FRANCHISE DISCLOSURE DOCUMENT

THE ORIGINAL MELS®

The Original Mels Investment Group LLC
A California Limited Liability Company
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The Original Mels Investment Group LLC dba The Original Mels Diners Franchising Co. (also referred to as "the Company") is offering a franchise system to operate a The Original Mels® 1950s family-style diner restaurant. Qualified franchisees may also apply to become an Area Developer and develop a number of The Original Mels restaurants in an agreed upon development area and enter into an Area Development Agreement.

The total investment necessary to begin operation of a single The Original Mels franchise is $~~615,000~~620,000 to $~~1,536,000~~1,546,000. This includes $35,000.00 that must be paid to the franchisor. The total investment necessary for an Area Developer to operate multiple The Original Mels restaurants under an Area Development Agreement is $~~580,000~~654,000 - $~~1,501,000~~1,721,000 per restaurant. This includes $60,000 that must be paid to the franchisor.

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. **Note, however, that no governmental agency has verified the information contained in this document**.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure to an advisor, like a lawyer or an 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. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also 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.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issued: ~~October 5~~May 28, ~~2020~~2024

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 Exhibit F-1, F-2 and F-3.
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 Exhibit E 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 Original Mels 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 an Original Mels franchisee?	Item 20 or Exhibit F-1, F-2 and F-3 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. See 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 D.

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:

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

Spousal Liability. Your spouse must 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 martial and personal assets, perhaps including your house, at risk if your franchise fails.

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.

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ITEM 1
THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses "we," "us" or "the Company" to mean The Original Mels Investment Group LLC a California limited liability company doing business as The Original Mels Diners Franchising Co. "You" means any individual, group, association, limited or general partnership corporation, or any other entity that buys the franchise. If the franchise is a corporation, partnership or other entity, "you" may also refer to its owners.

Franchisor, Parent and Affiliates

We conduct business under the name The Original Mels Diners Franchising Co. Our principal business address is 3222 Royal Drive, Suite B, Cameron Park, California 95682. We are a California limited liability company that was incorporated on January 14, 2014 and began operating as owners The Original Mels restaurant system in December 2014.

Since May 2016, we have also conducted business under the name ONE Foodservice Management and Investment Co. ("ONE Foodservice"). As ONE Foodservice, we operate a buying cooperative for goods and inventory used by a variety of restaurant chains and we provide consulting services to small to mid-size chains on operations, exit strategies and inventory purchasing decisions. We intend to spin off the ONE Foodservice activities to a separate business within the next two years.

We have several affiliates. Two of our affiliates operate, or will operate, company-owned restaurants within the system. One affiliate is The Original Mels Diners Inc. ("TOMDI"), a California corporation that was incorporated on February 4, 2015, with a principal business address of 3222 Royal Drive, Suite B, Cameron Park, California 95682. TOMDI was formerly known as OMI-NewCo, Inc., but changed its name to The Original Mels Diners Inc. in December 2015. The second affiliate is Original Mels Development Co., LLC ("OMDC"), a California limited liability company formed on January 3, 2017, with a principal business address of 3222 Royal Drive, Suite B, Cameron Park, California 95682.

Dana K. Huie, our CEO ~~and Tony Bendana, our COO and President~~ acquired with other partners the brand The Cheese Steak Shop®. Our affiliates connected with this brand are One Cheese Steak Franchising, LLC, a California limited liability company formed on December 11, 2017, and One The Cheese Steak Shop, LLC, a California limited liability company formed on November 6, 2017. These affiliates will franchise and own The Cheese Steak Shop restaurants, which sell cheesesteaks and related food in a fast casual atmosphere.

Mr. Huie also owns an interest in ~~Broderick Folsom~~Flock Restaurant, LLC, a California limited liability company formed on April 10, 2017, with a principal business address of ~~1860 Howe Avenue, Suite 120, Sacramento, California 95825~~182 Creek Dr. Aptos, CA 95003. And an interest in Buckhorn Enterprises, LLC which operates Buckhorn BBQ & Grill, and an interest in ~~Oak Park Brewing Company LLC with a principal business address of 3514 Broadway, Sacramento, CA 95817. Broderick Folsom LLC owns the right to franchise the Broderick Roadhouse restaurant brand, which features burgers, craft beer, and a dive bar environment.~~KHSG, LLC which operates future sites of Star Ginger and Lemongrass Restaurants.

Our Predecessor

The Original Mels restaurant system was originally founded by David Melvin "Mel" Weiss in about 1988 and was owned and operated by The Original Mels, Inc. ("TOMI") between 1994 and 2015. TOMI was a California corporation which had a principal business address of 1277 Idylberry Road, San Rafael, CA

94903. In 2014, we completed a merger and acquisition of TOMI, and TOMI's assets were merged into the TOMDI.

Agent for Service of Process

Our agent for service of process is Dana Huie. His principal business address 3222 Royal Drive, Suite B, Cameron Park, California 95682.

The Business We Offer

The Company grants franchises the right to operate The Original Mels restaurant for retail sale of breakfast, lunch, and dinner entrees. The Original Mels restaurant features home-style cooked comfort foods such as pancakes, omelets, homemade corned beef hash, chicken fried steak, biscuits and gravy, the famous Melburgers, sandwiches and french fries, chili, soups and salads, shakes, sundaes, and ice cream in a 1950s Diner family restaurant setting. The menu includes wine and beer. The Original Mels includes customer seating as an integral part of their design in addition to take-out style service.

In 2023, we introduced a ghost brand, NYC Chopped Cheese, and we will permit certain franchisees to begin offering ghost kitchen services for this brand. A ghost brand is a set of offerings under a different brand from The Original Mels that a franchisee's kitchen may prepare and offer for delivery only, typically through third-party delivery platforms. At this time, we do not require that you offer any ghost brand and we do not guarantee that we would approve you to offer ghost kitchen services for this or any other brand during the term of your franchise agreement.

If qualified, the Company may allow you to enter into an Area Development Agreement ("ADA") and develop a number of The Original Mels in a geographic area. As an Area Developer, you will sign our then-current form of franchise agreement for each restaurant you open. Our current franchise agreement is attached as Exhibit A, but future restaurants may require you to sign a different agreement.

We are evaluating allowing the operation of The Original Mels restaurants in a fast-casual style, where guests would order at a counter and pay before eating, rather than offering table service. If we elect to offer this style of business and we agree that your The Original Mels restaurant is conducive to this design, we will permit you to convert your restaurant to this style if you choose to do so, but at present we are not yet offering this style and we do not guarantee that we will allow this during your franchise term.

The general market for the operation of The Original Mels restaurant is a very well developed market that is not affected by seasonal sales and whose goods are intended for consumption by the general public. The competition is any family style restaurant operation that provides dine-in and take-out service.

Prior Experience

Between 1994 and 2014, our predecessor TOMI owned and operated multiple The Original Mels locations and also licensed The Original Mels restaurants. In 2014, TOMDI acquired all five of The Original Mels restaurants owned by TOMI and acquired all rights as the franchisor for the licensed restaurants. Since 2014, TOMDI has owned and operated The Original Mels restaurants similar to the franchises the Company offers. We are evaluating a fast casual version of The Original Mels, but we have not yet launched this and we are not offering it as a franchised concept at this time, although we may do so in the future. We do not engage in any other business activities, although one of our equity owners, Dana Huie, is the owner of a meat wholesaler and a partner in an oil recycling and alternative fuel business.

We do not currently offer or sell franchises under any other line of business.

Applicable Regulations

In addition to laws and regulations that apply to businesses generally, The Original Mels restaurants are subject to various federal, state and local government regulations including those governing construction, site location and the sale of food as well as public health and safety codes and ordinances. You will be required to obtain an alcoholic beverage license under applicable state and local laws in order to sell beer and wine. Other applicable regulations include laws concerning smoking, sanitation, discrimination, employment, workplace safety and sexual harassment laws as well as the Americans with Disabilities Act, which requires readily accessible accommodations for disabled individuals and may affect your operations. You should investigate the application of these laws further.

In California, a fast food worker law commonly referred to as AB 1228 went into effect in 2024. It requires California limited-service restaurant businesses that are part of a chain of 60 or more units to comply with certain wage minimums for hourly workers and also establishes a Fast Food Council division within the California Department of Industrial Relations that has authority to increase minimum wages and to suggest other regulations regarding minimum standards for health, safety and employment. This law does not apply to Original Mels restaurant at present, since our restaurants offer table service. However, if we were to allow you to operate in a limited-service or fast-casual manner in the future, this law could apply to you. As of the issuance date of this disclosure document, we do not have 60 or more units within our brand.

ITEM 2
BUSINESS EXPERIENCE

CEO and Supply Chain Management: Dana K. Huie
Dana K. Huie has been President of The Original Mels Investment Group LLC since its beginning of operation in December 2014. He is also the Secretary of ~~the~~ The Original Mels Diners Inc., which acquired the assets of The Original Mels, Inc. in December 2014. Mr. Huie has been ~~a partner in Star Global of Sacramento, California, since September 2013 and~~ a partner in Smart Alternative Fuels, Inc. since January 2012. Since January 2008, he has been the owner and president of BJ Meats, Inc. of Aptos, CA. ~~From 2011 to January 2013, Mr. Huie was a partner in Pawsibilities1 LLC of San Ramon, California, which operated a Black Bear Diner in Vallejo, California. From November 2009 to July 2015, Mr. Huie was Vice President of Sales and a shareholder in Elite Associates (Northern California division), Inc. of Brea, California.~~

Operations Manager: George Heinemann
George has been our Operations Manager since February 2021. From April 2017 to February 2021, he worked as the Director of Operations and General Manager for Redwood Rotisserie – Hillcrest Hospitality, in Reno, Nevada.

