social media, without Franchisor's prior written consent. If Franchisee desires to advertise online, Franchisee must follow Franchisor's online policy, which is contained in the Manuals. Franchisee will not be permitted to operate a separate website or social media page (including without limitation Facebook, LinkedIn, X (formerly known as Twitter), Pinterest, Tumbler, Yelp!, OpenTable, Zomato, TripAdvisor, Resy, YouTube, Groupon, Google, Instagram, Snapchat, or TikTok) without Franchisor's prior written approval and without sharing the administrative rights with Franchisor. Franchisee must provide administrator passwords and privileges to Franchisor, and shall not change or update either the administrator or password without first notifying Franchisor in writing. Franchisor is required to reference the Restaurant on the website only while Franchisee is in full compliance with this Agreement. (The term "website" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (including Facebook, X (formerly known as Twitter), LinkedIn, Instagram, YouTube, etc.), blogs, vlogs, and other applications, etc.).

5.18 POS or Cash Register Systems. Franchisee agrees to record all sales on computer-based point-of-sale systems or such other types of cash register systems that Franchisor has the right to designate or approve in the Manual or otherwise in writing ("POS System"). The POS System is deemed to be part of Franchisee's Computer System. Franchisee must utilize computer-based point-of-sale devices that are fully compatible with any program or system that Franchisor has the right to designate, and Franchisee must record all Gross Sales and all revenue information on such equipment.

5.19 Gift Cards/Stored Value Cards. Franchisor shall have the right to require Franchisee to participate in such gift card/stored value card program(s) that Franchisor specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process gift cards or stored value cards, which Franchisor may specify in the Manuals or otherwise in writing. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift/stored value cards only in accordance with Franchisor's written standards. Franchisee must account for all gift/stored value card sales, gift/stored value card redemptions, and other gift/stored value card transactions in the manner Franchisor specifies in the Manuals. Franchisee must maintain sufficient cash reserves to pay Franchisor or other franchisees as part of any network-wide periodic reconciliation of the gift/stored value card program(s). Franchisee shall pay Franchisor or make payments as specified by Franchisor, in such amounts and at such times as directed by Franchisor, in accordance with Franchisor's gift/stored value card rules, programs, and policies. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift/stored value cards that Franchisor has approved in writing.

5.20 E-Mail, Internet, and Other Media. Franchisee must comply with Franchisor's requirements and policies (as described in the Manuals or otherwise in writing) with respect to the transmission of all e-mails and other electronic communications in connection with the Restaurant and the business, and in connection with discussing, advertising, or disseminating any information, or otherwise

having a presence, on the Internet, or in any other media, regarding the Restaurant and the business. Such activities include participation in any Internet “blogs” or social networking sites. Any such activities which are not expressly permitted in the Manuals or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, shall be subject to Franchisor’s approval as described in Section 6 below. Franchisor will design, update and host the website and provide Franchisee with a microsite designated for your Restaurant that Franchisee must prepare in accordance with the Manuals.

5.20.1 Franchisee agrees that exchanging information with Franchisor by e-mail and fax is an important way to enable quick, effective, and efficient communication, and that Franchisor and Franchisee are entitled to rely upon each other’s use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail and fax to exchange information, Franchisee authorizes the transmission of e-mail by Franchisor and Franchisor’s employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, “Official Senders”) to Franchisee and Franchisee’s employees during the term of this Agreement. Franchisor’s list of Official Senders shall be the master and official list of Official Senders.

5.20.2 Franchisee shall not transmit or cause any other party to transmit advertisements or solicitations by telephone, text, e-mail, or other electronic media without Franchisor’s prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee’s plan for transmitting such advertisements or solicitations. Franchisor’s review of Franchisee’s advertisements or solicitations, or of Franchisee’s plan for transmitting such advertisements or solicitations, is only for Franchisor’s benefit and Franchisor’s review will pertain to whether the proposed advertisements or solicitations comply with Franchisor’s specifications. Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending such advertisements and solicitations, including the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”) and the Telephone Consumer Protection Act of 1991.

5.20.3 Franchisee agrees that: (a) Official Senders are authorized to send e-mails and faxes to Franchisee and its employees; (b) Franchisee will cause its officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Franchisor may reasonably require) to Official Senders’ transmission of e-mails and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails and/or faxes, from Official Senders during the term of this Agreement.

5.20.4 The consent given above in this Section 5.20 will not apply to the provision of formal notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

5.21 Credit Cards and Other Methods of Payment. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check, or credit verification services, financial-center services, and electronic-funds-transfer systems that Franchisor designates as mandatory, and Franchisee must not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with all credit-card policies as prescribed in the Manuals. Franchisee must comply with the Payment Card Industry Data Security Standards (“PCI DSS”) as they may be revised and modified by the Payment Card Industry Security Standards Council (see www.pcisecuritystandards.org), or such successor or replacement organization and/or in accordance with other standards as Franchisor may specify, and the Fair and

Accurate Credit Transactions Act (“FACTA”). Franchisee shall also upgrade periodically its POS System and related software, at Franchisee’s expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

5.22 Uniforms. To promote a uniform System image, Franchisee shall require all of its Restaurant personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.23 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by customers, or otherwise fully participate in, any incentive, convenience, or customer loyalty programs that Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor’s standards and procedures for such programs.

5.24 Prices. With respect to the sale of all Menu Items, products, or services, Franchisee shall have sole discretion as to the prices to be charged to customers; provided, however, that Franchisor may establish, advertise, and promote minimum or maximum prices on such Menu Items, products, and services, subject to compliance with applicable laws. If Franchisor has imposed such a minimum or maximum price on a particular Menu Item, product, or service, and subject to applicable law, Franchisee may not charge a price for such Menu Item, product, or service below the minimum price or in excess of the maximum price set by Franchisor.

5.25 Compliance With Laws and Good Business Practices. Franchisee shall operate the Restaurant in full compliance, subject to its right to contest, with all applicable laws, ordinances, and regulations, including all government regulations relating to handling of food products, occupational hazards and health, workers’ compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. All advertising and promotion by Franchisee shall be factually accurate and conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Franchisee shall refrain from any business or advertising practice which may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks and other Restaurants.

5.26 Franchisee Structure; Operating Principal and Owners.

5.26.1 Except as otherwise approved in writing by Franchisor, if Franchisee is a corporation, it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Franchisor with a copy of its articles or certificates of incorporation and bylaws, as well as such other documents as Franchisor may reasonably request, and any amendment thereto; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; and (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request, which list shall be amended to reflect changes in ownership, as permitted under this Agreement.

5.26.2 If Franchisee is a partnership or limited liability partnership it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto;

(iii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records and in its partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.26.3 If a Franchisee is a limited liability company, Franchisee shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Restaurant; (ii) furnish Franchisor with a copy of its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.26.4 Franchisee shall designate, subject to the review and approval or disapproval by Franchisor, individuals to serve in the following positions:

5.26.4.1 Operating Principal. An Operating Principal shall participate personally in the direct operation of the Restaurant. If Franchisee is an individual and meets the required qualifications, Franchisee may serve as the Operating Principal for the Restaurant. Franchisee shall notify Franchisor promptly if the individual serving as the Operating Principal for the Restaurant no longer serves as an employee of Franchisee or no longer meets the requirements of being an Operating Principal for the Restaurant. “Operating Principal” shall mean an individual who (1) has at least five (5) years of management experience in the operation of a quick service restaurant (or, if Franchisee or Franchisee’s affiliate operates at least one Franchisor as of the Effective Date, the Operating Principal of the Restaurant must have at least two (2) years of management experience in the operation of a quick service restaurant), (2) has completed Franchisor’s required training program, (3) Franchisor has approved to supervise the day-to-day operations of the Restaurant, (4) owns at least five percent (5%) of the equity interest in Franchisee if Franchisee is a business entity, and (5) lives no more than a two (2) hour drive from the Restaurant. Any decision made by the Operating Principal will be final and binding upon Franchisee, and we will be entitled to rely solely upon the decision of the Operating Principal in any such dealings without the necessity of any discussions with any other party named in this Agreement. Franchisor will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Operating Principal.

5.26.4.2 Owners: An “owner” is any person that has any direct or indirect interest in Franchisee, or in any entity that has any direct or indirect ownership interest in Franchisee. All owners along with their ownership interests, shall be identified in Exhibit D hereto, and any change in ownership, whether subject to Section 12.3 or not, shall be provided to Franchisor, in advance and in writing, and Exhibit D shall be amended to reflect all changes in ownership.

5.26.4.3 General Manager: Franchisee shall designate a Restaurant general manager, subject to approval by Franchisor, and satisfactory completion of Franchisor’s training programs, who shall be responsible for the direct oversight and management of the day-to-day operations and personnel at the Restaurant (the “General Manager”). Franchisee at all times shall maintain at least one certified General Manager in the Restaurant trained and certified by

Franchisor for the Restaurant. If the General Manager's position becomes vacant, Franchisee shall fill the vacancy within 60 days with a fully-trained and certified general manager. The General Manager and the Operating Principal may be the same person, if he/she is qualified to perform both roles and duties, and is approved by Franchisor.

5.27 Personal Guarantee, Indemnification, and Acknowledgement. Concurrent with its execution of this Agreement, if Franchisee is a business entity, each owner shall execute the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit E; provided, however, that no guarantee shall be required from a person who acquires Franchisee's securities (other than a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934. In addition, Franchisor may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification, and Acknowledgment.

5.28 System Modifications. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System as Franchisor deems appropriate, including to reflect the changing market and/or to meet new and changing customer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of BDD Restaurants. Franchisor's changes to the System may include the adoption and use of new or modified products, services, equipment, and furnishings, and new techniques and methodologies relating to the preparation, sale, promotion, and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. Notwithstanding the provisions and limitations of Section 5.9, Franchisee shall, upon reasonable notice, accept, implement, use, and display in the operation of the Restaurant any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any BDD Restaurant or the System. Franchisee shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

5.29 No Third-Party Management. The Restaurant shall be operated under the control and supervision of Franchisee, its Operating Principal, the General Manager, or another general manager hired by and employed by Franchisee and approved by Franchisor. Franchisee shall not hire or retain a management company, manager (other than an employee manager trained and approved by Franchisor), or third party to undertake any of the management or operational functions of the Restaurant.

In the event that (i) Franchisee fails to cure a default within the applicable cure period or (ii) Franchisee is unable to provide oversight of the Restaurant to prevent harmful interruption of your Restaurant due to Franchisee's death, disability or prolonged absence, Franchisor has the right (but not the obligation) to step-in and operate the Restaurant. In the event Franchisor operates the Restaurant, Franchisee must pay Franchisor 20% of Gross Sales plus expenses for the management of the Restaurant (the "Management Fee"). The reimbursable expenses include Franchisor's and its representatives' wages, travel, lodging and meals. During any management period, Franchisee will still be required to pay to Franchisor all recurring fees.

5.30 Artificial Intelligence Usage. Franchisee acknowledges and agrees that in order to protect the goodwill of the System, the Intellectual Property and the Marks, the use of artificial intelligence ("AI") in the Restaurant must be conducted in a safe, thoughtful, and ethical manner. Franchisee shall adhere to the following guidelines when employing AI technologies within the Restaurant operations as well as any other guidance set forth in the Manuals:

5.30.1 Permitted and Prohibited Use of AI. Franchisee may implement AI solutions within the permitted business scope of operating the Restaurant, focusing on tasks such as process automation, customer service optimization, data analysis, and targeted marketing. Franchisee is strictly prohibited from using AI solutions to: (i) access, use, or transmit Confidential Information or Intellectual Property and the Marks without Franchisor's prior written authorization; (ii) collect, store, or otherwise utilize Intellectual Property and Confidential Information in any way not expressly permitted under this Agreement and applicable data privacy laws; (iii) engage in any activity that could harm the System or Franchisor's brand reputation or expose it or Franchisor to legal or regulatory risk; and (iv) develop or deploy AI solutions that violate applicable laws or regulations, including those pertaining to discrimination, data privacy, and consumer protection.

5.30.2 Data Security, Confidentiality, and Privacy. Franchisee must implement and maintain appropriate technical and organizational measures to protect the security and privacy of all data processed or stored through AI solutions. Franchisee shall not use, disclose, or permit the use or disclosure of any Confidential Information, including but not limited to trade secrets, business strategies, and proprietary processes, in connection with the development, implementation, or operation of AI technologies. Under no circumstances shall Franchisee use any Intellectual Property and Confidential Information, whether obtained through the System or otherwise, in connection with AI technologies. Franchisee must promptly notify Franchisor of any potential data security breaches or privacy violations involving Franchisee AI solutions.

5.30.3 Ethical AI Practices. Franchisee agrees to employ AI technologies in accordance with industry best practices and ethical standards. This includes, but is not limited to, ensuring transparency, fairness, and accountability in AI decision-making processes.