~~**President and Chief Operating Officer: Tony Bendana**~~
~~Tony Bendana has been the President and Chief Operating Officer of The Original Mels Investment Group LLC since January 2019. He is also the President and COO of ONE The Cheese Steak, LLC since April 2018. Prior to this, he served as the Chief Operating Officer for Mr. Pickle's Sandwich Shop, the franchisor of the Mr. Pickle restaurant brand, in Auburn, California. From September 2008 to March 2015, he was COO of Erik's DeliCafe Franchises, Inc., the franchisor of the Erik's DeliCafe restaurant system in Santa Cruz, California.~~

Director of Franchise Support: Maureen McMahan

Maureen McMahan has been the Director of ~~Operations~~Franchise Support of The Original Mels Investment Group LLC since February 2017. ~~From March 1998 to July 2015, she worked for Johnny Rockets Group, Inc., initially as a certified training manager, and from October 2008 to July 2015 as Director of Franchise Support in Aliso Viejo, California.~~

~~ONE Foodservice Management and Investment Co – Supply Chain~~Business Manager: ~~Francisco Padilla~~ Tami Russo

~~Francisco Padilla works with our partner members within ONE Foodservice Management and Investment Co. From approx. 1987 to 2014 Francisco was general manager over all operations for Lori's Diners in the San Francisco Greater Bay Area. Since 2015 Francisco has brought his invaluable operations and supply chain experience to the Original Mels team.~~

Tami oversees all accounting functions for The Original Mels. She is celebrating her 19th year with The Original Mels in 2024. Tami was instrumental in setting up all financial programs for the accounting department as well as streamlining communications between the corporate office, our restaurants and CPA's. Her attention to detail allows all office functions and financial data to flow effortlessly.

ITEM 3
LITIGATION

In May 2016, we sent a voluntary Notice of Violation of the California Franchise Investment Law ("CFIL") approved by the Department of Business Oversight to several franchisee owners, reporting that our predecessor had failed to obtain a franchise registration and failed to provide required disclosure information to them at the time that they were offered and purchased their Original Mels restaurants, as required by the CFIL. We offered them the opportunity to leave the franchise system and obtain refunds of certain amounts paid to us or our predecessor. None accepted the offer.

Other than the foregoing, 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

You are required to pay an initial Franchise Fee of $35,000.00 when you sign the Franchise Agreement for your first The Original Mels restaurant.

The Franchise Fee is non-refundable except as outlined below. The Company will refund to you 10% of the Franchise Fee for any of the following conditions:

1. You are unable to locate an acceptable site within 90 days after executing the Franchise Agreement and the Company elects to terminate the Franchise Agreement;

2. You do not sign a lease for a Company approved site within 180 days after signing the Franchise Agreement and the Company elects to terminate the Franchise Agreement; or

3. The Company determines that you are unable to satisfactorily complete the training outlined in Item 11.

If you and the Company agree that you will be an Area Developer, meaning you commit to develop more than two units, you will pay a discounted initial Franchise Fee based on the number of units you agree to open. This table explains how we calculate the initial Franchise Fee for Area Developers:

Number of Units	Per Restaurant Franchise Fee	Initial Fee[1] Due at time of Signing Area Development Agreement ("ADA")	Remaining 50% of Franchise Fee per Unit[2] Due at time of signing each new Franchise Agreement	Total Franchise Fees for all Units
3 or more				
3 – 4 Units	$30,000	$60,000 to $75,000	$15,000	$90,000 to $120,000
5 or more				
5 – 9 Units	$25,000	$75,000 to $125,000	$12,500	$125,000 to $225,000
10 or more				
10 – 20 Units	$20,000	$110,000 - $ 210,000	$10,000	$120,000 to $400,000

[1]The formula for calculating the initial fee for Area Developers is: 100% of the initial Franchise Fee for the first unit, plus 50% of the initial Franchise Fee for each additional unit.

[2] The remaining Franchise Fee is charged on the subsequent units you open. You must pay this remaining Franchise Fee the day you sign the Franchise Agreement for each new unit. Fees paid under the Area Development calculation are subject to the same rules regarding refunds described above. All fees are uniformly imposed on all franchisees and are payable to the Company, unless otherwise noted. All fees are non-refundable, unless otherwise noted.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date
Royalty[1]	4.5% of Gross Sales	Choice of Weekly or Bi-Weekly via ACH
Marketing Fund – Corporate Level[2]	Up to 2% of Gross Sales	Choice of Weekly or Bi-Weekly via ACH
Local Advertising[3]	Currently 1% of Gross Sales (can increase to 2%)	Choice of Weekly or Bi-Weekly via ACH

Type of Fee	Amount	Due Date
Relocation Fee[4]	Not to exceed $15,000	Upon approval of Relocation
Training Certification/Re-Examination Fee[5]	$5,000 - $7,000 per person	Upon completion of Training Certification/ Re-Examination
Audit Fee[6]	Cost of Audit plus late charges on amount due	Upon completion of audit
Transfer Fee[7]	$12,500.00	Upon consent of transfer
Renewal Fee[8]	$2,500.00	Upon approval of Renewal
Late Fee[9]	10%	Upon invoicing
Re-inspection Fee[10]	Company Cost	Upon invoicing
Cost of Acquisition[11]	Company Cost	Deducted from Company's payment of purchase price
Insurance Policies[12]	Unpaid Premiums	Upon invoicing
Indemnification[13]	Company Cost	Upon invoicing
Cost of Enforcement[14]	Company Cost	Upon invoicing
Training – Additional[15]	Your Costs	Upon invoicing
Supplier Approval[16]	Up to $1,500.00	Upon invoicing

All fees are uniformly imposed on all franchisees and are payable to the Company, unless otherwise noted. All fees are non-refundable, unless otherwise noted. You will pay via Royalty and Advertising fees via automatic ACH program. However, the Company will not transfer funds from your account without your initial authorization.

[1]Adjusted gross sales means all receipts from your The Original Mels restaurant. If you offer any services, including off-site delivery services, catering or special events, all receipts from these services (including

additional delivery charges) are included in adjusted gross sales. Adjusted gross sales do not include the amount of coupons or similar discounts you redeem with a sale (except as may be reimbursed by the Company), sales taxes levied upon retail sales and later actually paid to governmental authorities, good faith customer refunds or the reasonable cost of providing meals for your employees.

[2]As of the date of issuance of this FDD, the Company collects 1% of revenue for the corporate marketing program. We have the right to increase this on at least 30 days' prior notice to a payment of the full 2% Marketing Fund amount.

[3]The Company requires that you spend a minimum of 1% of your adjusted gross sales on local marketing. We have discretion to increase this to 2% on 180 days' prior notice.

[4]You must reimburse the Company for its reasonable expenses if the Company permits you to relocate your The Original Mels restaurant. The Company will provide you with copies of its invoices for its expenses from any third party providers if you request them. The maximum amount you must reimburse the Company as of the date of this Disclosure Document is listed. We have discretion to adjust this amount annually on January 1 to reflect any increase in the cost of living as measured by the Consumer Price Index for the San Francisco Bay Area.

[5]If your manager does not successfully complete an initial certification examination; you must pay a fee to reimburse the Company's expenses in supervising a certification re-examination of the manager.

[6]You must pay the cost of the audit only if the audit shows an under reporting of 3% or more of adjusted gross sales for the period audited.

[7]The transfer fee is $12,500 if the transfer is subject to the Company's right of first refusal, unless the transferee already operates The Original Mels restaurants in which case the transfer fee is $5,000. These are fees in effect as of the date of this Disclosure Document. We have discretion to adjust this fee annually on January 1 to reflect any increase in the cost of living as measured by the Consumer Price Index for the San Francisco Bay Area. If the transfer is not subject to the Company's right of first refusal, then you must pay the Company its reasonable costs of effecting the transfer.

[8]You must pay $2,500 to offset the Company's expenses in processing your renewal. This amount is current as of the date of this Disclosure Document and we have discretion to adjust this amount annually on January 1 to reflect any increase in the cost of living as measured by the Consumer Price Index for the San Francisco Bay Area.

[9]If either the royalty or the marketing fees are not paid within 5 days after the due date, you must also pay the Company a late charge calculated from the date payment was due. You must also pay the late charge on purchases or services from the Company if the payment is past due under the terms of the invoice. The late charge is currently at the rate of 10% and is subject to change.

[10]You must pay the Company's cost if it has to send a representative to re-inspect your The Original Mels restaurant to determine that the restaurant is ready to open for business if the restaurant was not ready at the first pre-opening inspection. In addition, the Company will send a representative to your restaurant to assist you in post-opening matters at least once every 2 weeks for the first 60 days after opening. After that, if the Company sends a representative to the restaurant at your request, you must pay the Company's costs to do so. You must reimburse the Company for its expenses if it has to place a representative in your The Original Mels restaurant because you are operating in violation of the franchise agreement and to the material detriment of the brand or goodwill of the system.

[11]You must reimburse the Company for its costs and liabilities (including the cost of appraisal) if it decides to purchase your franchised business and all of the property you use in the franchised business after the Company terminates the Franchise Agreement for cause or after you wrongfully terminate the Franchise Agreement.

[12]If you do not obtain insurance coverage (or if you do not provide evidence to the Company that you have done so) and the Company obtains insurance for you, you must reimburse the Company. Insurance must be in place by you within 60 days of executing your Franchise Agreement.