5.30.4 Monitoring and Reporting. Franchisor reserves the right to periodically audit Franchisee's use of AI solutions to ensure compliance with this provision. Upon request or as otherwise directed in the Manuals, Franchisee agrees to provide Franchisor with regular reports on the performance and impact of Franchisee's AI solutions, including metrics relevant to data security, privacy, and compliance in the form set forth in the Manuals.

5.30.5 Consequences of Breach. Any violation of this provision constitutes a material breach of this Agreement and entitle Franchisor to all remedies available under law and this Agreement, including termination of the Franchise Agreement. Notwithstanding anything set forth in these guidelines or the Manuals, Franchisee is solely responsible for ensuring Franchisee's use of AI solutions and technologies comply with all applicable laws, rules and regulations, industry best practices, and any vendor supplier contracts. In no event will Franchisor be responsible for Franchisee's use of AI solutions or technologies, and Franchisee shall defend and indemnify Franchisor in accordance with this Agreement for any losses and expenses incurred as a result of Franchisee's use of AI solutions and technologies.

5.30.6 Automobiles.

5.30.6.1 If we permit you to provide catering or delivery services, we reserve the right to require you to have temporary signage placed on each delivery vehicle.

5.30.6.2 You will, at your expense, repair and keep in good condition and good working order at all times the delivery vehicle used in the BDD Restaurant in accordance with our quality standards. You must ensure any delivery or business vehicle be regularly maintained and serviced, and be properly insured. Recognizing that the System's image is of the utmost importance, you agree to keep the delivery vehicle and all vehicles used in the BDD Restaurant, inside and out, clean at all times.

5.30.6.3 You are required to have signage placed on each delivery vehicle, including your employees personal vehicles that provide services for your BDD Restaurant.

5.30.6.4 You will ensure that only authorized personnel with valid drivers' licenses operate the delivery vehicle and the delivery vehicle in compliance with all traffic and safety laws.

5.30.6.5 We determine whether your delivery vehicle meets our definition of good condition and good working order in our sole discretion.

5.30.6.6 You must have each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles and you are solely responsible for ensuring your drivers comply with such requirements

5.30.7 Customer Satisfaction and Warranty. You acknowledge that customer satisfaction is essential to the BDD Restaurant's success as well as the reputation, standing and success of the System and other System franchisees and company or affiliate owned outlets. Accordingly, you agree:

5.30.7.1 You will use your best efforts to ensure customer satisfaction and use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors. You agree to participate in any customer warranty or satisfaction program we develop. You must respond to all customer complaints and warranty claims in a courteous, prompt and professional manner twenty-four (24) hours of receipt, use your best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and otherwise follow any standards and specifications set forth in the Manuals regarding customer complaints.

5.30.7.2 You must respond to any Internet/online negative customer reviews and complaints promptly in accordance with System Standards and any specifications set forth in the Manuals.

5.30.7.3 Any customer complaint other issue has resulted in an inquiry or report by the media or government is deemed a Security Incident and must be reported and resolved in accordance with Section 5.16 hereof.

5.30.7.4 You must conduct the number of customer service satisfaction surveys in such form as we require as specified in the Manuals.

5.30.8 Industry Certifications and Memberships. In addition to our training requirements, we may require you, your General Manager, other managers or personnel and additional employees we designate to maintain industry certifications including but not limited to from an approved food safety and handling program (ServSafe or a similar program). These training and certification programs will be at your sole expense, including program fees, travel, lodging, meals and applicable wages. Recertification may be necessary based on the specific requirements of each industry certification program. These fees may change and training components may vary.

6. ADVERTISING AND MARKETING

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

6.1 Grand Opening Program. In addition to and not in lieu of the Brand Development Fund Contribution and any expenditures for local advertising and promotion, Franchisee shall spend a minimum of Ten Thousand Dollars (\$10,000) for grand opening advertising and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan which Franchisor and Franchisee will collaborate and agree upon (the "Grand Opening Program"). Franchisor reserves the right to require that Franchisee pay to Franchisor the required and agreed upon Grand Opening Program amount ("Grand Opening Program Amount") at a time that is sufficiently in advance of the scheduled opening to implement the Grand Opening Program. If Franchisor requires that Franchisee pay the Grand Opening Program Amount to Franchisor, Franchisor will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for Franchisee's Restaurant. The Grand Opening Program may commence prior to opening the Restaurant and shall be completed within sixty (60) days after the Restaurant commences operation. If Franchisor spends additional amounts on advertising as part of the Grand Opening Program, in amounts that Franchisor and Franchisee agree are part of the Grand Opening Program, Franchisee must reimburse Franchisor for the additional costs within fifteen (15) days after the receipt of notice from Franchisor. Franchisee may spend such additional sums as Franchisee deems necessary or appropriate in connection with the opening of the Restaurant. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a Grand Opening Program marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor.

6.2 Brand Development Fund Expenditure. Franchisor shall have the right to establish the Brand Development Fund and/or a Local Marketing Cooperative, as described in this Section 6.

6.2.1 Brand Development Fund. Commencing once Franchisor has established a Brand Development Fund and continuing for each calendar month thereafter during the term of this Agreement, Franchisee shall pay to Franchisor an amount equal to one percent (1%) of the preceding month's Gross Sales (the "Brand Development Fund Contribution"). For all BDD Restaurants owned by Franchisor, Franchisor shall contribute to the Brand Development Fund on the same basis as franchisees. Franchisor shall have the right to increase the Brand Development Fund Contribution by not more than one percent (1%) of Gross Sales per year. During the term of this Agreement, the Brand Development Fund Contribution shall not exceed five percent (5%) of Gross Sales. The Brand Development Fund shall be maintained and administered by Franchisor or its designee, as follows:

6.2.1.1 Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. The Brand Development Fund is intended to maximize general public recognition, acceptance, perception of, and use of the System; and Franchisor and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund.

6.2.1.2 Franchisor may use the Brand Development Fund Contribution for any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; creating menu boards; developing new or modified trade dress and marks; point-of-purchase (POP) materials; design and photographs; conducting and

administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer loyalty and gift card programs; customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing, and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System and/or the “Billy’s Downtown Diner” brand; providing promotional and other marketing materials and services to the BDD Restaurants operated under the System; the salaries of Franchisor’s employees to the extent such employees provide services in conjunction with the System marketing activities; and all administrative and internal costs and expenses incurred in connection with the above. Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that Franchisor’s expenditures from the Brand Development Fund are intended to maximize general public recognition, acceptance, perception of, and use of the System; and that Franchisor and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contribution, or to ensure that any particular franchisee benefits directly or pro rata from such expenditures.

6.3 Local Advertising and Promotion. Commencing on the Effective Date, Franchisee must spend at least two percent (2%) of Gross Sales per month or Two Thousand Dollars (\$2,000) per month, whichever is greater, on Local Advertising and Promotion (defined below in Section 6.4) within the Designated Area. All local advertising and promotion by Franchisee shall be in such media, and of such type and format as Franchisor may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as Franchisor may specify; and shall comply with all applicable laws. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 6.6 below. Franchisee shall comply with all of Franchisor’s written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Designated Area, outside of the Designated Area, and in areas that may be territories assigned to other BDD Restaurants or franchisees (including, without limitation, rules regarding honoring of gift certificates, stored value cards, and promotions). Franchisor may require upon notice that you pay Franchisor the Local Advertising amount (i) to Franchisor to conduct Franchisee’s location advertising using Franchisor’s preferred marketing firm; or (ii) directly to Franchisor’s marketing firm.

6.4 Costs of Local Advertising and Promotion. As used in this Agreement, the term “Local Advertising and Promotion” shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in the Designated Area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

6.4.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

6.4.2 Charitable, political, or other contributions or donations, whether in cash, food, or services;

6.4.3 The value of discounts provided to customers; and

6.4.4 The cost of food items.

6.5 Local Marketing Cooperative. Franchisor shall have the right to designate any geographical area for the purpose of establishing a market brand development and promotional cooperative fund (“Local Marketing Cooperative”). If a Local Marketing Cooperative for the geographic area in which the Restaurant is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Local Marketing Cooperative, unless otherwise permitted by Franchisor. If a Local Marketing Cooperative for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall become a member of such Local Marketing Cooperative within thirty (30) days after the date on which the Local Marketing Cooperative commences operation, unless otherwise permitted by Franchisor. In no event shall Franchisee be required to be a member of more than one (1) Local Marketing Cooperative relating to the Restaurant. Franchisee shall contribute to the Local Marketing Cooperative of which Franchisee is a member an amount each calendar month during the term of this Agreement that is determined by Franchisor, which shall not be more than three percent (3%) of the preceding month’s Gross Sales (the “Local Marketing Cooperative Fee”); provided that any amount paid by Franchisee toward the Local Marketing Cooperative Fee will be credited towards Franchisee’s obligation to spend the Local Advertising Amount (as described in Section 6.3) up to a maximum of two percent (2%) of Gross Sales. If a Local Marketing Cooperative for the geographic area in which a BDD Restaurant owned or operated by Franchisor or its affiliate is located is established, Franchisor or such affiliate will contribute to the Local Marketing Cooperative on the same basis as franchisees. The following provisions shall apply to each such Local Marketing Cooperative:

6.5.1 Each Local Marketing Cooperative shall be organized (including bylaws and other formation documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Local Marketing Cooperative shall be decided by a majority vote of its members. Any BDD Restaurants that Franchisor or its affiliate operates in the region shall have the same voting rights as those owned by franchisees. Each BDD Restaurant owner shall be entitled to cast one (1) vote for each BDD Restaurant owned.

6.5.2 Each Local Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in local advertising.

6.5.3 No advertising or promotional plans or materials may be used by a Local Marketing Cooperative or furnished to its members without Franchisor’s prior approval, pursuant to the procedures and terms as set forth in this Agreement.

6.5.4 Franchisee shall submit Franchisee’s required contribution to the Local Marketing Cooperative at the time required under Section 3.5 above, together with such statements or reports as may be required by Franchisor’s or by the Local Marketing Cooperative with Franchisor’s prior written approval. If so requested by Franchisor in writing, Franchisee shall submit Franchisee’s payments and reports to the Local Marketing Cooperative directly to Franchisor for distribution to the Local Marketing Cooperative.

6.5.5 Although once established, each Local Marketing Cooperative is intended to be of perpetual duration, Franchisor shall maintain the right to terminate any Local Marketing Cooperative. A Local Marketing Cooperative shall not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for advertising and/or promotional purposes or returned to its members.

6.6 Approvals. For all proposed Local Advertising and Promotion, Franchisee shall submit samples of such plans and materials to Franchisor in the manner that Franchisor prescribes, for Franchisor's review and prior written approval (except with respect to prices to be charged by Franchisee unless otherwise permitted in this Agreement). If written approval is not received by Franchisee from Franchisor within fifteen (15) days after the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have disapproved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

6.7 Promotional Materials. Franchisor may make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials. Franchisor may provide periodic marketing assistance to Franchisee, including telephone and e-mail marketing assistance, and templates or other materials for e-mail-based marketing. Franchisor shall have the right to require all advertising and promotional materials, signs, decorations, paper goods (including disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in the Restaurant), any and all replacement trade dress products, and other items which may be designated by Franchisor, to bear the Franchisor's then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Franchisor.

7. RECORDS AND REPORTS

7.1 Records. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. Franchisee shall prepare and maintain all books and records required under this Agreement and as prescribed by Franchisor during each fiscal year during the term of this Agreement and for the three (3) years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Franchisor or its designee without special hardware or software.

7.2 Periodic Reports. Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, such financial and operating reports that Franchisor prescribes.

7.3 Reporting Requirements. In addition to the Sales Reports required pursuant to Section 3.5, Franchisee shall also submit to Franchisor such other forms, reports, records, information, and data as and when Franchisor may reasonably designate, in the form and format, and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing.

7.4 Audit. Franchisor or its designee shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Franchisor expense, all books, records, and sales and income tax returns of Franchisee. Franchisee shall cooperate fully with all audits and requests for information made by Franchisor or its designees. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection reveals that any payments have been understated or overstated in any report to Franchisor, then Franchisee shall immediately pay Franchisor, in the event of an understatement, the amount understated upon demand, in addition to interest from the date such amount

was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging, and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

7.5 Evaluation and Analysis. Franchisor shall have the right to conduct unannounced inspections and otherwise inspect the Restaurant at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the System. This right shall include: (a) evaluating the Products, (b) questioning the landlord, customers and personnel, and (c) conducting secret shopper or mystery shopper evaluations from time to time and without prior notice. Franchisee must reimburse us the then current service fee for the mystery or secret customer. Franchisor's representatives will use reasonable efforts to minimize interference with the operation of the Restaurant. If Franchisor reasonably determines that the Restaurant is not being operated in compliance with this Agreement or the Manuals or that the Restaurant is otherwise not being operated efficiently and effectively, then Franchisor may, at Franchisor's discretion, place one (1) or multiple representatives at the Restaurant to oversee the operation of the Restaurant. Franchisor will charge the Management Fee for such oversight.