[13]You must defend any suits against the Company due to your conduct at your cost. You must also pay for any expenses or losses to the Company and its representatives related in any way to your business or the operation of your The Original Mels restaurant. This includes any securities offering you may make. It also applies if a Company representative has to temporarily operate your The Original Mels restaurant because of illness, death or otherwise. Your obligation to indemnify the Company for your or your company's own negligence is not limited to the amount of benefits paid to you under your insurance coverage. In a legal proceeding to enforce the provisions of the Franchise Agreement the parties shall share the costs of arbitration equally. However, the prevailing party will be entitled to its costs, including reasonable attorney's fees.

[14] If the Company is required to resort to collections efforts in order to recover money you owe, you must pay the reasonable costs of collection to us.

[15] The Company will periodically have mandated training programs which will require specific employee's attendance. You will be required to pay your employees' costs of attendance, such as wages, travel, and lodging. The training programs will be limited to no more than two per year and last no more than three days. All supplies, personnel, and location costs for the training will be supplied by the Company at its own expense.

[16] The Company has a list of approved suppliers from whom the Company has negotiated contract pricing and specified products. The Company has confirmed and approved the capacity of these approved suppliers to efficiently service The Original Mels restaurants. If you choose to purchase your products or services from another company that is not on the approved suppliers list, you will be charged a supplier approval fee that will cover the costs to the Company to put in place all of the above requirements. These costs will vary based on the amount of time needed.

If you request it, the Company will review your request for additional approved suppliers. If we will incur expense to test the product or services, we have the right to request that you reimburse us for out-of-pocket costs as well as the reasonable value of the time we spend reviewing the product or service.

ITEM 7
ESTIMATED INITIAL INVESTMENT

UNIT FRANCHISE PURCHASE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee[1]	$35,000	Lump sum	On signing Franchise Agreement	Company
Training Expenses – Owner, Manager, Key Employee[2]	$30,000 to $50,000	As incurred	As incurred	Company
First Month's Rent[3]	$5,500 to $25,000	As incurred	As incurred	Landlord
Security Deposit(s)[4]	$5,500 to $25,000	As incurred	As incurred	Utilities, Landlord
Leasehold Improvements[5]	$125,000 to $350,000	As incurred	As incurred	3rd Party
Kitchen Equipment[6]	$150,000 to $400,000	As incurred	As incurred	3rd Party
Décor Package[7]	$30,000 to $60,000	As incurred	As incurred	3rd Party
Juke Box, Wallettes, Security, TVs and related electronics	~~$5,000~~1,000 to ~~$10,000~~20,000	As incurred	As incurred	3rd Party
Furniture and Fixtures[8]	$120,000 to $250,000	As incurred	As incurred	3rd Party
Insurance[9]	$10,000 to $23,000	As incurred	As incurred	3rd Party
Inventory – Food[10]	$10,000 to $15,000	As incurred	As incurred	3rd Party
Signage[11]	$20,000 to $50,000	As incurred	As incurred	3rd Party
Inventory – Other[12]	$500 to $2,000	As incurred	As incurred	3rd Party
Office Equipment and Supplies[13]	$2,500 to $4,000	As incurred	As incurred	3rd Party
Grand Opening Advertising[14]	$2,500 to $10,000	As incurred	As incurred	3rd Party
Licenses and Permits[15]	$4,000 to $20,000	As incurred	As incurred	3rd Party
Professional Fees (Architect, Legal, and Accounting)[16]	$3,500 to $20,000	As incurred	As incurred	3rd Party

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Uniforms[17]	$1,000 to $2,000	As incurred	As incurred	3rd Party
Point of Sale Software and Equipment[18]	$25,000 to $35,000	As incurred	As incurred	3rd Party
Additional Operating Capital – minimum 3 months[19]	$30,000 to $150,000	As incurred	As incurred	
TOTAL	~~$615,000~~620,000 to ~~$1,536,000~~1,546,000			

Actual costs will vary for each franchisee and each location depending on a number of factors. These costs may vary significantly if The Original Mels restaurant is a ground-up build (see note #5). Unless otherwise noted, payments to the Company are not refundable. The Company is not able to represent whether or not amounts that you may pay to third parties are refundable.

[1]The initial franchise fee is $35,000 for your first The Original Mels restaurant unless you agree to open three or more restaurants under an Area Development Agreement and receive a discount. The Company may occasionally adopt incentive programs to encourage existing franchisees that meet certain financial and operational criteria to open or acquire additional restaurants. These programs may include waiving initial fees and granting royalty holidays.

[2]The Company does not charge an additional fee for the initial training expenses. You are responsible for travel, lodging, and all other costs associated with sending your employee(s) to the training. These costs will depend on the means of transportation necessary, the number of employees sent, and the accommodations you choose for your employees.

[3]You will have to acquire, either by lease or purchase, a suitable site to operate your The Original Mels restaurant. Generally leases are for a term of 10 years, with 1 or more 5 year options to extend. Estimates of the first month's rent can range from $ 5,500 to $25,000, depending on the square footage, whether the site is in an urban or less populated area and other factors that may cause wide variations of cost depending on the area.

[4]Utility companies, landlords and equipment lessors whom you may choose to utilize will typically require security deposits. These costs will vary based on their various policies and your credit rating.

[5]We strongly recommend that you convert an existing restaurant site as the costs will be significantly lower than a "new" or "ground up" construction site. The amounts specified for leasehold improvements, permits, architects' fees, fixtures and equipment are based on the Company's Affiliates and its franchisees experience with existing locations. These costs may vary depending on the size, condition and location of the leased premises, the landlord's contribution to leasehold improvements, if any, supply and demand for materials and labor in your local area, local building and fire code requirements and requirements of the lease regarding matters such as construction, signage and inflation. If you choose to construct your own building, your construction costs will generally be higher than the cost specified for leasehold improvements. The Original Mels restaurants will vary in size from 3,000 to 4,500 square feet. Permit fees,

particularly sewer and water hookup fees, vary significantly and may increase the total cost of required improvements.

[6]You will be required to buy or lease certain kitchen equipment, such as refrigerators, freezers, ovens, and fryers, to operate your The Original Mels restaurant. The Company will provide you with a detailed list of recommended equipment. The cost will vary based on the size of your restaurant, the configuration of your kitchen area, the use of new, used, or existing equipment and your anticipated volume of sales.

[7]The décor package will include all interior items necessary to create your unique The Original Mels 1950s diner experience. This cost will vary based on the square footage of the restaurant.

[8]You will be required to buy or lease certain equipment and services that are necessary to operate your restaurant, such as serving equipment, point of sale systems, jukeboxes, small wares, surveillance systems, and sound systems. These costs will vary based on existing equipment that may be already be on site if you are converting an existing restaurant, the square footage of the restaurant, subsequent seating capacity and configuration of the restaurant, and your anticipated volume of sales.

[9]You are required to carry adequate business insurance that must include property, liability, and employer practices coverage. The Company may require minimum dollar coverage amounts. The cost of insurance may be significantly higher than the estimate depending on factors such as your particular state's coverage requirements, your business experience, your financial condition, your restaurant's location and your prior loss history. The estimate is for only the first 120 days of operation and does not include Worker's Compensation insurance.

[10]You will need an inventory of food, ingredients, paper goods, and disposables to open and operate your restaurant. These costs will vary based on your distributor and anticipated volume of sales. The Company will assist in determining the initial inventory requirements based on its Affiliates' and its franchisees' experience.

[11]These costs are associated with any signage that identifies your The Original Mels restaurant. These costs vary based on the location type, the total size of your location, and the varying business and labor costs in your area.

[12]The Original Mels sells various items that promote the brand. These can include logo shirts, jackets, collectables, pictures and clocks. The Company may include a gift store area or merchandising area in the restaurant design and you may be required to maintain a minimum inventory of such items for sale. However, a gift store area or merchandising area is not required at this time.

[13]You will be required to maintain a business office at each restaurant site. These costs can include the purchase of a computer system, printer, office supplies and any office furniture. These costs will vary based on the supplier you choose to purchase from. The computer system will have minimum hardware and software requirements enabling it to effectively function within the Company's system.

[14]During the first 60 to 120 days of operation, the Company will require you to promote the opening of your The Original Mels restaurant. The Company will recommend how best to allocate your promotional funds by reviewing your year 1 business plan, which should include your research on the various promotional methods available in your area.

[15]These pre-construction, construction, operating licensing and permit costs will be incurred as you build and operate your restaurant, including the alcoholic beverage license. These costs vary depending on local government policies and fee structures.

[16]You may choose to employ an architect, attorney, accountant, or other professionals to assist you in the development and establishment of your The Original Mels restaurant. These fees will vary based on the prevailing rates in your area.

[17]The Company requires and maintains a standard dress code within its restaurants. The dress code currently includes a The Original Mels branded shirt. These costs will vary based on the size of your restaurant and the number of employees you will employ.

[18]The Company requires that you purchase and utilize a point of sale (POS) system. The cost of the system will vary based on the size of your restaurant and its seating capacity.