7.6 Distribution of Franchisee Information. Franchisee acknowledges and agrees that Franchisor has the right to share any information about the Restaurant collected by Franchisor or affiliates or agents to any third party, including, but not limited to, other franchisees, prospective franchisees, financial institutions, legal and financial advisors, for any purpose. This information may include, but is not limited to, data regarding Franchisee sales, revenues, costs, taxes, profit margins or customer service survey results. Without limiting the foregoing, Franchisee hereby grants Franchisor and affiliates permission to report and distribute Franchisee's gross revenues, gross sales mix, COGS, cost of material and labor and other expense information including your Restaurant location and other identifying information to current or prospective franchisees. Franchisee agrees to hold Franchisor and affiliates harmless against and from any and all claims, liabilities, or suits resulting from or in connection with any acts or omission related to the reporting of information described in this section.

8. PROPRIETARY MARKS

8.1 Ownership of the Proprietary Marks. Franchisor represents with respect to the Proprietary Marks that:

8.1.1 Franchisor's affiliate, All American Hospitality Holdings LLC, a Pennsylvania limited liability company ("IP Holdco"), is currently the owner of all right, title, and interest in and to the Proprietary Marks.

8.1.2 Franchisor and have taken and will take all steps reasonably necessary to preserve and protect IP Holdco ownership of, and validity in, the Proprietary Marks, and Franchisor right to use and sublicense the Proprietary Marks.

8.1.3 IP Holdco has granted Franchisor the right to use, and to sublicense the right to use, the Proprietary Marks in connection with the development and operation of BDD Restaurants.

8.2 Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

8.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor; all items bearing the Proprietary Marks shall bear the then-current logo.

8.2.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor approved advertising for the business conducted at or from that location.

8.2.3 Unless Franchisor otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Restaurant only under the name “Billy’s Downtown Diner,” without prefix or suffix.

8.2.4 Franchisee shall identify itself (in a manner reasonably acceptable to Franchisor) as the independent owner of the franchised Restaurant in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Restaurant as Franchisor may designate in writing.

8.2.5 Franchisee’s right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor’s rights.

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

8.2.7 Franchisee shall not use the Proprietary Marks or any variant thereof as part of its corporate or other legal name, or as part of any e-mail address, domain name, websites or other identification of Franchisee in any electronic medium (including e-mail addresses, account names in a social media site, and the like) of Franchisee or the Restaurant in any forum or medium. Franchisor reserves the right to require Franchisee to file or otherwise update its corporate or other legal name with state or local government authorities to reflect “Billy’s Downtown Diner” as a DBA.

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

8.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

8.2.9.1 Franchisee shall promptly notify Franchisor of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to Franchisor’s ownership of, or Franchisee’s right to use, the Proprietary Marks licensed hereunder. Franchisee acknowledges that Franchisor shall have the right to direct and control any administrative or arbitral proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

8.2.9.2 Except to the extent that any litigation or arbitration involving the Proprietary Marks is the result of Franchisee’s use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement or involving any other claim against Franchisor, Franchisor agrees to reimburse Franchisee for its out-of-pocket litigation and arbitration costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and

Franchisor shall bear the costs of any judgment or settlement but only if the claim on which the judgment or settlement is made is only related to the validity or ownership of the Proprietary Marks. To the extent that such litigation or arbitration is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Franchisor for the cost of such litigation or arbitration (or, upon Franchisor's written request, pay Franchisor's legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

8.2.9.3 If Franchisor undertakes the defense or prosecution of any litigation or arbitration relating to the Proprietary Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action.

8.3 Franchisee Acknowledgements Regarding Proprietary Marks. Franchisee expressly understands and acknowledges that:

8.3.1 As between Franchisee and Franchisor, Franchisor or its affiliates are the exclusive owner of the Proprietary Marks. The Proprietary Marks are valid, currently owned by IP Holdco, and serve to identify the System and those who are authorized by Franchisor to operate and/or develop under the System. All ideas, business ventures, concepts, inventions, techniques, processes, designs, or materials, and any modifications to the System or any substitutions or additions to the Intellectual Property suggested or developed by you concerning the BDD Restaurant, whether or not protectable Intellectual Property and whether created by or for you or one of your employees, must be promptly disclosed to us and will be deemed to be solely and exclusively our property, part of the System, and "works made for hire" as the phrase is defined in the Copyright Act of 1976 (17 U.S.C. 101 et. seq.) for us ("Creative Works"). You further acknowledge that all Creative Works may be incorporated by IP Holdco or us into the System and Intellectual Property without any compensation to you.

8.3.2 Neither Franchisee nor any Principal of Franchisee shall directly or indirectly contest the validity of, IP Holdco's ownership of, or Franchisor's license to use and sublicense the Proprietary Marks. Nor shall Franchisee or any Principal of Franchisee, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with the express prior written consent of Franchisor and IP Holdco.

8.3.3 Franchisee's right to use Proprietary Marks is derived solely from this Agreement and limited to its operation of the Restaurant pursuant to and in compliance with this Agreement and Franchisor's standards and specifications. Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

8.3.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor and/or IP Holdco. This Agreement does not confer any goodwill or other interests in Proprietary Marks upon Franchisee other than the limited right to operate the Restaurant in compliance with this Agreement. Upon expiration or earlier termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

8.3.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor and IP Holdco thus have and retain the rights, among others:

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

8.3.5.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees or other licensees authorized to operate using the Proprietary Marks;

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

8.3.6 Franchisor may, at any time, at its sole option, require Franchisee to use any additional, alternative, or substitute Proprietary Marks. If Franchisor for any reason is required to or deems it advisable to modify or discontinue the use of any Proprietary Marks and/or use one or more additional, alternative, or substitute trademarks or service marks, Franchisee will comply with Franchisor's directions within a reasonable time after receiving notice from Franchisor. All costs and expenses relating to the modification or discontinuance of the use of any Proprietary Marks and/or the use of one or more additional, alternative, or substitute trademarks or service marks will be paid by Franchisee. All provisions of this Agreement applicable to Proprietary Marks apply to any additional, alternative, or substitute trademarks and service marks or other commercial symbols that Franchisor authorizes Franchisee to use pursuant to this Agreement.

8.3.7 Notwithstanding anything to the contrary, neither the expiration nor the termination of this Agreement shall affect our ownership of the items herein or alter any of our rights or privileges hereunder.

9. MANUALS

9.1 Manuals. In order to protect the reputation and goodwill of Franchisor, its affiliates, and the BDD Restaurant brand and System and to maintain high standards of operation under Franchisor Proprietary Marks, Franchisee shall conduct its business in accordance with the Manuals, one (1) copy of which Franchisee acknowledges having received on loan from Franchisor for the term of this Agreement. The Manuals may consist of multiple volumes of printed text, video and/or audio tapes and files, computer disks, and other electronically stored data, and various and periodic or episodic operational and/or management bulletins, in any format, and Franchisee acknowledges and agrees that Franchisor may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials in, or via, electronic media, including through the Internet.

9.2 Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Restaurant, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential, protect it from viewing by others, and treat the Manuals with the same degree of care as it would treat its most highly confidential documents. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

9.3 Protection of the Manuals. The Manuals shall at all times remain the sole property of Franchisor and shall at all times be kept in a secure place on the Restaurant premises. Franchisee shall ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor home office shall be controlling.

9.4 Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to make corresponding revisions to its copy of the Manuals and to comply with each new or changed standard immediately upon receipt of such revision.

10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE

10.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement (the "Confidential Information"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Restaurant shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on a form provided by Franchisor, which form may, among other things, designate Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

10.2 Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 10 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10.

10.3 Information Exchange. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, and products conceived or developed by Franchisee, its affiliates, owners, agents, or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. Franchisee hereby grants to Franchisor, and agrees to procure from its affiliates, owners, agents, or employees, a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and products in all food service businesses operated by Franchisor or its affiliates, franchisees, and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, or product without obtaining Franchisor prior written approval.

10.4 Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by Franchisor, the Operating Principal or a General Manager appointed in accordance with Section 5 shall devote full time, energy, and best efforts to the management and operation of the Restaurant.

10.5 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including information regarding Franchisor's operational, sales, promotional, and marketing methods and techniques and the System. During the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not (a) within the Designated Area or (b) within two (2) miles of any other BDD Restaurant owned and/or operated or then under construction by Franchisor or any other franchisee or licensee of

Franchisor, either directly or indirectly, for Franchisee, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

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

10.5.2 Except as otherwise approved in writing by Franchisor, directly or indirectly, own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any “Competitive Business,” which means any quick service, fast food, or fast casual dining restaurant or food service establishment for which twenty-five percent (25%) or more of its menu entrees feature breakfast, brunch, or lunch or for which such menu items account for twenty-five percent (25%) or more of its gross sales.

10.6 Post-Term Covenants. Except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 below; (b) expiration or earlier termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 10.6, either (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the Designated Area of the Restaurant or (b) within two (2) miles of any other BDD Restaurant owned and/or operated or then under construction by Franchisor, Franchisor’s affiliate, or any other franchisee or licensee of Franchisor as of the time that the obligations under this Section 10.6 commence, or (2) do or perform, directly or indirectly, any act injurious to the goodwill associated with the Proprietary Marks and the System. If Franchisee does not comply with the post-term covenants as specified in Section 10.6, the post-term non-compete period shall not begin to run until Franchisee begins to comply.

10.7 Publicly-Held Corporations. Section 10.6 above shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term “publicly held corporation” shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

10.8 Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 8, 9, 10, 12, and 14 (as modified to apply to an individual, if applicable) from any or all of Franchisee’s owners holding a five percent (5%) or greater interest in Franchisee, the Operating Principal, and the General Manager. The covenants required by this Section 10.8 shall be in the form provided in Exhibit F to this Agreement. Franchisee shall deliver to Franchisor copies of such executed covenants immediately upon Franchisor’s request. Failure by Franchisee to obtain execution of a covenant required by this Section 10.8 shall constitute a default under this Section 10.

10.9 Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee agrees to be bound by any lesser

covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.

10.10 Scope of Covenants. Franchisor shall have the right to reduce the scope of any covenant set forth in Sections 10.5 and 10.6 in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 24 below.

10.11 Enforcement of Claims. The existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 10. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by Franchisor in connection with the enforcement of this Section 10.

10.12 Irreparable Injury. Franchisee acknowledges that Franchisee's violation of the terms of this Section 10 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 10.

10.13 Remedies Not Exclusive. The remedies in this Section 10 are in addition to the other right and remedies available to Franchisor and shall not serve as an election of remedies or a waiver of any other rights.

11. INSURANCE

11.1 Franchisee shall comply with the insurance provisions listed on Schedule I to this Agreement at your expense, which must additionally meet the standards and requirements set forth in the Manuals.

11.1.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement (and, at the latest, upon the earlier of signing the lease for the Restaurant premises or thirty (30) days prior to the Restaurant opening), Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Restaurant or other facilities on premises, or by reason of the construction, operation, or occupancy of the Restaurant or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least A-VII in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Restaurant is located. All policies will be primary and non-contributory to any insurance that Franchisor may carry and include a waiver of subrogation in Franchisor's favor. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and other relevant changes in circumstances), the following:

11.2 Referenced in Manuals. All policies listed on Schedule I (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

11.3 Policy Cancellation. In the event of cancellation, material change, or non-renewal of any policy, thirty (30) days' advance written notice must be provided to Franchisor in the manner provided in Section 11.7 below. Franchisee shall arrange for a copy of such notification to be sent to Franchisor by the insurance company.

11.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Restaurant during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Franchisor, having a rating as set forth in Section 11.1.1 above.

11.5 No Waiver of Obligations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16.1.3 below.

11.6 Franchisor to be Additional Named Insured. All insurance policies shall list Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as additional named insureds, and shall also contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Franchisor or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26 or ISO CG 20-29, the Additional Insured/Grantor of Franchise endorsement, or such equivalent form that Franchisor approves in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) Franchisor's negligent acts, errors, or omissions or other additional insureds. Franchisee shall maintain such additional insured status for Franchisor on Franchisee's general liability policies continuously during the term of this Agreement. The Employment Practices Liability policy shall name Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as a co-defendant.