[19]This is an estimate of additional funds necessary to cover operating expenses during and prior to the first 3 months of operation. ~~The Company cannot guarantee that this amount will be sufficient.~~ This estimate is derived from the historical experience of our current franchisees and also our Affiliate companies that operate The Original Mels restaurants. Additional funds may be required if costs of operation are high or sales are low. ~~Your ability to operate your restaurant will also be a key factor in determining its profitability.~~ We encourage you to consult your accountant and/or business advisor to fully review all financial information and requirements. These miscellaneous start-up costs are the Company's best estimate of other operational costs, such as deposits for installation of telephones, deposits for gas, electricity and related items, costs for initial marketing including point of sale advertising and promotional materials, initial working capital and initial employee payroll. You may have additional expenses in starting the business. Your actual costs will depend on your management skill, experience, business acumen, your sales figures during the first 3 month of operation, your ability to follow The Original Mels system and local market and economic conditions. ~~The Company's estimate of the additional funds you may require is based on its experience with its Affiliates' existing locations and compiled information from franchisees.~~

AREA DEVELOPMENT PURCHASE (First Unit)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Fee[1]	$60,000 - $210,000	Lump sum	At signing of Area Development Agreement	Company
All items in the prior chart, except the Franchise Fee[2]	~~$580,000~~585,000 - ~~$1,501,000~~1,511,000	As indicated in prior chart	As indicated in prior chart	Company, landlord, utility company, 3rd parties
Total	~~$640,000~~645,000 – ~~$1,711,000~~1,721,000			

[1] The initial fee listed here is calculated as described in the chart in Item 5. It is the discounted first franchise fee, plus half of the discounted franchise fees for each of the remaining units to be developed.

[2] With the exception of the Franchise Fee of $35,000 shown in the first chart, which you will not pay because it is included in the Initial Fee for Area Developers, you will have the same expenses in starting your first unit as an Area Developer. There are no additional costs of becoming an Area Developer.

AREA DEVELOPMENT PURCHASE (2nd and later units)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee Balance[1]	$10,000 - $15,000	Lump sum	At signing of Franchise Agreement	Company
All items in the prior chart, except the Franchise Fee[2]	~~$580,000~~585,000 - ~~$1,501,000~~1,511,000	As indicated in prior chart	As indicated in prior chart	Company, landlord, utility company, 3rd parties
Total	~~$590,000~~595,000 – ~~$1,516,000~~1,526,000			

[1] This is the remaining 50% balance on your Franchise Fee, which is calculated as described in the chart in Item 5.

[2] With the exception of the Franchise Fee of $35,000 shown in the first chart, which is replaced by the 50% Franchise Fee listed on the first line of this chart, you will have the same expenses in starting your first unit as an Area Developer. There are no additional costs of becoming an Area Developer.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required and Approved Suppliers

You must purchase the Company's proprietary products from the Company's designated suppliers. The Company and its affiliates are not direct suppliers of proprietary or required products.

The Company's proprietary products are certain products using or incorporating secret recipes or other trade secrets or information and may include additional items in the future. The Company requires you to do this because one of the principal purposes of the franchise it grants to you is to offer these products to the general public. Maintaining control over the quality and uniformity of these products is central to the value of The Original Mels system. You may use the Company's proprietary products only in the operation of your The Original Mels restaurant. You may not substitute other products for the Company's proprietary products. The Company purchases its proprietary products at the same prices as franchisees.

Approval of Alternative Suppliers

All non-proprietary ingredients, beverage products, cooking materials, containers, cartons, bags, menus, napkins, other paper and plastic products, utensils, uniforms and other supplies and materials used in your The Original Mels must strictly conform to the Company's reasonable specifications and quality standards. The Company negotiates and approves Proprietary products which include plates, platters, bowls, take out containers, other paper or plastic products imprinted with the trademarks of the Company, and products manufactured specific to The Original Mels recipes which you will be required to purchase. The Company will provide you with a list of these items before your The Original Mels restaurant opens for business. You may purchase any of these items from any source provided they meet the Company's specifications. The Company requires that you submit in writing your proposed use of a non-authorized supplier. The Company reserves the right to charge up to $1,500 to secure approval to purchase from alternative suppliers. It may condition approval of a distributor on its requirements for frequency of delivery, standards of service and the ability to service restaurants within the areas that the Company designates.

All fixtures, furniture, equipment and exterior and interior signs you use in your The Original Mels restaurant must also strictly comply with the Company's standards and specifications. The Company will provide you with specifications for these items before your The Original Mels restaurant opens for business. Specifications may include minimum standards for performance, warranties, design and appearance and local zoning, sign and other restrictions. You may purchase these items meeting the Company's specifications from any source. If you propose to purchase or lease items not previously approved by the Company, you must notify the Company and it may require submission of sufficient specifications, photographs, drawings and other information and samples to determine whether these items meet its specifications. The Company will advise you within a reasonable time, which is typically three weeks, whether any item meets specifications. The Company reserves the right to charge you for its reasonable expenses for testing and evaluating any proposed item. The Company may notify you that the approval of a supplier is revoked at any time.

The Company maintains multiple company purchase agreements that allow its franchisee's to purchase at discounted pricing. The Company will use reasonable efforts to continue to obtain system-wide or group pricing from certain distributors and manufacturers of equipment and supplies.

Revenue from Franchisee Purchases

The Company does not sell inventory to franchisees. However, designated suppliers make payments to the Company based on sales made to franchisees. The amount paid by these suppliers varies from .01% to 2% of franchisee purchases and, for certain products sold by the case, from $0.05 to $2.00 per case. In some instances, the Company may receive a one-time flat amount. In ~~2018~~2023, the Company received $~~326,522~~122,818 in rebates paid by food suppliers based on sales to franchisees.

The purchase of required products and services meeting our specifications will represent 90% - 95% of your total purchases of goods and supplies in establishing the business, and 80% - 90% of your total purchases during operation of the business.

Ownership Interest in a Supplier

Neither the Company nor its principals own an interest in the approved suppliers. As disclosed above, Dana K. Huie owns an interest in BJ Meats, Inc., which is an indirect supplier of food that may be purchased by franchisees through an approved supplier.

Cooperatives

We operate ONE Foodservice, a purchasing cooperative, disclosed in Item 1. ONE Foodservice currently negotiates stronger food and services discounts and agreements on behalf of the Company. You are not required to pay ONE Foodservice for its services, although you may benefit from the negotiated discounts with required suppliers.

Material Benefits

We do not provide any material benefits to you if you buy from sources we approve, although our negotiated rates with approved suppliers typically reduce your costs of purchasing those supplies.

Insurance

You must at all times maintain the following minimum insurance coverages: Commercial General Liability Insurance, including Contractual liability, Products-Completed Operations, Personal and Advertising Injury liability with minimum limits of liability for each type of insurance of $1,000,000 General Aggregate, $1,000,000 Products-Completed Operations Aggregate, $1,000,000 Personal and Advertising Injury, $1,000,000 Each Occurrence, $50,000 Fire Damage, and $1,000 Medical Expense. You must also maintain Workers Compensation Insurance as required by applicable law, Employers' Liability Insurance with minimum limits of $1,000,000, Umbrella Excess Liability Insurance with minimum limits of $2,000,000, and any other or increased amounts of insurance which we may from time to time require. Employment Practices Liability Insurance (EPLI) and cyber liability insurance are recommended, but not mandatory. We, and all other subsidiaries and affiliates designated by us from time to time, shall be named as additional insureds effective at the beginning of the term of each policy.

You shall provide us with certificates of insurance evidencing the required coverage. Such certificates must be renewed and provided annually and shall contain such detailed information as we may request. You must also provide us with copies of any and all of the above policies upon our request. All insurance policies must be issued by an insurance company licensed to do business in the state where the Restaurant is located, approved by us, and rated A or better by A.M. Best 7 Company, Inc. You must cause the companies to agree by endorsement or separate written document that we shall be given at least thirty (30) days' prior written notice of termination, expiration, cancellation, modification or reduction in coverage limits of any such policy.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section In Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 6(a), 7(a) and 7(b) of Franchise Agreement: Section 6(a) of Area Development Agreement	Items 8 and 12
b. Pre-opening purchases/leases	Section 7 of Franchise Agreement	Items 8 and 9

Obligation	Section In Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	Sections 7(a), (b), (c), (d) and (e) of Franchise Agreement	Items 7, 8 and 12
d. Initial and ongoing training	Sections 6(b) of Franchise Agreement	Item 12
e. Opening	Sections 6(a) and 7 of the Franchise Agreement	Item 12
f. Fees	Sections 5, 7(p), 7(v), 9(g), and 23 of Franchise Agreement; Sections 5 and 7(c) of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/operating manual	Sections 6(c) and 7 of Franchise Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 7(c), (f), (r) and Section 11 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 7(f) and (g) of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 7(i), (k), (m), and (n) of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Sections 2 and 3 of Area Development Agreement	Item 12
l. Ongoing product/service purchases	Section 7 of Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 7 of Franchise Agreement	Item 11
n. Insurance	Section 7(v) of Franchise Agreement	Items 7 and 8
o. Advertising	Sections 5(c), 6(c), (h) and 7(f), (h), (q) and (r) of Franchise Agreement	Items 6 and 7
p. Indemnification	Sections 7(x), 9(i) and 10 of Franchise Agreement; Sections 12(a), (b) Area Development Agreement	Item 6
q. Owner's participation/management/staffing	Sections 7(i), (j) and (m) of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 5(e), 7(j), (o) and (u) of Franchise Agreement	Item 6
s. Inspections/audits	Sections 7(t) and (u) of franchise Agreement	Items 6 and 11
t. Transfer	Section 9 of Franchise Agreement; Section 7 of Area Development Agreement	Item 17

Obligation	Section In Agreement	Disclosure Document Item
u. Renewal	Section 4 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 11 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 8 of Franchise Agreement; Section 8 of Area Development Agreement	Item 17
x. Dispute resolution	Sections 19 and 26 and Exhibit B of Franchise Agreement	Items 6, 15 and 17

ITEM 10
FINANCING

The Company does not offer direct or indirect financing. The Company does not guarantee your note, lease or obligation.

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

Except as listed below, the Company is not required to provide you with any assistance.

Pre-Opening Assistance

Before you open your The Original Mels restaurant, the Company will:

1. Grant you the right for one The Original Mels restaurant or, if you sign an Area Development Agreement, grant you the rights to a specific number of restaurants (see Area Development Agreement Item 1 and Franchise Agreement, Paragraphs 1, 2(a)).

2. Provide you with general guidelines in identifying a suitable location, if you request assistance (Franchise Agreement, Paragraph 6(a)). However, the franchisee is responsible for locating a site and negotiating the lease. In evaluating a proposed site, we consider such factors as general location and neighborhood, area population, percentage of surrounding residential homes and businesses, traffic patterns, parking, size, layout and other physical characteristics.

3. Approve or disapprove of your site. The time limit to locate, receive approval of an acceptable site, and execute a lease for the site is 180 days. If the franchisee and franchisor cannot agree on a site the Company can cancel the franchise agreement as stated in Item 5 of the FDD. If you sign an Area Development Agreement, we will approve the location of future units under the terms of the then-current franchise agreement we use in our system.

4. Provide you with a general interior layout design for your restaurant based on its interior dimensions. This will include a set of standard specifications for the interior design, décor, equipment, fixtures, furnishings and signage, which you will need to customize to your leased space and ensure compliance with all applicable building requirements (Franchise Agreement, Paragraphs 6(d) and (e)).

5. Make available to you a list of approved suppliers covering the build-out of your restaurant, which will include supplies such as kitchen equipment, décor, furniture, fixtures, food and supplies inventory, office supplies, office equipment and signage.

6. Provide an extensive training program for you, your manager or key employee, and the kitchen manager. We will also provide either online or printed training modules for your line cooks, expediter, hostess, servers, bussers and dishwashers.

7. Loan you a printed copy and electronic copy of The Original Mels Operations Manual. This manual will also be available via a secured web portal. The Table of Contents for the Operations Manual is included as Exhibit K (Franchise Agreement, Paragraph 6(c)) for further information. The Operation Manual will remain the property of the Company.

8. Provide you will the following services, if the restaurant is your first The Original Mels. These services are also available to an existing franchisee opening or assuming operational responsibility for an additional restaurant that has a 12-month business plan approved by the Company.

    a. Designate the standard design, color scheme and motif for your The Original Mels restaurant (Franchise Agreement, Paragraph 6(d)).

    b. Designate standard fixtures, signs, exterior signs, current menu reader boards, equipment, initial inventory, and supplies for your The Original Mels restaurant. The Company maintains comprehensive source materials and written specifications for products and equipment necessary for the operation of a The Original Mels restaurant (Franchise Agreement, Paragraph 6(e)). The Company does not deliver or install any of these items.

    c. Review your proposed design, layout and equipment plans and either consent to them or provide you with a written summary of changes, which you must implement. If the changes required by the Company will cause the cost of the restaurant to exceed the range of estimated initial fees of opening a The Original Mels restaurant, then you may terminate the Franchise Agreement and receive a refund of any fees paid to the Company (Franchise Agreement, Subparagraph 6(b)(ii)(A)). It is the franchisee's responsibility to conform the premises to local ordinances and building codes in addition to obtaining any required permits.

9. Send a representative to meet with you at your restaurant site to determine whether or not construction of the restaurant conforms with your business plan and design, layout and equipment plans (Franchise Agreement, Subparagraph 6(b)(ii)(2));

10. Advise you on initial staffing level, scheduling, training guidelines, job descriptions and supervision. (Franchise Agreement, Subparagraph 6(b)(ii)(3));

11. Send a representative to conduct an on-site pre-opening final review before the scheduled opening of your restaurant to determine if all material pre-opening conditions have been met. If you have not met those conditions, the representative will provide you with a written report of the deficiencies and the steps to remedy them. The Company's representative may assist you in taking the steps necessary to remedy any deficiencies, but if you are not able to make the changes necessary during the time the representative is at your restaurant, you may have to reimburse the Company for its cost in sending the representative a second time (Franchise Agreement, Subparagraph 6(b)(ii)(4));

It typically takes 9 to 12 months from the date you sign the franchise agreement and pay the Initial Fee to the date you will open your Original Mels restaurant. The length of time to open your restaurant will depend on how long it takes you to identify a location and sign a lease, obtain approval for building permits and complete your build-out, obtain business permits including your alcoholic beverage license, hire staff and train them.

Post-Opening Assistance

During the operation of the franchise business, the Company will:

1. Send personnel to your restaurant at or around the opening to assist and guide you for up to 10 days to help facilitate the operations of your restaurant. The assistance will target initial set up of the restaurant, final placement of the furniture, POS training, and the general training of your staff. The Company personnel will also help you formulate additional objectives for the 60 day period after opening (Franchise Agreement, Subparagraph 6(b)(ii)(5));

2. Send a representative to your restaurant at least once every 2 weeks for 60 days after opening to assist you in implementing the additional objectives. If you are not able to implement these objectives during that time and you want additional assistance, you must reimburse the Company for its cost in sending a representative to assist you (Franchise Agreement, Subparagraph 6(b)(ii)(6));

3. Offer periodic training when new products are introduced as part of material changes in operational procedures or other topics. The Company may offer this information via electronic means or a secured web portal. If the Company requires attendance at a particular program, you, your manager, or key employee must successfully complete the course (Franchise Agreement, Paragraph 6(b)(iii));

4. Periodically conduct certification examinations that measure proficiency in the same skills that are the subjects of the Company's initial training program. These certification examinations are held at designated The Original Mels restaurants reasonably accessible to you. You must pay for transportation and lodging, if required, for you and your manager. If the manager of your The Original Mels restaurant does not successfully complete the initial certification examination, you must pay a fee to reimburse the Company's expenses in supervising a certification re-examination of the manager (Franchise Agreement. Subparagraph 6(b)(iii)(1));

5. Maintain training materials for supervisory restaurant employees. These materials will include information regarding the hiring and training of employees**.** The Company will instruct you and your certified managers regarding the use of the materials (Franchise Agreement, Subparagraph 6(b)(iii)(2));

6. Periodically distribute a current schedule and curriculum of management courses that the Company will offer at designated locations. All franchisees and certified managers may attend these courses on a first-come, first-serve basis if they have completed qualifying courses and pre-work (Franchise Agreement, Subparagraph 6(b)(iii)(3);

7. Periodically distribute current information or provide training concerning the repair and maintenance of equipment used in The Original Mels restaurants. Your personnel may attend these courses on a first-come, first-serve basis if they have completed the necessary prerequisite coursework (Franchise Agreement, Subparagraph 6(b)(iii)(4));

8. Periodically publish information concerning legal and regulatory requirements that may affect the general business of The Original Mels system (Franchise Agreement, Subparagraph 6(b)(iii(5));

9. Designate the continuing inventory and supplies that you must use in your restaurant. The Company maintains comprehensive source materials for products and equipment necessary for the operation of a The Original Mels restaurant. The Company will also consider new products and equipment for possible introduction in The Original Mels restaurants. If the Company decides to include new products or equipment in some or all The Original Mels restaurants, it will supply information or training to affected franchisees (Franchise Agreement, Paragraph 6(e));

10. Provide periodic advice and consultation on the operation of your The Original Mels restaurant, which will include topics such as new developments, techniques, and improvements in restaurant management, food preparation and services that affect the operation of your The Original Mels restaurant.

11. Provide you with any updates the Company may make to the Operations Manuals (See Franchise Agreement- Paragraph 6(c)). The Company may modify the Operations Manuals in order to improve the standards of operational efficiency, service standards and product quality. Modifications may also be required to protect or maintain the goodwill associated with our trademarks or to remain competitive in the restaurant industry. However, no modification will alter your fundamental status, rights and obligations under the Franchise Agreement;

12. Publish specifications for the furnishings, fixtures, signage, facility and equipment of The Original Mels restaurants (Franchise Agreement, Paragraph 6(e));

13. Provide mandatory guidelines to you on your menu prices for products and services in your The Original Mels restaurant. In order to maintain consistency throughout The Original Mels system, the Company has regional tiered pricing that is based on a number of factors such as average income for a demographic area, costs of operations in a specific region and analysis of the competitors' pricing in a certain region. You do not have the right to adjust prices without prior written approval.

14. Communicate topical information on best business practices, which may be establishing administrative, bookkeeping, accounting, and inventory control procedures. The Company may also provide you referrals to third party providers of these resources (Franchise Agreement, Paragraph 6(f));

15. Advise you of operating problems that the Company may discover from reports submitted to the Company or from its inspections.

16. Provide you the opportunity to attend franchisee conventions and regional meetings.

Advertising

1. The Company currently does not have in place a corporate advertising program. The Company reserves the right to implement a corporate advertising program that may include dissemination of advertising through television, radio and print media such as magazine, billboard and newspapers. This media coverage may be local, regional or multi-regional in scope. The Company may also provide materials to you through an in-house advertising department. The Company has no obligation to spend money in the area you are located.

2. The primary purpose of the corporate advertising program will be to promote The Original Mels system through advertising and promotional programs and materials. The Company uses the advertising fund to cover the overhead and expenses it incurs in administrating the advertising program, including the collection of and accounting for fees paid into the advertising program. The Company's charges to the advertising program will be limited to reimbursement for the reasonable cost of purchases, activities and services that further the purpose of the advertising program.