11.7 Evidence of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration or renewal of any such policy, Franchisee shall deliver to Franchisor, certificates of insurance, endorsements, insurance declarations, and/or other documents requested by Franchisor (collectively, "certificates"), evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1.1 above shall name Franchisor, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage. In the event that Franchisee fails to obtain the required insurance or to provide evidence reasonably satisfactory to Franchisor of the insurance policies required by this Section 11.7, Franchisor shall have the right to obtain such required policies on Franchisee's behalf, and Franchisee agrees that it will promptly reimburse Franchisor for all costs related to obtaining such policies upon notice from Franchisor.

11.8 Proof of Insurance. In addition to its obligations under Section 11.7 above, on the first (1st) anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Franchisor with proof of insurance evidencing

the proper coverage with limits not less than those required hereunder, in such form as Franchisor may reasonably require. If Franchisee fails to obtain or maintain the required insurance coverage, Franchisor may purchase it for Franchisee and charge Franchisee the premium, plus Franchisor's costs, and require Franchisee to pay to Franchisor an administrative fee equal to 20% of the insurance policy premium for doing so.

11.9 Policy Requirement Changes. Franchisor shall have the right, from time to time, to make such changes in minimum policy limits, maximum deductibles or retentions, insuring coverages, endorsements, and types of coverage as it deems advisable.

11.10 Franchisor's Insurance. Franchisee acknowledges and agrees that any insurance policies maintained by Franchisor for Franchisor's benefit shall have no effect upon Franchisee's obligation to obtain any insurance required by this Section 11.

12. TRANSFER OF INTEREST

12.1 Franchisor Transfers. Franchisor has the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Franchisor's rights or obligations under this Agreement or Franchisor's interest in the System and Confidential Information to any person or legal entity without Franchisee's consent. Any transferee or assignee of this Agreement from Franchisor will become solely responsible for all of Franchisor's obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, Franchisor may sell its assets (including its rights in the Proprietary Marks and the System) to a third party; may offer its securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. Nothing contained in this Agreement will require Franchisor to remain in the business of operating or licensing the operation of Franchisors or other businesses or to offer any services or products to Franchisee, whether or not bearing the Proprietary Marks, if Franchisor transfers or assigns its rights in or obligations under this Agreement and the System.

12.2 Owners. Each owner of Franchisee, and the interest of each of them in Franchisee, is identified in Exhibit D hereto. Franchisee represents and warrants that its owners are set forth on Exhibit D attached to this Agreement, and covenants that Franchisee will not permit the identity of such owners, or their respective interests in Franchisee, to change without Franchisor's consent and without complying with this Agreement.

12.3 Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee or its owners' business skill, financial capacity, and personal character. Accordingly:

12.3.1 Franchisee and its owners shall not, without Franchisor's prior written consent, transfer, assign, sell, convey, pledge, give, or otherwise encumber: (a) this Agreement or any of Franchisee's rights and obligations under this Agreement; (b) the Restaurant or all or substantially all of the assets of the Restaurant; (c) the leases or any other interest in the Restaurant; (d) Franchisee; or (e) any direct or indirect ownership interest in Franchisee (individually and collectively, a "Transfer").

12.3.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without Franchisor's prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become an owner under this Agreement, if so designated by Franchisor.

12.3.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without Franchisor's prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

12.3.4 Franchisee's owner shall not, without Franchisor's prior written consent, transfer, assign, sell, convey, pledge, gift, or otherwise encumber any interest of an owner in Franchisee as shown in Exhibit D.

12.3.5 Franchisee shall not transfer or assign the lease for the Restaurant, or permit a default or surrender of the lease that will or may cause the Restaurant to be owned, leased, or operated by, any person or entity that will not operate a Franchisor, without Franchisor's prior written consent.

12.4 Conditions for Approval. No Transfer is permitted or authorized without Franchisor's prior written consent. Franchisor will not unreasonably withhold any consent required by Section 12.3 above; provided, Franchisor may require, among other things, any or all of the following as conditions of Franchisor's consent:

12.4.1 Franchisee and the proposed transferee shall comply with Franchisor's then-current transfer policies. Franchisee and the proposed transferee shall provide Franchisor with all information and documents requested by Franchisor for its evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal, or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

12.4.2 Franchisee and its owners shall execute a general release (which shall include a release from the transferor, Franchisee, Franchisee's owners, and guarantors), in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective owners, directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Franchisor and Franchisee or their affiliates, and federal, state, and local laws and rules.

12.4.3 The transferee of an owner shall be designated as an owner and each transferee who is designated as an owner shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as an owner under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if Franchisee's obligations were guaranteed by the transferor, the owner shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor.

12.4.4 Prior to, and after the transfer, the transferee and its owners shall meet Franchisor educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Restaurant, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Restaurant. The price, consideration, and other proposed terms of the proposed transfer must not, in Franchisor's reasonable business judgment, have the effect of negatively impacting the future viability of the Restaurant.

12.4.5 At Franchisor's option, the transferee shall execute the form of franchise agreement then being offered to new franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement

including higher Royalty Fees and Brand Development Fund Contributions, and a different or modified Designated Area, provided however that the term of such franchise agreement shall be equal to the then unexpired term of this Agreement.

12.4.6 At Franchisor's option, Franchisee or transferee, at the sole cost and expense of Franchisee or transferee, shall upgrade the Restaurant to conform to the then-current standards and specifications of new Restaurant then being established in the System, and shall complete the upgrading and other requirements set forth in this Section 12.4.6 or as required under Section 5.9 above within the time specified by Franchisor.

12.4.7 All of Franchisee's monetary obligations hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of Franchisee's obligations hereunder including Franchisee's reporting obligations.

12.4.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Restaurant that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability.

12.4.9 Transferee and its Operating Principal, and such other owners or managers as specified by Franchisor, shall successfully complete (to Franchisor's satisfaction) all training programs required by Franchisor (including the Initial Training Program) upon such terms and conditions as Franchisor may reasonably require (and while Franchisor will not charge a training fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of all persons who attend such training).

12.4.10 To compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Franchisee shall pay Franchisor a non-refundable transfer fee in the amount of Ten Thousand Dollars (\$10,000). The transfer fee shall be paid at the earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training. The transfer fee is non-refundable. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Franchisee or the proposed transferee shall reimburse Franchisor for all of Franchisor's costs and expenses incurred in connection with Franchisor's evaluation of the proposed transfer, including attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable, to the extent the portion of the transfer fee paid does not cover those costs and expenses.

12.4.11 The transferor must certify to Franchisor that transferor has provided to the transferee true, complete, and accurate copies of Franchisee's financial information and documents regarding the operation of the Restaurant, including the trailing two years of financial statements and monthly cash reports, the lease for the Restaurant premises, material contracts, and such other information as may be specified by Franchisor.

12.4.12 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 10 above.

12.5 Transfers to Entities for the Convenience of Ownership. If Franchisee desires to transfer all of Franchisee's interest in this Agreement, or if all of Franchisee's owners desire to transfer all of their ownership interests in Franchisee, to a corporation, limited liability company, or other entity, solely for the convenience of ownership and/or for tax or estate planning reasons, Franchisor shall not unreasonably withhold Franchisor consent to such transfer, and Franchisor shall not require that Franchisee comply with

the provisions and conditions of Section 12.4 or 12.6, if Franchisee complies with all of the following conditions:

12.5.1 Franchisee shall provide written notice to Franchisor not less than thirty (30) days prior to the date of the proposed transfer, and shall provide Franchisor with such documents and information as Franchisor may request in support of Franchisee's request, which may include, among other things, entity formation and good standing certifications, evidence of insurance in the name of the new franchisee entity, and bank information for the new franchisee entity.

12.5.2 Franchisee and Franchisee's owners shall own all of the outstanding equity interests in the new franchisee entity, and shall own the same percentage ownership interests in the new franchisee entity as they own in Franchisee, and if Franchisee is an individual, Franchisee shall own 100% of the outstanding voting equity interests in the new franchisee entity.

12.5.3 Each owner who owns at least twenty percent (20%) of the outstanding equity interests in the new franchisee entity shall execute a Guarantee, Indemnification, and Acknowledgement in the form attached as Exhibit E hereto.

12.5.4 Franchisee and Franchisee's owners shall comply with the provisions of Sections 12.4.1, 12.4.2, 12.4.6, 12.4.7, and 12.4.11 of this Agreement, and the new entity and its owners shall comply with Sections 5.26 through 5.29 of this Agreement.

12.5.5 Franchisee and Franchisee's owners shall execute such transfer documents, agreements, and other materials as Franchisor may require.

12.6 Right of First Refusal.

12.6.1 If Franchisee or any owner desires to accept any bona fide offer from a third party to purchase Franchisee, all or substantially all of the assets of the Restaurant, or any direct or indirect interest in Franchisee, Franchisee or such owner shall promptly notify Franchisor of such offer and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor.

12.6.2 Any material change in the terms of the bona fide offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Franchisor's failure to exercise the option afforded by this Section 12.6 shall not constitute consent to a proposed transfer, a waiver of any other provision of this Agreement, including all of the requirements of this Section 12 with respect to a proposed transfer, or a waiver of any subsequent offer.

12.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by

Franchisor and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Franchisee. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 12.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

12.7 Transfer Upon Death. Within six (6) months after the death of Franchisee (if a natural person) or the death of an owner of Franchisee, the executor, administrator, or other personal representative of the deceased will transfer the interest of the deceased in this Agreement or Franchisee to a third party approved by Franchisor in accordance with Section 12.4. If no personal representative is designated or appointed and no probate proceedings are instituted with respect to the estate of the deceased, the distributee of the interest of the deceased must be approved by Franchisor. If the distributee is not approved by Franchisor, the distributee will transfer the interest of the deceased to a third party approved by Franchisor within six (6) months after the date of death of the deceased in accordance with Section 12.4.

12.8 Transfer Upon Permanent Disability. Upon Franchisee's permanent disability or the permanent disability of any owner with a controlling interest in Franchisee, Franchisor may require Franchisee's or the owner's interest to be transferred to a third party approved by Franchisor within six (6) months after notice to Franchisee. "Permanent disability" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. If Franchisor and Franchisee or Franchisee's representative disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 12.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

12.9 Notification Upon Death or Permanent Disability. Within ten (10) days after the death or permanent disability of Franchisee (if a natural person) or an owner, Franchisee or Franchisee's representative shall notify Franchisor of the death or permanent disability in writing. Any transfer upon death or permanent disability will be subject to the same terms and conditions set out in this Section 12 for any transfer.

12.10 No Waiver of Claims. Franchisor's consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.11 Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding, intent, and agreement that any transfer in this Agreement, Franchisee, Franchisee's obligations and/or rights hereunder, all or substantially all of the assets of the Restaurant, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 12.

12.12 Securities Offerings. All materials for an offering of stock or partnership interests in Franchisee or any of Franchisee's affiliates which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their

use. No offering by Franchisee or any of Franchisee's affiliates shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Franchisee and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the owners, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Franchisor to endorse such indemnification; provided, there will be no indemnification for Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12 commences. Any such offering shall be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

13. DEFAULT AND TERMINATION

13.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment of Ten Thousand Dollars (\$10,000) or more against Franchisee or Franchisee's affiliate remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if an attachment or execution is levied against Franchisee's business or property, including Franchisee's bank accounts, property, or any receivables and is not dismissed within thirty (30) days; or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within five (5) days; or if the real or personal property of the Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Franchisor (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to obtain approval of the site for the Restaurant pursuant to this Agreement or the Site Selection Addendum;

13.2.2 If Franchisee fails to construct, timely open, maintain, repair, or renovate the Restaurant in accordance with this Agreement or Franchisor's plans and specifications or fails to equip the Restaurant in accordance with Franchisor's standards and specifications;

13.2.3 If Franchisee, its Operating Principal, or managers fail to complete the initial training program pursuant to Section 5.4 of this Agreement;

13.2.4 If Franchisee at any time without the written consent of Franchisor ceases to operate or otherwise abandons the Restaurant for three (3) consecutive business days, or loses the right to possession of the Restaurant premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Restaurant, which approval shall not be unreasonably withheld;

13.2.5 If Franchisee defaults under any lease or sublease for the Restaurant (the "Lease") and fails to cure the default within the time period specified in the Lease, or if the Lease is terminated, for any reason, or expires;

13.2.6 If Franchisee, any owner of Franchisee, or any affiliate of Franchisee is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

13.2.7 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

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

13.2.9 If Franchisee or any of Franchisee's owners purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 12;

13.2.10 If Franchisee fails to permit an inspection pursuant to Section 5.13 or an audit pursuant to Section 7.4;

13.2.11 If Franchisee fails to comply with the covenants in Section 10.5 or fails to timely obtain execution of the covenants required under Section 10.8;

13.2.12 If any individual who provides the covenants described in Section 10.8 fails to comply with such covenants;

13.2.13 If, contrary to the terms of Sections 9 or 10 above, Franchisee or any individual described in Section 10 discloses or divulges the contents of the Manuals or other Confidential Information;

13.2.14 If Franchisee knowingly maintains false books or records, or submits any false reports (including information provided as part of Franchisee's application for this franchise) to Franchisor;

13.2.15 If Franchisee makes, or has made, any misrepresentation or engaged in any act of fraud in connection with obtaining this Agreement or in conducting the business franchised and licensed under this Agreement;

13.2.16 If Franchisee fails to pay any supplier or vendor when due, and fails to cure such default within the time period specified by the supplier or vendor, or in the applicable supply contract;

13.2.17 If Franchisee fails to pay any third party, including a lender, seller, or lessor of products, services or equipment, any amount due by Franchisee to such parties on any note, financing, obligation, or financial instrument when due, and such failure to pay the full amount owed is not cured after any notice required by the contract or under applicable law;

13.2.18 If Franchisee makes any unauthorized or improper use of the Proprietary Marks, or if Franchisee or any owner of Franchisee fails to utilize the Proprietary Marks solely in the manner and for the purposes directed by Franchisor, or directly or indirectly contests the validity of Franchisor ownership of the Proprietary Marks or Franchisor's right to use and to license others to use the Proprietary Marks;

13.2.19 If Franchisee fails to submit to Franchisor any financial or other information required under this Agreement;

13.2.20 If Franchisee fails to operate the Restaurant in accordance with this Agreement, including operating the Restaurant in compliance with the operating standards and specifications established from time to time by Franchisor as to the quality of service, specifications and use of computer hardware and software, cleanliness, health and sanitation, or if Franchisee receives a failing score on any inspection conducted in accordance with Section 5.13 hereof;

13.2.21 If any other agreement between Franchisee (or any of its affiliates) and Franchisor (or any of its affiliates) is terminated for cause;

13.2.22 If Franchisee fails on more than three (3) or more occasions during any 12-month period to comply with one (1) or more requirements of this Agreement, regardless of whether the prior defaults were cured;

13.2.23 If Franchisee fails to comply with any applicable laws as more specifically set forth in Section 5.25;

13.2.24 If Franchisee, prior to operating the Restaurant, does not obtain Franchisor's prior written approval of an Operating Principal if (1) Franchisee is not an individual or (2) Franchisee does not participate personally in the direct operation of the Restaurant; and

13.2.25 If the right of Franchisee to possess the Restaurant premises terminates for any reason whatsoever.

13.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee of Franchisee's obligations hereunder, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, five (5) days); provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof satisfactory to Franchisor, all within the thirty (30)

(or five (5)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) (or five (5)) day period or such longer period as applicable law may require.

13.4 Extended Notice of Termination. If any law applicable to this Section 13 requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of “good cause”, or the taking of some other action not required hereunder, the prior notice, “good cause” standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

13.5 Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee’s offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event Franchisor does not elect to exercise the options described in this Section 13.5, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 12.

13.6 Other Remedies. Franchisor has the right to undertake any one or more of the following actions in addition to, or in lieu of, terminating this Agreement:

13.6.1 Franchisor may require Franchisee to close the Restaurant and take the necessary steps to bring the Restaurant (including the operation, maintenance, repair and restoration of the Restaurant) into strict conformity with Franchisor’s standards and specifications and the requirements of this Agreement. Franchisee shall not reopen the Restaurant until Franchisee has brought it into conformity with Franchisor’s standards and specifications;

13.6.2 Franchisor may modify, or eliminate completely, the Designated Area described in Section 1.2 above;

13.6.3 Franchisor may elect, but has no obligation, to assume complete operating control and possession of the Restaurant and operate the same in the capacity of a receiver. Franchisor shall apply funds received from that operation, first to the payment of all of Franchisor’s costs and expenses of operation, then to the current obligations of Franchisee to Franchisor or any third party, and then to the past due obligations of Franchisee to Franchisor or any third party, with any remaining funds paid over to Franchisee; and

13.6.4 Franchisor may disable access to or remove all or any references to the Restaurant or webpage(s) of the Restaurant from the Authorized Website, until such time as the default is fully cured.

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 13.6, such action shall be without prejudice to Franchisor right to terminate this Agreement in

accordance with Sections 13.2 or 13.3 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.

14. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

14.1.1 Cease Operations. Franchisee shall immediately cease to operate the Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold Franchisee out as a present or former franchisee of Franchisor.

14.1.2 Cease Use of Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the mark “Billy’s Downtown Diner” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks, remove all such articles and/or permit Franchisor to enter the Restaurant and remove or permanently cover all signs or advertisements identifiable in any way with Franchisor’s name or business, at Franchisee’s expense.

14.1.3 Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Mark “Billy’s Downtown Diner” and all other Proprietary Marks, and/or any other service mark or trademark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

14.1.4 Pay Monies Owed; Liquidated Damages. Within ten (10) days after the effective date of expiration or termination of this Agreement, or such later date that the amounts due to us are determined, Franchisee shall pay Franchisor all sums and amounts then due to Franchisor or its affiliates. Franchisee shall also pay to Franchisor, in addition to any amounts then due and owing, all damages suffered and expenses incurred by Franchisor as a result of any default, including reasonable attorneys’ fees, expenses, and costs, and interest on such attorneys’ fees, expenses, and costs. Franchisee acknowledges and agrees that, in the event this Agreement is terminated prior to its expiration due to a default by Franchisee, such termination will result in lost future revenue and profits to Franchisor, harm to the goodwill associated with the Proprietary Marks, and increased costs to Franchisor to re-develop or re-franchise the Designated Area in which the Restaurant is located. Franchisee further acknowledges and agrees that the actual damages that would be incurred by Franchisor in the event of any early termination of this Agreement would be difficult to calculate or ascertain. Accordingly, if this Agreement is terminated prior to its expiration due to a default by Franchisee, Franchisee will, within ten (10) days after the effective date of such termination, pay Franchisor in a single lump sum payment, as liquidated damages and not as a penalty, an amount equal to the product of the average yearly amount of Royalty Fees paid by Franchisee under Section 3.3 of this Agreement during the three (3) years immediately preceding the termination (or such period as the Restaurant was open for business, if the Restaurant was not open for business during the entire three-year period), multiplied by the lesser of (i) three (3) or (ii) the number of years remaining in the Agreement’s then-current initial term or renewal term. Franchisee acknowledges and agrees that such amount is considered to be a reasonable, bona fide pre-estimate of damages, which is fair and reasonable under the circumstances, and not a penalty. Franchisee acknowledges and agrees that the liquidated damages specified in this Section 14.1.4 are only intended to compensate Franchisor for the early termination of this Agreement and Franchisor’s loss of revenue resulting therefrom, but not for any other

breach of this Agreement by Franchisee or any other damages, losses, or expenses incurred by Franchisor, and all other applicable remedies under the law remain available to Franchisor.

14.1.5 Return of Manuals and Other Materials. Franchisee shall immediately deliver to Franchisor the Manuals, plans, specifications, designs, records, data, samples, models, programs, handbooks, and drawings relating to the Franchisor brand, System, operations, or business, and all other materials containing Confidential Information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be Franchisor's property.

14.1.6 No Confusion. Franchisee agrees that, if it continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Franchisor, the brand, the System, or the Proprietary Marks.

14.1.7 Assign Leases; Modification of Premises. Franchisor shall have the right and option, but not the obligation, to acquire the Leases for the Restaurant, or otherwise acquire the right to occupy the premises. Franchisor may assign or delegate this right or option to any of Franchisor affiliates or a third-party designee, without notice to, or request for approval from, the landlord or lessor of the premises. If Franchisor or its assignee or delegatee does not elect or is unable to exercise any option Franchisor may have to acquire the leases or subleases for the premises of the Restaurant, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the premises operated hereunder (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to de-identify and distinguish the appearance of said premises from that of other BDD Restaurants, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Franchisor requests shall transfer to Franchisor, all telephone numbers, customer "loyalty" lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisor while operating the Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Restaurant from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor request transfer same to Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section 14.1.7, Franchisor (or its designee) shall have the right to enter upon the premises of the Restaurant, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at Franchisee's expense, which expense Franchisee agrees to pay upon demand.

14.1.8 Option to Purchase Equipment and Furnishings. Franchisor shall have the option, to be exercised within thirty (30) days after expiration or earlier termination of this Agreement, to purchase from Franchisee any or all of the equipment or inventory related to the operation of the Restaurant, at the lesser of the fair market value or Franchisee's book value. The book value shall be determined based upon a five (5) year straight line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, Franchisor shall set off all amounts due from Franchisee. Notwithstanding any term or provision in this subparagraph to the contrary, Franchisor expressly reserves the right, but not the obligation, to negotiate to purchase the equipment directly from the lessor of the equipment. The transfer of the equipment from Franchisee to Franchisor shall take place within sixty (60) days after the expiration or earlier termination of this Agreement upon receipt of payment or any applicable transfer and release documents from Franchisor; provided, however, that if the transfer cannot take place within that time period because of delays caused by Franchisee's lender

or lessor, the time period shall extend by a like number of days. All such equipment and inventory shall be transferred without liens or other encumbrances of any kind and Franchisor shall receive free and clear title. If Franchisor exercises the options contained in Sections 14.1.7 and 14.1.8 of this Agreement, Franchisee shall leave all of the equipment at the Restaurant in good working order and repair and shall allow Franchisor to use the equipment without charge until the transfer of the equipment takes place.

14.1.9 Damages and Costs. Franchisee shall pay Franchisor all damages, costs, interest, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.1.

14.1.10 Other Rights of Franchisee. The termination of this Agreement shall not affect the rights of Franchisee to operate other Franchisors in accordance with the terms of any other applicable franchise agreements with Franchisor until and unless the other franchise agreements, or any of them, terminate or expire.

15. TAXES, PERMITS, AND INDEBTEDNESS

15.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Restaurant. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax, or similar tax from any payment to Franchisor, then, to the extent that Franchisor is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Franchisor shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Franchisor would have received had no tax payment been required, provided that such shortfall is not caused by Franchisor's gross negligence, willful misconduct, or fraud in filing the claims, or for reasons that can be solely attributable to Franchisor.

15.2 Tax Disputes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Restaurant, or any improvements thereon.

15.3 Compliance With Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, including employment, labor, and wage and hour laws, tax laws, and local operating regulations. Franchisee shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Restaurant, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or Franchisor other instructions, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

15.4 Notification of Claims. Franchisee shall notify Franchisor in writing within three (3) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within three (3) days occurrence of any accident or injury which may adversely affect the operation of the Restaurant or Franchisee's financial condition, or give rise to liability or a claim against Franchisee or Franchisor.

15.5 Prior Notice of Claims. As a condition precedent to commencing an action for damages or for our violation or breach of this Agreement, you must notify us in writing within 90 days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

16.1 It is understood and agreed by the parties hereto that this Agreement does not in any way create the relationship of principal, agent, fiduciary, joint venture, joint employer, or employer/employee between Franchisor and Franchisee; that Franchisee shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. For the avoidance of doubt, Franchisor is not the employer or joint employer of Franchisee or Franchisee's employees.

16.1.1 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor.

16.1.2 No Agency. Franchisee shall not act or attempt to act or represent itself, directly or by implication, as an agent of Franchisor. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission by Franchisee in Franchisee's conduct of the Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor. Franchisee shall not have the authority, express or implied, to bind or obligate Franchisor in any way.

16.1.3 Indemnification. Franchisee, on behalf of itself, its affiliates, and their respective owners, will, to the fullest extent permissible under applicable law, indemnify, defend and hold harmless Franchisor, its affiliates, and each of their respective owners, officers, directors, members, employees and agents (the "Indemnified Parties") against and reimburse any one or more of the Indemnified Parties for any and all losses, compensatory, exemplary or punitive damages, arbitration costs, mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys' fees, and consequential damages (together, "Losses and Expenses") arising out of or from or related to, any claims, directly or indirectly, arising out of or from or related to the operation of the Restaurant, any breach of this Agreement or the Manuals, by Franchisee, its affiliates, any of their respective owners, or any breach by Franchisee, its affiliate, or any of their respective owners of any other agreement between Franchisor or its affiliate, on the one hand, and Franchisee, its affiliate, or any of their respective owners, on the other hand. The indemnity set forth above includes claims, directly or indirectly, arising out of, from, or related to the Indemnified Parties' negligence, but not claims caused solely by the Indemnified Parties' gross negligence, fraud, or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Franchisor has the right, at its option, to defend any such claim against it at Franchisee's sole cost and expense with counsel of Franchisor's choosing. If Franchisee defends any claim, it may not enter into any settlement agreement or otherwise resolve or conclude the matter without Franchisor's prior written consent. This indemnity will continue in full force and effect subsequent to, and notwithstanding, the expiration or earlier termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or Franchisee's Losses and Expenses, in order to maintain and recover fully a claim against Franchisee, Franchisee's affiliate, or their respective owners. Any failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts recoverable

by Franchisor or another Indemnified Party from Franchisee, Franchisee's affiliate, or their respective owners. Franchisee's obligations under this Section 16.1.3 will survive the expiration or earlier termination of this Agreement.