3. The Company has the right to appoint an advertising advisory committee to advise the Company on advertising policies. The committee serves in an advisory capacity only and has no operational decision-making power. The members of the committee are appointed by the Company. The Company has the power to form, change, or dissolve the advertising advisory committee.

4. You may develop and use your own advertising materials after they have been approved by the Company. After you submit them to the Company for consideration, the Company has 10 days to approve them. If the Company approves the materials or if you do not receive a response from the Company within the 10 day period, you may begin using the material.

5. The Company requires you to spend a minimum of 1% and up to 2% of your sales on local promotion of your The Original Mels restaurant. The Company will review advertising avenues in your local area and it will make the decision on how best to invest these local advertising funds.

6. All Franchisees contribute to the Company's advertising program on the same basis as required by their franchise agreement. The Company's outlets are required to contribute to the advertising program at the same rate as franchisees.

7. The Company will account for the corporate advertising program separately from the Company's other funds and will prepare reports on an annual basis. These reports will include advertising fees received, expenditures from the advertising program and collections activity. A copy of this report will be available to you upon your request. We do not audit the advertising fund's activity.

8. If all the contributions to the advertising fund are not spent in any fiscal year, the surplus will be held for future use by the Corporate Marketing Program. No portion of the advertising fund will be used to solicit new franchise sales.

Computer Requirements

1. The Company requires you to use computer hardware and software that meets the Company's specifications. Our specifications allow the Company to access important restaurant performance information on a timely basis. The software will provide you with detailed management information to effectively manage your restaurant. The Company has the unlimited right to independently access information via the computer software system.

2. At this time, the Company requires the franchisee to utilize the Oracle-MICROS Enterprise and POS Software. The MICROS system tracks sales and generates various management reports. It is an "application service provider" that resides on a third-party server, rather than on your local computer hard drive. To use the MICROS system, you will need a paid license, an internet connection, and a computer with a web browser. The MICROS system is not proprietary to us, and you may purchase it from any authorized dealer. You are not required to enter into an ongoing maintenance agreement, but you may find it beneficial to do so. The Company may require you to have a subscription to a maintenance agreement at some time in the future.

We have the right to independently access all information collected or compiled by you as a result of using your computer system at any time. We do not need to notify you before accessing this information.

You may have to upgrade or expand your Enterprise and Point of Sale system or replace it if the Company requires you to do so. You will have to pay the fees for the installation, maintenance and upgrade of the system.

3. We recommend that you obtain a computer with a processor speed of at least 2.0 GHz and 500 MB of RAM. This can be a laptop or desktop unit. You must have an account with an internet service provider to allow you to access the internet.

4. We estimate the cost of the computer system to be approximately $35,000. We estimate the cost of maintenance, updating and upgrading of the computer system to be $2,000 per year, or $10,000 for a significant upgrade. We can require an update or upgrade at any time, but do not anticipate requiring you to do a significant upgrade or switch to a new system more than once every 10 years.

5. Area Developers do not require any separate or different computer system components.

Operating Manuals

Copies of the tables of contents of the Company's Operations Manuals are attached as Exhibit H to this disclosure document (See Franchise Agreement, Paragraph 6(c)). The franchisee is allowed to view the manual before signing the franchise agreement.

TRAINING PROGRAM			
Subject	Hours of Classroom Training	Hours of Training On-The-Job	Location
Basic Training: General tour of store, cooking, wrapping, and putting out product. Setting up business, (opening) and cleaning up after the day's business (closing)	0 hours	80 hours	Sacramento, California
Operations: Introduction to all paperwork, scheduling, organization, ordering, writing orders, suppliers, cleaning, sales reporting, inventory, cost controls and P & L's, shift changes, cash controls, security procedures, staff supervision and Point of Sale)	0 hours	40 hours	Sacramento, California
Opening the Store: Learn the opening timetable, posting prep, placing orders, use and care of equipment, clean shift change, running the line and Point of Sale	0 hours	32 hours	Sacramento, California
Human Resources:	8 hours	0 hours	Sacramento, California

Injury procedures, documentation and discipline, staff retention, zero tolerance issues and legal postings			
Management Training: Includes leadership development, financing and accounting, marketing and staff development	8 hours	8 hours	Sacramento, California
TOTAL	16	160	

The Company provides you (and/or your key employee), your General Manager, and your Kitchen Manager with training in the operation of your The Original Mels restaurant if the restaurant is your first The Original Mels restaurant (Franchise Agreement, Paragraph 6(b)). The training course lasts four weeks and will take place at one or more of the Company's Affiliates The Original Mels restaurants that has been certified by us as a training restaurant in the Sacramento area in Northern California. You will receive training from people who are familiar with and trained on the operational and food service aspects of the System. Training classes are held on an as-needed basis.

If we modify aspects of the operational system for The Original Mels restaurant, we have the right to require you to participate in additional training.

You (and/or your key employee), your General Manager, and your Kitchen Manager must complete the training to the Company's satisfaction before you open your restaurant. You will receive no compensation or reimbursement for services or expenses for your participation in the training. You will be responsible for all expenses to attend any training program such as lodging, transportation and food.

If you are an Area Developer and you are opening additional The Original Mels locations, the Company may waive the Training Program requirements if you are opening your additional location(s) with personnel who were previously trained by the Company. You must request and receive the Company's approval before a waiver will be granted.

Instructional materials include the Company's Operations Manual, training modules and videos. All of our instructors work for us and have worked or trained in or with a The Original Mels restaurant in the capacity for which they are providing training. We have different trainers for different parts of our training so that your training on staffing and training servers is provided by a trainer with that specific expertise, and our training on record-keeping is similarly taught by a trainer with that knowledge. On the job training is conducted by a manager of a The Original Mels restaurant and is supervised by one of our officers. During training you will also prepare a business plan for the 12-month period following training. You or a certified manager must operate your The Original Mels restaurant. The Company conducts periodic certification examinations.

ITEM 12
TERRITORY

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. We reserve the right to place The Original Mels diner within your territory if it is in a "Non-Traditional Location" which includes the inside of a large shopping mall or complex, a sports arena, airport, military base, or college campus. We reserve the right to sell The Original Mels merchandise and packaged food products through other channels of distribution, including the internet, catalogs, direct marketing, and in retail stores. We

will not compensate you if we place The Original Mels diner within your territory in a Non-Traditional Location or sell The Original Mels products through alternate channels of distribution.

You are only granted the right to develop and operate a The Original Mels restaurant at a single location that must be approved by the Company. You will receive the right to operate a The Original Mels restaurant and the Company will not operate or franchise another The Original Mels restaurant within a territory around your The Original Mels restaurant under the Franchise Agreement except in Non-Traditional locations. The size of the territory will be based on population density. The average territory size will be a 3 mile radius around your restaurant, but the Company reserves the right to grant a smaller territory in very dense areas and a larger territory in more sparsely populated areas.

With the Company's prior written approval, you may relocate your The Original Mels restaurant within your territory if:

1. The new location meets the Company's criteria and is not within another Territory for The Original Mels;

2. The Company determines that the relocation will not have an adverse competitive impact on The Original Mels system;

3. You have satisfied all of your accrued obligations to the Company under the Franchise Agreement;

4. You and the Company each sign a general release which releases the other from all claims that are known or reasonably could have been known (the release will not include claims by third parties that are subject to indemnification under the Franchise Agreement); and

5. You meet the Company's then-current standards for new franchisees.

You cannot relocate your The Original Mels restaurant without the Company's consent.

There is no minimum sales quota. You will retain the right to your area unless you and the Company agree in writing to change it.

If you operate a The Original Mels restaurant and you offer off-site delivery services, you must do so from your The Original Mels restaurant and only within your assigned area.

The Area Development Agreement grants you the right to open a number of The Original Mels restaurants in a development area. The Company will not operate The Original Mels restaurants or grant franchisees to do so in your development area for the term of the Area Development Agreement, except if there already is a The Original Mels restaurant operating in the development area before you sign the Area Development Agreement or if there are Non-Traditional Locations within your development territory. In that case, the restaurant and its protected radius will be excluded from your development agreement. The boundaries of the development area will be outlined on a map attached to the Area Development Agreement.

In some areas the Company may have granted a right of first refusal or other rights to a franchisee.

The exact number of The Original Mels restaurants which a developer must open each year is determined when you sign the Area Development Agreement and is based upon the market potential of the development area and other operational considerations.

You must open a certain number of The Original Mels restaurants in your development area according to a time schedule that will be attached to the Area Development Agreement. If you do not do so or if you default on your obligations under the Area Development Agreement, the Company may terminate the Area Development Agreement and retain the development fee in full and you may lose your territorial rights. Alternately, the Company may reduce the number of The Original Mels restaurants that you may develop in your development area, or it may terminate or reduce your rights in that area.

The Company and its affiliates are in the process of developing an "express/fast casual" business and plan to establish other franchises or Company-operated outlets under different trademarks in your area. They have the right to do so. These may include businesses offering similar products and services. The Company ~~does not yet know what mark~~ this business will operate under ~~or what products or services it will offer. Owners~~a mark similar to, but not identical to, The Original Mels mark. We will not place this business within the protected territory of any franchisee within The Original Mels system, but owners of outlets operating under this "fast casual" concept may solicit or accept business within your territory. This plan does not yet have a timetable or an established method of resolving conflicts between the franchisees of each system, should a conflict arise.