17. GOVERNING LAW AND DISPUTE RESOLUTION

17.1 Governing Law. This Agreement and the relationship of the parties shall be governed and construed in accordance with the laws of Delaware, without regard to its conflicts of laws provisions. Nothing in this Section 17 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Delaware to which this Agreement would not otherwise be subject.

17.2 Venue. Subject to the terms and provisions of Section 17.3 below, the parties agree that any action brought by one party against the other in any court, whether federal or state, shall be brought only before a federal or state court in the State of Delaware. The parties agree that this Section 17.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee and its owners hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and Franchisee and its owners waive any and all rights to proceed on a consolidated, common, or class basis.

17.3 Arbitration. Except as otherwise provided in this Agreement, any claim, controversy, or dispute arising out of or relating to this Agreement, the Restaurant, or the relationship created by this Agreement, including any claim by Franchisee or its owners, concerning the entry into, the performance under, or the termination of this Agreement, or any other agreement between the parties or their affiliates will be resolved via binding arbitration under the authority of the Federal Arbitration Act in accordance with the following provisions:

17.3.1 Any arbitration will be administered by the American Arbitration Association (or its successor) pursuant to its then-current commercial arbitration rules and procedures. The arbitrator will have the authority to decide issues regarding arbitrability and the scope of the arbitrator's jurisdiction. The arbitration must take place in the metropolitan area in which our headquarters are located at the time of the dispute (currently Bethlehem, Pennsylvania area).

17.3.2 Any arbitration must be on an individual basis, and not as part of a common, consolidated, or class action. The parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties will submit all claims to the jurisdiction of the courts.

17.3.3 The arbitrator must follow the law and not disregard the terms of this Agreement or its related agreements. Except as otherwise provided in this Agreement, the arbitrator will have the authority to award any interim, interlocutory, or final remedy or relief that a court of the State of Delaware could order or grant, including, without limitation, general damages, specific performance of any obligation created under this Agreement, the issuance of an injunction or other extraordinary relief, or the imposition of sanctions for abuse or frustration of the arbitration process; however, the arbitrator may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or other prohibited damages; or (iii) make an award that extends, modifies, or suspends any lawful term of this Agreement or its related agreements or any reasonable standard of business performance that we set.

A judgment may be entered upon the arbitration award by any state or federal court of competent jurisdiction. The decision of the arbitrator will be binding and final on all parties to the dispute.

17.3.4 Except as necessary to obtain interim or provisional relief, to enforce any arbitration award or order, or to comply with any franchise-specific disclosure obligation, the arbitration proceeding and award will be maintained as strictly confidential and neither party hereto nor the arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties hereto.

17.3.5 Each party will bear its share of the costs of the arbitration proceeding. The prevailing party to the arbitration will have the right to an award of its reasonable attorneys' fees and costs incurred after the filing of the demand for arbitration. If either Franchisor or Franchisee seeks to enforce this Agreement in any arbitral or other proceeding, the prevailing party will be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

17.3.6 This agreement to arbitrate shall survive the expiration or termination of this Agreement.

17.4 Injunctive Relief. Notwithstanding anything to the contrary contained in this Section 17, either party may file suit in a court of competent jurisdiction (pursuant to Section 17.2) for the entry of temporary or preliminary injunctive relief, restraining orders, and orders of specific performance, including injunctive relief pertaining to Franchisee's use or misuse of the System, Proprietary Marks, or Confidential Information, or impermissible competition, prior to or after the expiration or earlier termination of this Agreement. The parties hereto agree that seeking and obtaining such relief will not waive the parties' agreements to arbitrate. You agree that the court or arbitrator may issue such injunction without bond and without notice, and you waive any objection to same. You further agree that we shall be entitled to an award of our reasonable attorneys' fees and costs in any case where an injunction issues. Your only remedy if such an injunction is issued is its dissolution, if warranted, upon an appropriate hearing. You waive any claims for damages as a result of the obtaining of any such injunction.

17.5 Limitation of Actions. Except with regard to claims related to Franchisee's obligations to make payments to Franchisor pursuant to this Agreement, Franchisee's indemnification obligations, and claims related to unauthorized use of the Proprietary Marks or Confidential Information (all of which claims will be subject only to the applicable state or federal statute of limitations), any and all claims and actions arising out of or relating to this Agreement (including the offer and sale of this Agreement), the Franchise relationship, or Franchisee's operation of the Restaurant (including any defenses and any claims of set-off or recoupment) shall be irrevocably barred unless brought or asserted before the expiration of the earlier of (A) the time period for bringing an action under any applicable state or federal statute of limitations; (B) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (C) two (2) years after the first act or omission giving rise to an alleged claim.

17.6 Waiver of Damages. Except with respect to the exclusions set forth in this Section 17.6, to the fullest extent permitted by applicable law and as provided below, Franchisor, Franchisee, and Franchisee's owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, treble, incidental, indirect, consequential, or other similar damages against Franchisor, Franchisee, any of their respective affiliates, owners, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise).

However, the foregoing waiver will not apply to any claim (a) by any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, consequential damages, for adverse harm to the Proprietary Marks or the System; or (c) indemnification and damages for any third-party claims arising under Section 16.1.3. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, or consequential damages will continue in full force and effect.

17.7 Waiver of Jury Trial. The parties hereto irrevocably waive trial by jury in any action, proceeding, or counterclaim in connection with any matter or dispute of any kind arising under or in any way connected with this Agreement or any right or remedy hereunder, whether at law or in equity, brought by either party hereto.

18. TIME IS OF THE ESSENCE

As to all reports and fees payable to or to be made to Franchisor and any inspections initiated by Franchisor under Section 5.14, time shall be of the essence.

19. APPROVALS, WAIVERS, AND BINDING EFFECTS

19.1 Approvals. Whenever this Agreement requires Franchisor's prior approval or consent, Franchisee shall make a timely written request to Franchisor for the approval or consent, which Franchisor shall grant, if at all, only in writing.

19.2 Waivers. Except as set forth in this Agreement, no rights or remedies set forth in this Agreement shall exclude any other right or remedy allowed by law or in equity. No failure by any party to this Agreement to take action on account of any default by any other party, or to exercise any right hereunder, whether in a single instance or repeatedly, shall constitute a waiver of any such default or right or the performance required of such other party. No waiver by a party of any covenant or condition or breach of any covenant or condition of this Agreement shall constitute a waiver of any subsequent breach or nonobservance on any other occasion of the same or any other covenant or condition of this Agreement. Subsequent acceptance by Franchisor of payments due it shall not constitute a waiver by Franchisor of any prior breach.

19.3 Binding Effect; No Other Rights. This Agreement shall bind the parties and their respective executors, administrators, successors, and assigns. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, and such of the parties' respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Sections 12.1 and 12.3 above, any rights or remedies under or by reason of this Agreement.

20. NOTICES

20.1 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses below, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

Franchisor: Billy's Downtown Diner Franchise LLC
10 E Broad St.
Bethlehem, PA 18018
Attn: Dr. Benjamin C. Litalien, CFE
benl@bddfranchise.com

Franchisee: Franchisee's notice address set forth on
Exhibit A to this Agreement

21. FORCE MAJEURE

Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if performance is rendered impossible or commercially impractical by a Force Majeure Event (defined below). Any delay resulting from any Force Majeure Event will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable in the judgment of the Party to whom performance is owed, except no Force Majeure Event will operate to excuse Franchisee from the prompt payment of any fee or other amount due to Franchisor or its affiliates under this Agreement. Franchisee or Franchisor will, within five (5) days of the occurrence of the Force Majeure Event, give a written notice to the other party stating the nature of the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect. Any suspension of performance will be of no greater scope and of no longer duration than is reasonably required; provided, however, if the suspension of performance continues for ninety (90) days from the date of the occurrence and such failure to perform would constitute an event of default of this Agreement in the absence of such Force Majeure Event, Franchisor may, subject to any applicable franchise relationship law, terminate this Agreement immediately by giving written notice to Franchisee. As used in this Agreement, "Force Majeure Event" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts, or other industrial disturbances; war (declared or undeclared), riot, terrorist act, or other civil disturbances; cybersecurity incidents; epidemics; pandemics; public health emergencies; governmental action; or any other cause that is beyond the reasonable control of the party affected thereby and that materially and adversely affects the ability of such party to perform. Financial inability of a party hereto will not constitute a Force Majeure Event.

22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES

Notwithstanding anything in this Agreement to the contrary, Franchisee and its affiliates may, in accordance with any applicable law, including the federal Defend Trade Secrets Act, disclose Confidential Information, including Franchisor's trade secrets: (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

23. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between Franchisor and Franchisee concerning the Agreement's subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, and agreements. There are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the Franchise

Disclosure Document that Franchisor furnished to Franchisee, if any. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The System and Manuals are subject to change by Franchisor at any time, at Franchisor's option.

24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION

24.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the Agreement.

24.2 Enforceability of Covenants. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor and Franchisee are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

24.3 Construction. All captions and headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision. Each pronoun used in this Agreement shall include the other numbers and genders, as appropriate. The words "include" and "including" will be construed to include the words "without limitation."

25. JOINT AND SEVERAL OBLIGATION

If Franchisee consists of more than one person or entity, each person and entity shall have joint and several liability for Franchisee's obligations under this Agreement.

26. INCORPORATION OF EXHIBITS

All exhibits referred to in this Agreement constitute an integral part of this Agreement.

27. COUNTERPARTS

This Agreement may be executed in any number of counterparts each of which when so executed will be an original, but all of which together will constitute one (1) and the same instrument.

28. SURVIVAL OF PROVISIONS

All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS

29.1 Franchisee represents, warrants, and acknowledges to Franchisor as follows:

29.1.1 Independent Investigation. Franchisee has conducted an independent investigation of the business contemplated by this Agreement.

29.1.2 Receipt of Documents. Franchisee acknowledges receipt of a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed. Franchisee further acknowledges receipt of the franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

29.1.3 Modification of Offers. Franchisee understands that present and future franchisees of Franchisor may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ materially from the obligations and rights contained in this Agreement. Franchisee also acknowledges and agrees that Franchisor may modify the offer of BDD Restaurant franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

29.1.4 No Other Obligations. Each party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract, or covenant to which such party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

29.1.5 Restaurant Location. Franchisee acknowledges having sole and complete responsibility for the choice of the location of the Restaurant, and that Franchisor has not (and shall not be deemed to have, even by Franchisor's approval of the location) given any representation, promise, or guarantee of Franchisee's success at the location.

29.1.6 Compliance With Anti-Terrorism Laws and Other Laws. Franchisee and its owners represent and warrant to Franchisor that: (a) neither Franchisee nor any of its owners have made any untrue statement of any material fact nor omitted to state any material fact in Franchisee and their franchise application and other documents and information submitted to Franchisor, or in obtaining the rights granted herein; (b) neither Franchisee nor any of its owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in Franchisee's franchise application materials; (c) Franchisee and its owners have a legal right to own and operate the Restaurant, and the owner or officer that executes this Franchise Agreement on Franchisee's behalf has all legal right and authority to execute on Franchisee's behalf and to legally and contractually bind Franchisee; and (d) neither Franchisee nor its owners (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx/>); (iii) have not violated and will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text

currently available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law.

30. BUSINESS JUDGMENT

Franchisee understands and agrees that Franchisor may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's sole judgment of what is in the best interest of Franchisor and the System and brand overall, including Franchisor, its affiliates, and the franchise network, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or company-owned or affiliate-owned Franchisors; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with the express wording of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

[Signature Page Follows]

Executed as of the day and year first set forth above.

Franchisor:

Billy's Downtown Diner Franchise LLC

By: _____

Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Name: _____

Its: _____

Date: _____

Schedule I
List of Minimum Insurance

As of the Effective Date of the Franchise Agreement, our minimum insurance requirements are as follows:

Insurance Agreement	Minimum Limits
Comprehensive general liability insurance and comprehensive product liability insurance with blanket contractual products and completed operations liability, against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of the Franchise or your conduct of business pursuant to this Agreement.	Primary and excess limit of not less than \$1 million per occurrence and aggregate of not less than \$2 million aggregate
Builder's Risk for any construction, renovation, remodeling or build-out of the BDD Restaurant.	Amount sufficient to cover the full replacement value of all property and equipment (including all contents, signs, glass, tenant improvements and betterments
"All Risk" property insurance covering the premises, all improvements and fixtures and tangible property for the full replacement cost, including flood and earthquake protection and plate glass coverage (including business interruption coverage with an indemnity period of at least 12 months) including broad form boiler and machinery insurance covering all equipment	Amount sufficient to cover the full replacement value of all property and equipment (including all contents, signs, glass, tenant improvements and betterments
Business automobile liability insurance on all owned and/or leased vehicles, including non-owned and hired auto liability	a combination of primary and excess limits of not less than \$1 million per occurrence for both bodily injury and property damage, with no exclusion for delivery.
Workers' Compensation	Statutory Minimums required by statute or rule in the state in which your Franchise is located or operates
Employer Practices Liability Insurance	Not less than \$1 million and third party coverage and wage and hour defense costs of at least \$100,000.
professional liability insurance (errors and omissions) covering all services provided by your franchise and its employees, personnel, independent contractors and staff	Not less than \$1 million

Cyber Security and Data Privacy which includes first party and third party coverage for multimedia liability, security and privacy liability, privacy breach response (including compliance with notice requirements and credit monitoring), cyber extortion, network asset protection and privacy regulatory coverage	\$1 million
Business income and extra expense insurance in an amount not less than adequate to pay for the monthly rent reserved under any real property lease or sublease, restaurant equipment lease or sublease, sign lease or sublease, royalties, and other continuing expenses for a limit of 50% of annual sales or 12 months actual loss sustained basis and an extended period of indemnity for not less than 180 days.	Varies.
A follow forms umbrella policy providing excess insurance over the schedule of underlying insurance which must include the commercial general liability policy, automobile coverage, employers' liability and errors and omissions	\$3 million
Statutory Workers' Compensation Insurance	Not less than \$1 million per accident, \$1 million by disease policy limit, and \$1 million by disease each accident (stop gap coverage)
Products Liability Insurance	Not less than \$1 million
Trade Name Restoration Insurance to provide coverage for actual or alleged food borne illness outbreak or contamination event at any BDD Restaurant.	Not less than \$500,000 per BDD Restaurant
Such other insurance policies as we may determine from time to time and as required by landlord and lenders.	

We may designate limits of any deductibles or self-insured retentions under any policies. We may change these insurance requirements, upon written notice to you, to conform to reasonable business practices. We do not represent or warrant that any insurance that you are required to purchase, or which we procure on your behalf, will provide adequate coverage for you. If you believe that you should not be required to carry an identified type of insurance or otherwise comply with our minimum insurance requirements, you must submit a written waiver request and obtain a waiver from us. Until such time as we notify you in writing of our approval, you are obligated to comply with all minimum insurance requirements.

EXHIBIT A

IDENTIFICATION OF FRANCHISEE

1. Name of Franchisee: _____
2. Type of Entity/State of Formation _____ / _____
3. Principal Business Address of Franchisee: _____

E-Mail: _____
4. Notice Address of Franchisee: _____

E-Mail: _____
5. Location of Restaurant: _____

6. Designated Area: _____
(subject to Section 1.2) _____
of the Franchise Agreement) _____
7. Date of Opening: _____

EXHIBIT B

SITE SELECTION ADDENDUM

Billy's Downtown Diner Franchise LLC ("Franchisor"), a _____ limited liability company, and the undersigned (the "Franchisee") have this _____ day of _____, 20____ (the "Effective Date") entered into a Franchise Agreement ("Franchise Agreement") and desire to supplement its terms as set out below in this Site Selection Addendum (this "Site Selection Addendum").

Agreement

1. Time to Locate Site. Within one hundred eighty days (180) days after the Effective Date (the "Search Period"), Franchisee shall acquire or lease/sublease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a "Restaurant") and open and begin operating the Restaurant at a site consented to by Franchisor as hereinafter provided. Such location shall be within the following area: _____ (the "Site Selection Area"). The Site Selection Area is described solely for the purpose of selecting a site for the Restaurant. Franchisee shall not establish a Franchisor operating under the System within the Site Selection Area until Franchisor consents to a location for the Restaurant. Notwithstanding anything to the contrary in the Franchise Agreement, if a suitable site has not been identified and consented to by the end of the Search Period, Franchisor may, at its option, extend the Search Period by up to sixty (60) days. Franchisee acknowledges and agrees that Franchisor shall have no responsibility for, or liability to Franchisee for, any site review, analysis, evaluation, or recommended undertaken by or on behalf of any real estate broker or advisor used or retained by Franchisee. Failure by Franchisee to acquire or lease an approved site for the Restaurant within the Search Period shall constitute a default under Section 13 of the Franchise Agreement and under this Addendum, and Franchisor may terminate the Franchise Agreement and this Addendum, pursuant to the terms of Section 13 of the Franchise Agreement.

2. Site Evaluation Services. Franchisor shall furnish to Franchisee suggested site selection criteria, which is currently reflected in advice based on site and demographic factors, and will include Franchisor's minimum standards for a location for the Restaurant. Franchisor will also provide such site selection counseling and assistance as Franchisor may deem advisable. Franchisor shall perform any on-site evaluation as Franchisor may deem advisable in response to Franchisee's requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request) for any Restaurant to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, and meals.

3. Additional Site Evaluation Services. Franchisor recommends, but does not require, that Franchisee engage the services of a third-party real estate or site evaluation professional or business, to assist with the analysis and evaluation of a particular site, and/or to utilize competitive sales data from a third-party. Franchisee acknowledges and agrees that any site evaluation model or service is only one tool or factor that may be used to evaluate a potential site, and it is not a predictor of future sales. Further, Franchisee acknowledges that Franchisor does not represent or guarantee that any particular site will achieve any level of sales, revenues or profits.

4. Site Selection Package Submission and Approval. Franchisee shall submit to Franchisor, in the form specified by Franchisor, such site approval forms and data that Franchisor may specify, which may include a copy of the site plan, financial information, and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Franchisor shall have thirty (30) days after receipt of a complete site selection package and request for approval and such information and materials as Franchisor may request to approve or disapprove the proposed site in writing as the location for the Restaurant, at Franchisor's sole option. If Franchisor does not approve a proposed site in writing within such 30-day period, the proposed site will be deemed disapproved.

5. Lease Responsibilities. Within sixty (60) days after site approval by Franchisor, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of the Addendum to Lease attached to the Franchise Agreement as Exhibit G. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Addendum to Lease.

6. Approved Location. After the location for the Restaurant is consented to by Franchisor pursuant to Section 4 hereof and leased or acquired by Franchisee pursuant to Section 5 hereof, the location shall constitute the approved location described in Section 1.1 of the Franchise Agreement. The Location shall be specified on Exhibit A to the Franchise Agreement, and shall become a part the Franchise Agreement. The Designated Area, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement. Franchisee hereby acknowledges and agrees that consent by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Restaurant or for any other purpose. Consent by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site and demographic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Restaurant at the site is based on its own independent investigation of the suitability of the site.

7. Entire Agreement. This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

[Signature Page Follows]

Executed as of the day and year first set forth above.

Franchisor:

Billy's Downtown Diner Franchise LLC

By: _____

Name: _____

Its: _____

Date: _____

Franchisee:

By: _____

Its: _____

Date: _____

EXHIBIT C

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)**

The undersigned depositor (“Depositor”) hereby authorizes Billy’s Downtown Diner Franchise LLC (“Franchisor”) to initiate debit entries and/or credit correction entries to the Depositor’s checking and/or savings account(s) indicated below and the depository (“Depository”) to debit such account pursuant to Franchisor’s instructions.

Depository

Branch

Street Address, City, State, Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor 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 Franchisor and Depositor with 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 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 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.

Depositor

By: _____

Title: _____

Date: _____

EXHIBIT D

STATEMENT OF OWNERSHIP INTERESTS

The following is a list of all of Franchisee's owners, the percentage of their ownership interest and a description of the nature of their ownership interest:

Effective Date: This Exhibit D is current and complete
as of _____, 20____

Franchisee and Its Owners

1. **Form of Franchisee Entity.**

(a) **Individual Proprietorship.** Franchisee's owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company, or Partnership.** The Franchisee entity was incorporated or formed on _____, under the laws of the State of _____. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and _____. The following is a list, as applicable, of the Franchisee's partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners.** The following list includes the full name of each person who is one of Franchisee's owners (as defined in the Franchise Agreement), or an owner of one of Franchisee's owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Owner's Name/Address/Tax Identification No.</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
	_____	_____

(b)	_____	_____
	_____	_____

(c)	_____	_____
	_____	_____

(d)	_____	_____
	_____	_____

3. Operating Principal. Franchisee's Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in Paragraph 2 above). Franchisee may not change the Operating Principal without Franchisor's prior written approval.

Franchisee:

By: _____

Its: _____

Date: _____

EXHIBIT E

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Billy's Downtown Diner Franchise LLC ("Franchisor") to execute the Franchise Agreement between Franchisor and _____ ("Franchisee"), dated _____, 20____ (the "Agreement"), the undersigned jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify, and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 8, 9, and 10 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Franchisor" Marks or System licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in

connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 17 of the Agreement, and must be commenced in the state or federal court of general jurisdiction in Lehigh County, Pennsylvania and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 17 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Delaware. In the event of any conflict of law, the laws of the State of Delaware shall prevail (without regard to, and without giving effect to, the application of Delaware conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

EXHIBIT F

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this ____ day of _____, 20____, by and between _____ (the “Franchisee”), and _____, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “Obligee”).

BACKGROUND:

A. Billy’s Downtown Diner Franchise LLC (“Franchisor”), as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “Billy’s Downtown Diner Franchising System” or “System”) for establishing and operating restaurant businesses, which specialize in the sale of breakfast, brunch, and lunch menu items, side items, beverages and such additional or alternate menu and other items as Franchisor may designate from time to time for on-premises and off-premises consumption (“Menu Items”);

B. Franchisor and Franchisee have executed a Franchise Agreement (“Franchise Agreement”) granting Franchisee the right to operate one (1) Billy’s Downtown Diner Restaurant (the “Restaurant”) and to produce and distribute products and services approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

C. The Obligee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Obligee shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the methods of operation of the Restaurant which may be communicated to Obligee or of which Obligee may be apprised by virtue of Franchisee’s operation under the terms of this Agreement. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Obligee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Covenants Not to Compete.

(a) Obligee specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Obligee will receive valuable specialized training and confidential

information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Obligees covenants and agrees that during the term of Obligees' employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by Franchisor, Obligees shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Restaurant or of any restaurant using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Own, maintain, operate, engage in, be employed by, or have any interest in any "Competitive Business," which means any quick service, fast food, or fast casual dining restaurant or food service establishment for which twenty-five percent (25%) or more of its menu entrees feature fried chicken (including, without limitation, fried chicken sandwich, wrap, or burrito menu items) or for which such menu items account for twenty-five percent (25%) or more of its gross sales.

(c) Obligees covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Obligees shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any Competitive Business which is, or is intended to be, located: (a) within the Designated Area of the Restaurant or (b) within two (2) miles of any other "Franchisor" branded restaurant owned and/or operated or then under construction by Franchisor or any other franchisee or licensee of Franchisor as of the time that the obligations under this Section commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 of the Franchise Agreement with respect to Obligees; and/or (b) termination of Obligees' employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Obligees acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Obligees agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Obligees agree that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Obligees agree that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by Franchisor or the Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Jurisdiction, Venue and Choice of Law. This agreement shall be interpreted and construed in accordance with Section 17 of the Agreement. In the event of any conflict of law, the laws of the State of Pennsylvania shall prevail (without regard to, and without giving effect to, the application of Pennsylvania conflict of law rules).

7. Third-Party Beneficiary. Obligees hereby acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Obligees attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this day of _____, 20__.

FRANCHISEE

OBLIGEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT G

ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE is made and entered into as of _____, 20__ by and among _____ (the "Landlord"), _____ (the "Tenant"), and Billy's Downtown Diner Franchise LLC, a Delaware limited liability company ("Franchisor," "we," "us" or "our").

RECITALS:

A. This Addendum to Lease supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated _____ (the "Lease") for the premises situated at the premises known by street address as _____ (the "Premises") to be used by the Tenant as part of a Billy's Downtown Diner Restaurant (the "Restaurant").

B. This Addendum to Lease is entered into in connection with Franchisor's approval of the location of the Premises as a Restaurant and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _____, 20__ (the "Franchise Agreement").

C. This Addendum to Lease is intended to make Franchisor, or any party it designates, a third party beneficiary to the Lease and to provide Franchisor the opportunity to reserve the Premises as a Restaurant under the circumstances set out below.

D. The Landlord agrees that Franchisor shall have the right but not the obligation to (1) cure defaults of Tenant and (2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Addendum to Lease.