ITEM 13
TRADEMARKS

The Company grants you the right to operate under the following marks, both of which the Company registered on the Principal Register of the United States Patent & Trademark Office on November 24, 2015:

Trademark	Registration Number	Date
THE ORIGINAL MELS	4,857,483	November 24, 2015
	4,857,484	November 24, 2015

You must use other trademarks, which the Company requires to identify your restaurant and its services and products. By trademark, the Company means trade names, trademarks, service marks and logos used to identify your restaurant, its services and its products. You must follow the Company's rules when you use these trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols referred to in the Franchise Agreement or which belong to the Company. By signing the Franchise Agreement, the Company consents to your company name and to your use of any other names that are listed in an exhibit to the Franchise Agreement. You may not use the Company's trademarks to sell an unauthorized product or service or in a manner the Company has not authorized in writing.

The Company is subject to an agreement with Mel's Drive-In, Inc., originally executed between The Original Mels, Inc. (the predecessor) and Mel's Drive-In, Inc. Under this Agreement, the Company will use "The Original Mels" or "Mels the Original" and will not use the name "Mel's Drive-In" or "Mel's Drive-In Inc." This agreement restricts the use of "Mels the Original" to the interior of restaurants, and requires that the word "Original" is at least half the height of the word "Mels" on signage visible from the exterior of the restaurant. This restriction applies to the design mark pictured above and registered with the U.S. Patent & Trademark Office as Reg. No. 4,857,484. Finally, the agreement permits the Company to use authentic photographs or replicas of the original Mel's Drive-In restaurants founded by David M. Weiss

in 1947, as long as these photos and images are not used to sell stock in the Company or its affiliates or subsidiaries and no suggestion or implication is made of connection between the Company or you and Mel's Drive-In Inc. or its business. This agreement was reached in 1989 and does not expire. It is not subject to cancellation or modification. It applies to all successors in interest to the original contracting entities. So long as you comply with our strict guidelines regarding trademark usage and signage, this agreement should not affect you except that it may limit where you may place certain signage.

There is no currently effective material determination of any trademark administrator or court, any pending infringement, opposition or cancellation proceeding, or any pending material federal or state court litigation against or regarding the Company's trademarks.

You must notify the Company immediately when you learn about an infringement of or challenge to your use of the Company's trademarks. The Company is not obligated to defend you against a claim concerning your use of its trademarks. If a claim of prior use is asserted by a third party, you may have to use another name provided by the Company. The franchise agreement does not require the Company to take affirmative action if notified of an infringing claim by a third party.

You must modify or discontinue the use of a trademark if the Company decides to do so. The Company will not reimburse you for your costs of compliance (i.e., changing signs). You must not directly or indirectly contest the Company's right to its trademarks, trade secrets or to business techniques that are part of our business.

The Company does not know of any infringing uses that could materially affect your use of the Company's principal trademarks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in the Company's Manuals.

In addition, the Company owns common law copyright interests in various creative works and may grant you a revocable, non-exclusive, royalty-free license to reproduce and distribute certain of these works. The Company will grant to you the right to make adaptations or derivative works based on the licensed works.

There are no presently effective determinations of the Register of Copyrights, Library of Congress or any court, or any pending interference, opposition or cancellation proceedings or any pending material litigation involving the copyrights relevant to their use.

The Company's right to use or license these copyrighted items are not limited by any agreement or know infringing use.

Other types of trade secrets and proprietary information which may be disclosed to you include the methods of preparation and service of food products at The Original Mels restaurants, knowledge from test programs, information on new menu items, advertising, promotional programs, sources of food products and suppliers, selection and training of managers, and other items. The recipes for the proprietary products are also trade secrets belonging to the Company. You will be required to maintain the confidential of these trade secrets, to limit access to this information, and to require your employees who need to learn these trade secrets to sign confidentiality agreements.

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

The Company requires that the franchise shall at all times be under the direct, on-premises supervision of the Franchisee or its designated manager, who is required to devote full time energy to the management and operation of the franchise. The franchisor recommends on-premises supervision and participation in the franchise by the franchisee.

If the franchisee is an entity, all persons with an ownership interest must sign a Confidentiality and Noncompetition Agreement. You must use your best efforts to obtain all required signatures, including obtaining additional signatures as the ownership structure may change. You must also make efforts to require all management personnel of your The Original Mels restaurant sign a Confidentiality and Noncompetition Agreement.

The Company will determine which of the shareholders, partners, or other principals of a franchisee that is a corporation, partnership or other entity, must sign a Guaranty.

If you sign an Area Development Agreement, you must designate an individual to serve as your "Operator." The Operator must:

(1) Devote full time and best efforts to the development and supervision of your The Original Mels restaurants and agree to be individually bound by all obligations of the developer; and

(2) Be a person acceptable to you and to the Company. The Company requires that your Operator have sufficient experience in operating a restaurant of this size and type that he or she will be able to effectively manage the day to day operations and demands in order to reflect well on The Original Mels brand and reputation, including maintaining customer satisfaction, ensuring health and safety compliance, managing staff and accurately reporting revenue. A more detailed list of the factors that the Company evaluates in approving an Operator is available to you upon your request.

If at any time for any reason the Operator no longer qualifies, you must promptly designate another Operator who does meet these qualifications.

If the developer is a corporation, all shareholders of the developer must personally guarantee, jointly and severally, the developer's performance unless the developer is a publicly-held corporation. Shareholders of the developer, or of any corporation controlling the developer, must sign non-competition covenants.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Company requires you to offer and sell only those products that it has approved, which includes the menus and recipes we design.

You must offer all products and beverages that the Company designates as mandatory for all franchisees including the Company's proprietary products. The Company may add new products and you may be required to make expenditures for new equipment in order to serve these products. You may not add or delete items to be sold at your The Original Mels restaurant without the Company's permission.

Unless you operate a The Original Mels restaurant in a non-traditional location, you may object to the introduction of a new mandatory menu item because it will cause an unreasonable burden on the operation

of your The Original Mels restaurant or because it will adversely affect the business of your The Original Mels restaurant. The procedures for notifying the Company of your objection are by first initiating negotiations with the Company to resolve the dispute. If the negotiations are unsuccessful, then the parties may elect to pursue arbitration proceedings. If you want to object to the introduction of a new mandatory menu item, you may do so before the item is introduced or within 90 days after it is introduced. If you and the Company arbitrate this, you have the burden of proving the unreasonable burden or adverse effect and of showing that your The Original Mels restaurant meets the operational specifications described in your Franchise Agreement. While these dispute resolution procedures are ongoing, you are not in default of the Franchise Agreement for failing to offer the new product. During this time, the Company can continue its advertising; promotional programs and consumer research regarding the new mandatory menu item, and its administration of the advertising fund will not be restricted.

The menus for dine-in The Original Mels restaurants and non-traditional locations may differ.

Video and audio entertainment vending equipment is permitted at your The Original Mels restaurant only if it does not alter the restaurant's wholesome family setting and the Company has authorized their use. The Company may regulate the installation and use of this type of equipment, or prohibit its use, if the Company determines that these machines are detrimental to the Company's image.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section In Franchise Or Other Agreement	Summary
a. Length of the franchise term	Sections 3 and 12(c)	For a new restaurant, 10 years after the restaurant opens for business. If your restaurant is in a non-traditional location, the term will be co-terminus with your right to the location, up to 5 years. If your restaurant closes due to act of God for at least 60 days but no more than 365 days, you may apply for an extension of the term of the Franchise Agreement within 60 days following the reopening of the restaurant. If the term of your Franchise Agreement has expired and the Company has extended it, the term will be 10 years less the time since your prior Franchise Agreement expired.
b. Renewal or extension of the term	Section 4	If you meet certain conditions, you can renew for the lesser of 10 years (5 years for non-traditional locations) or the remaining term of the lease or sublease (including option periods); after that, if you meet certain conditions, you can renew on the terms the Company is then offering except (i) the assignment and transfer provisions of the franchise Agreement will not change, and (ii) the protected territory will not change.

Provision	Section In Franchise Or Other Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 4; Section 5 of Agreement	You must: (i) give written notice of election to renew at least 12 months before the term expires; (ii) not be in default of any material provision of Franchise Agreement or any amendment; (iii) when you deliver notice to the Company, and on the effective date of the renewal, the restaurant and its contents must be in first-class condition and repair, the premises must be clean, neat and sanitary, adequately lighted and appear as a clean, wholesome and sanitary environment, you must have made all reasonable repairs and re-placements, and all your employees must be clean and neat in appearance; (iv) have paid all of your monetary obligations; (v) pay the Company $2,500 to offset its expenses in processing your renewal; (vi) you and the Company each sign a general release which releases the other from all claims that are known or reasonably could have been known (the release will include claims by third parties that are subject to indemnification); (vii) furnish the Company with a copy of the lease for the premises demonstrating that your right and ability to possess the premises is assured for the renewal term; and (viii) make required improvements and alterations to your restaurant which the Company reasonably requires to meet its specifications.
d. Termination by franchisee	Section 11(j) and (k)	You can terminate if the Company materially defaults and does not cure after notice. Unless your restaurant is in a non-traditional location, you can terminate if the Company requires changes to your proposed design, layout and equipment plans and if the cost to do so will increase the aggregate cost of your restaurant.
e. Termination by franchisor without cause	Not applicable	N/A
f. Termination by franchisor with cause	Section 11	The Company can terminate if you default or if events described in (g) or (h) occur.
g. "Cause" defined—curable defaults	Section 11(a)	You have ten (10) days to cure: 9I) misuse of the Company's system or trademarks; (ii) use of The Original Mels system for any other purpose; (iii) failure to make payments when due; (iv) failure to submit required financial or other information (such as the annual Business Plan); (v) failure to construct and maintain your restaurant in