THE PARTIES HEREBY AGREE:

1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to us copies of any notices of default that are given to the Tenant concurrently with the giving of such notices to the Tenant. Our current notice address is Billy's Downtown Diner Franchise LLC, 10 E Broad St, Bethlehem, PA 18018, Attn: Dr. Ben Litalien, CFE. If the Tenant fails to cure any defaults within the period specified within the notices, the Landlord shall promptly give to us further written notice ("second notice") specifying the defaults that the Tenant has failed to cure. We shall have forty-five (45) days following receipt of the second written notice to (a) cure the default or (b) to exercise our right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that we do exercise the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 We shall begin paying rent upon the Landlord delivering possession of the Premises to us pursuant to Section 1.1 above.

2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason or expires during the term of the Lease or any extension or renewal of the Lease, and if we shall desire to assume the Lease, we shall promptly give the Landlord written notice to this effect.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give us written notice to this effect and we shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If we elect to exercise such right(s) we shall notify the Landlord in writing whereupon we and the Landlord shall promptly execute and exchange an agreement whereby we assume the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by us, assign all of its right, title and interest in and to the Lease to us. If the Tenant fails to do so within ten (10) days, the Tenant hereby designates us as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to us executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at our written request. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to us. We acknowledge that where we enter into an assignment or sub-letting as referred to in clause 4.4 below we will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guaranty, Indemnification, and Acknowledgement in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to us. We shall have no obligation, as a condition to assume the Lease, to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. We shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and our reasonable collection costs.

4.3 After we assume the Tenant's interest under the Lease, we may, at any time, sublet the Premises without having to obtain the prior written consent of the Landlord.

4.4 After we assume the Tenant's interest under the Lease, we may, at any time, assign or sublet our interest under the Lease to a third party, which may or may not be an operator of a Restaurant, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, we shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and we elect not to exercise our option as described above, the Tenant agrees, upon written demand by us, to de-identify the Premises as a Restaurant and to promptly remove signs, decor and other items which we reasonably request be removed

as being distinctive and indicative of a Restaurant. We may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from us, following termination of the Franchise Agreement or Lease. The Tenant shall pay us for our reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to us for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to us pursuant to this clause.

4.6 BY EXECUTING THIS ADDENDUM TO THE LEASE, WE DO NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL WE EXPRESSLY ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.7 All notices pursuant to this Addendum to Lease shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses below or to such other address as any party to this Addendum to Lease may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by _____
as Landlord by its _____
in the presence of: _____
(Name of Signatory)
Title: _____

SIGNED by _____
as Tenant by its _____
in the presence of: _____
(Name of Signatory)
Title: _____

SIGNED by Billy's Downtown Diner Franchise LLC
by its duly authorized officer in the
presence of: _____
(Name of Signatory)
Title: _____

Addresses for Notices:

Landlord:

Tenant:

EXHIBIT D
TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA

CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor, nor any person or franchise broker identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling the person from membership in the association or exchange.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 *et seq.*)
5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The Franchise Agreement requires binding arbitration. The arbitration will occur at Lehigh County, Pennsylvania with each party paying their own costs, plus one-half the arbitrator's fees.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the state of California.
9. The Franchise Agreement requires application of the laws of Delaware. This provision may not be enforceable under California Law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release of claims if you renew or transfer your franchise. California corporations code §31512 voids a waiver of your rights under the franchise investment law (California corporations code §§31000 through 31516). Business and professions code §20010 voids a waiver of your rights under the franchise relations act (business and professions code §§20000 through 20043).

12. Under California Corporations Code Section 31512.1, any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
- A. Representations made by the franchisor or its personnel or agents to a prospective franchisee.
 - B. Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
 - C. Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
 - D. Violations of any provision of this division.
13. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.
14. Item 19 of the Disclosure Document is supplemented by the following language:
- The earnings claims figure does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.
15. Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.
16. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
17. OUR WEBSITE (www.billysdowntowndinerfranchise.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.
18. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

{See the last page of this Exhibit D for your Signature.}

HAWAII

1. Release. The language contained in Section 2.2.7 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates (except as to amounts then due to Franchisor for royalties, advertising contributions, materials, and the like), and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

2. Conditions for Approval of Transfer. The language contained in Section 12.4 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisor and the transferor shall have executed a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

{See the last page of this Exhibit D for your Signature.}

ILLINOIS

In recognition of the Illinois Franchise Disclosure Act and the Rules and Regulations promulgated thereunder, the Disclosure Document and Franchise Agreement shall be modified as follows:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{See the last page of this Exhibit D for your Signature.}

INDIANA

It is unlawful for any franchise agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the exclusive territory granted in the franchise agreement or, if no exclusive territory is granted, in an area of more than reasonable size, upon Termination of a franchise agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, the Franchise Agreement and Item 17 of the Disclosure Document are amended to apply to the area within a 2-mile radius of the Restaurant.

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Franchise Agreement.

The Franchise Agreement requires application of the laws of another state. This provision is deleted from the Indiana Franchise Agreement.

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The Franchise Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Franchise Agreement and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document shall be modified as follows:

Item 17 of the Disclosure Document provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).

Item 17 of the Disclosure Document is amended to state “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 of the Disclosure Document is amended to state “Any claim arising under the Maryland Franchise and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Item 17(v) of the Disclosure Document is amended to state “A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

Item 5 of the Disclosure Document is amended as follows:

Based upon the Franchisor’s current financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement shall be modified as follows:

A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claim arising under the Maryland Franchise and Disclosure Law must be brought within three (3) years after the grant of the franchise.

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any provision contained in the Franchise Agreement that requires the Franchisee to assent to a release, estoppel, or waiver of liability is not intended to nor shall it act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 3 of the Franchise Agreement is amended as follows:

Based upon the Franchisor’s current financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{See the last page of this Exhibit D for your Signature.}

MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require (except in certain specific cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement, and that consent to transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400(J) may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Notwithstanding the foregoing, this shall not bar enforcement of an arbitration clause.

In accordance with Minnesota Rule 2860.4400(J), to the extent required by law, the Disclosure Document and Franchise Agreement are modified so that we cannot require you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes.

Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release of liability imposed by Minn. Stat. Chapter 80C; provided, this shall not bar the voluntary settlement of disputes. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. To the extent required by Minnesota law, we will protect your right to use the primary trademark, service mark, trade name, logotype, or other commercial symbol from third parties or will indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit, or demand regarding your use of our primary trade name in accordance with the requirements of the Franchise Agreement and our standards.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extent required by law, the Franchise Agreement and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to Minn. Stat. Sec. 80C.17 more than three years after the cause of action accrues.

Section 3 of the Franchise Agreement and Item 5 of the Disclosure Document are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{See the last page of this Exhibit D for your Signature.}

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NORTH DAKOTA

Item 17(c) Disclosure Document and Section 2.2.7 of the Franchise Agreement, which require you to sign a general release upon renewal of the franchise, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(i) of the Disclosure Document and Section 14 of the Franchise Agreement, which require you to consent to termination or liquidated damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(r) of the Disclosure Document and Section 10.6 of the Franchise Agreement restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(u) of the Disclosure Document and Section 17 of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(w) of the Disclosure Document and Section 17.1 of the Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise Agreement which require the franchisee to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.5 of the Franchise Agreement requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.6 of the Franchise Agreement requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise Agreement which stipulate that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, are hereby amended to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney's fees.

Item 5 of the Disclosure Document and Section 3 of the Franchise Agreement are amended to state that the initial franchise fee and all other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{See the last page of this Exhibit D for your Signature.}

RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for Billy's Downtown Diner Franchise LLC for use in the Commonwealth of Virginia is amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The initial franchise fee and other initial payments owed by franchisees to the Franchisor under the Franchise Agreement will be deferred until the Franchisor has completed its pre-opening obligations under the Franchise Agreement and the outlet is opened for business.

The following is added to the "Special Risks to Consider About *This Franchise*" page of the Franchise Disclosure Document:

6. **Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$748,250 to \$1,156,750. This amount exceeds the franchisor's stockholder's equity as of March 12, 2026, which is (\$250,000).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

Notwithstanding anything to the contrary in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

{See the last page of this Exhibit D for your Signature.}

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Disclosure Document and Franchise Agreement are amended accordingly.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ACKNOWLEDGMENT:

If any one of the preceding State Specific Addenda (“Addenda”) is checked as an “Applicable Addenda” below or if the jurisdictional requirements for application of one of the following State’s franchise sales law is independently satisfied, then that Addenda will be incorporated into the Disclosure Document and/or, if applicable as indicated in such Addenda, the Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Disclosure Document or, as applicable, Franchise Agreement or other specified agreement(s), the terms of the Applicable Addenda will supersede the terms of the Disclosure Document or, as applicable, Franchise Agreement or other specified agreement(s).

- | | | | |
|--------------------------|------------|--------------------------|--------------|
| ☐ | California | ☐ | New York |
| ☐ | Hawaii | ☐ | North Dakota |
| ☐ | Illinois | ☐ | Rhode Island |
| ☐ | Indiana | ☐ | Virginia |
| ☐ | Maryland | ☐ | Washington |
| ☐ | Minnesota | ☐ | Wisconsin |

FRANCHISOR:

**BILLY’S DOWNTOWN DINER FRANCHISE
LLC**

By: _____
Title: Authorized Signatory

FRANCHISEE

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT E
TO THE FRANCHISE DISCLOSURE DOCUMENT
LISTS OF CURRENT AND FORMER FRANCHISEES,
AND CURRENT REGIONAL DEVELOPERS

NONE

**LIST OF CURRENT FRANCHISEES
AS OF DECEMBER 31, 2025**

NONE

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED
AS OF DECEMBER 31, 2025**

NONE

**LIST OF FORMER FRANCHISEES
AS OF DECEMBER 31, 2025**

NONE

**TRANSFERS
AS OF DECEMBER 31, 2025**

NONE

**LIST OF CURRENT REGIONAL DEVELOPERS
AS OF DECEMBER 31, 2025**

NONE

EXHIBIT F
TO THE FRANCHISE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

FORM OF GENERAL RELEASE

The Franchisee, on behalf of itself and its subsidiaries, affiliates, heirs, successors and assigns, hereby releases and discharges any and all liabilities, obligations or claims, whether known or unknown, including without limitation, any claimed violation or breach of the Franchise Agreement or federal or state laws, including franchise investment laws, against Billy's Downtown Diner Franchise LLC ("Franchisor"), including its current and former parents, officers, directors, limited liability company managers, employees, subsidiaries or affiliates, and any and all of its respective past and present representatives. The Franchisee realizes the facts as presently known or understood to exist with respect to any known or unknown claims it may have against Franchisor may, in fact, be either incorrect or incomplete, or both. Notwithstanding such possibility, the Franchisee freely enters into this Agreement and assumes all risks of any such possibility and waives any rights whatsoever to attack the validity and finality of this Agreement even if the present knowledge and understanding of the facts on the part of the Franchisee is in any way incorrect. The Franchisee expressly waives any and all rights and benefits against Franchisor conferred upon themselves by the provisions of Section 1542 of the California Civil Code. Section 1542 of the California Civil Code 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 settlement with the debtor or released party.

Except in connection with a negotiated settlement of a bona fide dispute in which the person giving the release or waiver is represented by independent legal counsel, the foregoing general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

EXHIBIT G
TO THE FRANCHISE DISCLOSURE DOCUMENT
MANUAL TABLE OF CONTENTS



Brand Standards Manual

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EXHIBIT H
TO THE FRANCHISE DISCLOSURE DOCUMENT

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I
TO THE FRANCHISE DISCLOSURE DOCUMENT
RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Billy's Downtown Diner Franchise LLC ("Franchisor") offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on Exhibit A to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

Name	Principal Business Address	Telephone Number
Dr. Ben Litalien	10 E Broad St., Bethlehem, PA 18018	866-245-5970

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: May 14, 2026

I have received this Disclosure Document dated May 14, 2026. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

Exhibit A	State Administrators and Agents for Service of Process	Exhibit E	Lists of Current and Former Franchisees, and Current Regional Developers
Exhibit B	Financial Statements	Exhibit F	Form of General Release
Exhibit C	Franchise Agreement	Exhibit G	Manual Table of Contents
Exhibit D	State Specific Addenda		

Date of Receipt

Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By: _____
Print Name

[Retain this copy for your records.]

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Billy's Downtown Diner Franchise LLC ("Franchisor") offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

Name	Principal Business Address	Telephone Number
Dr. Ben Litalien	10 E Broad St., Bethlehem, PA 18018	844-432-3397

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: May 14, 2026

I have received this Disclosure Document dated May 14, 2026. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

Exhibit A	State Administrators and Agents for Service of Process	Exhibit E	Lists of Current and Former Franchisees, and Current Regional Developers
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Exhibit D	State Specific Addenda		

Date of Receipt

Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By: _____
Print Name

[Return this copy to us.]