Provision	Section In Franchise Or Other Agreement	Summary
		accordance with the Franchise Agreement; (vi) failure to successfully complete Company's training courses; (vii) failure to operate your restaurant in accordance with the Franchise Agreement (including failure to offer new menu items when the Company or an arbitrator requires) or to maintain the Company's standards; (viii) unauthorized transfer; (ix) lease/sublease default (including an election not to exercise an option under your lease/sublease) other than partial condemnation or casualty loss; (x) misrepresentation in application; (xi) failure to obtain the Company's written consent where required; or (xii) failure to maintain required insurance coverage.
h. "Cause" defined—non-curable defaults	Section 11 (a)	Non-curable defaults: (I) failure to obtain a suitable location and execute a lease for your restaurant in 180 days; (ii) insolvency or bankruptcy (but if a person controlling the franchise or acting as guarantor or surety of any obligation of franchisee becomes insolvent or bankrupt, the Company may require you to obtain a personal guaranty of the obligations imposed upon you under the Franchise Agreement from persons having financial resources reasonably acceptable to the Company). If the Company requires additional guaranties, you will have a reasonable amount of time to obtain the guaranties, but not more than 45 days after the Company's request; (iii) abandonment, except in the case of casualty loss; (iv) failure to expeditiously repair premises if they are damaged, or if the damage requires the closing of your restaurant, failure to reopen your restaurant within one (1) year; and (v) criminal conviction related to the business. If your restaurant is damaged by fire or other casualty, and the damage or repair requires closing your restaurant, the Company may terminate the Franchise Agreement if you do not open your Restaurant within one (1) year after closing.
i. Franchisee's obligations on termination/non-renewal	Sections 11(c) and 11(f)	You must (i) remove the Company's name, trademarks and symbols from your restaurant, (ii) return all ORIGINAL MELS design items; (iii) make reasonable modifications to the exterior and interior appearance, décor and trade dress of your restaurant to eliminate its identification as an ORIGINAL MELS restaurant in the local market; and, (iv) stop

Provision	Section In Franchise Or Other Agreement	Summary
		using the Company's name, trademarks and symbols in Advertising or any activities including electronic media, home pages, web sites and the like. You must return to the Company all manuals, materials marked "confidential", "trade secret" or "proprietary information" and other materials identified as subject to return to the Company. You must also remove from the premises and Cease using all paper products and other articles bearing the Company's trademarks. The Company can enter your restaurant and make these changes if you do not do so. If your restaurant is a dine-in ORIGINAL MELS restaurant and the Company terminates your Franchise Agreement for cause, then you must also: (i) stop using all telephone numbers associated or identified with your restaurant and, upon the Company's request, assign or transfer those numbers to the Company or its designee(s); and (ii) deliver to the Company all customer lists for your restaurant. If a published, pre-printed directory or advertising materials over which you have no control will remain in circulation after the termination or expiration of the Franchise Agreement (e.g., a telephone directory), you must promptly notify the publisher that (A) you no longer operate the restaurant or that your restaurant is no longer operated as an Original Mels (B) you are no longer authorized restaurant to use the Company's trademarks; (c) upon expiration or termination of that edition of the pre-printed directory or advertising materials, that you will not renew the listing or advertising materials; and (D) undertake other reasonable action to assure that the continuing publication ceases. See o. below.
j. Assignment of contract by franchisor	Section 9(j)	The Company may transfer the Franchise Agreement to any other party.
k. "Transfer" by franchisee—defined	Section 9	Any assignment or transfer direct or indirect, of your rights under the franchise (including changes in ownership of the franchisee). Any pledge, lien, levy, attachment or security interest affecting your rights under the Franchise Agreement. Any change in the control person (i.e., the individual who has authority to actively direct and control the business and who actually

Provision	Section In Franchise Or Other Agreement	Summary
		does so, which may be based on legal control of the franchisee, contract or otherwise).
l. Franchisor approval of transfer by franchisee	Section 9	You may not transfer except (i) to an entity in which you are the control person; (ii) to an individual who meets the Company's requirements for a transferee; (iii) to an entity the control person of which meets the Company's requirements; (iv) if it involves less than 50% of the franchisee's equity and the control person is the same (however, the transferee must be good character, must not be involved in a competing business and must sign a confidentiality agreement or certification); or (v) to an immediate family member. The exceptions do not apply if your restaurant is in a non-traditional location, The Company's prior written consent is required for any transfer.
m. Conditions for franchisor approval of transfer	Sections 9(f), (g) and (h)	If you satisfy the following conditions, the Company's consent will not be unreasonably withheld: (i) all your obligations under the Franchise Agreement are satisfied; (ii) a Proposed control person (including anyone acquiring a controlling interest in the Franchisee) reasonably meets the Company's standards for new franchisees; (iii) the proposed transferee assumes all your obligations under the Franchise Agreement, by personal guaranty or otherwise, and satisfies the Company's financial standards for new franchisees; (iv) you or the transferee pays the transfer fee (in general, $12,500 and $2,500 if transferee is an existing franchisee or restaurant is in a non-traditional location); and (v) you and the Company execute a general release of each other of all claims that are known or reasonably could have been know (except claims by third parties subject to indemnification).
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 9(d) and (e)	The Company may match any offer, except if the transfer is to a member of your immediate family, a qualified retirement plan, an estate trust, or to an existing equity holder of the franchisee if certain conditions are met. The Company cannot acquire an equity interest in an entity that is a franchisee. It can, however, acquire the equivalent interest in the assets of your restaurant, including the right to control the entity. You would then have the option to require the Company to purchase all of the assets

Provision	Section In Franchise Or Other Agreement	Summary
		of your restaurant for a price based on an extension of the purchase price originally proposed.
o. Franchisor's option to purchase franchisee's business	Section 11 (d)	The Company has the right to purchase the franchise (including an assignment of the lease and leasehold improvements and all your property used in the franchised business including the telephone numbers associated with the business) at fair market value if the Franchise Agreement (i) expires, (ii) is terminated by the Company for cause, or (iii) is terminated by you in breach of the Franchise Agreement. If the purchase is exercised following the Company's termination of the Franchise Agreement for cause or termination by you in breach of the Franchise Agreement, you must pay the Company's costs (including attorney's fees and the cost of appraisal) plus any damages, because of the default, breach, or violation of the Franchise Agreement. If you and the Company cannot agree on the fair market Value, it will be decided by an appraisal process. If the restaurant is a carry-out unit, the appraiser will value the business as a going concern without discount because either the franchise agreement or lease have expired or will soon expire if the Company can assure itself that it can obtain long term occupancy rights. If the restaurant is a dine-in ORIGINAL MELS, the appraiser will value the business as a going concern without discount because either the franchise agreement or lease have expired or will expire. However, the Company may rescind its offer to purchase upon notice to you within sixty (60) days of the appraiser's valuation if it cannot obtain long-term leasehold rights at a fair market rent and upon commercially reasonable terms. In order to rescind, the Company must also allow you to continue operating the restaurant as an ORIGINAL MELS restaurant until the date of its rescission notice, unless the Company has terminated the Franchise Agreement for cause or you have terminated in breach of the franchise Agreement.
p. Death or disability of franchisee	Section 10	The Company has the right to operate your disability restaurant as long as it deems necessary; your heirs can transfer the agreement if they comply with the requirements in (m).

Provision	Section In Franchise Or Other Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 8	You may not engage in any similar business that has as its primary objective the sale of diner food (hamburgers, shakes, fries, etc.) in the county in which your restaurant is located.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	
s. Modification of the agreement	Section 22	No modification except in writing. Later changes to the operating manual or other publications of the Company will not alter your rights and obligations under the Franchise Agreement.
t. Integration/merger clause	Section 21	Only the terms of the Franchise Agreement are binding (subject to state law including California law). Any other promises may not be enforceable. The Company does not disclaim the representations made in this FDD.
u. Dispute resolution by arbitration or mediation	Section 19	Either party may initiate negotiations to resolve a dispute. If the dispute is not resolved through negotiation, either party may begin arbitration with Judicial Arbitration & Mediation Services, Inc. ("JAMS/ENDISPUTE").
v. Choice of forum	Section 19	Determined by JAMS/ENDISPUTE.
w. Choice of law	Section 18	California law applies (subject to state law).

Area Development Agreements

Area Development Agreements: Provision	Area Development Agreements: Section in Franchise or Other Agreement	Area Development Agreements: Summary
a. Length of the franchise term	Section 4	Term expires on date for development of final restaurant on schedule.
b. Renewal or extension of the term	Not applicable	N/A
c. Requirements for franchisee to renew or extend	Not applicable	N/A
d. Termination by franchisee	Not applicable	N/A
e. Termination by franchisor without cause	Not applicable	N/A
f. Termination by franchisor with cause	Section 9	The Company may terminate if you default or if certain events occur.
g. "Cause" defined—curable defaults	Section 9(a) and (b)	Curable defaults: 30 days for appointment of a receiver for your business assets, a final judgment in the amount of $10,000 or more against you, attachment of your

Area Development Agreements: Provision	Area Development Agreements: Section in Franchise or Other Agreement	Area Development Agreements: Summary
		bank accounts, property or receivables, suit to foreclose any lien or mortgage against your restaurant is instituted or failure to comply.
h. "Cause" defined—non-curable defaults	Section 9(a) and (b)	Non-curable defaults: (i) insolvency, bankruptcy, appointment of a receiver, general assignment for the benefit of creditors or dissolution; (ii) unauthorized transfer; (iii) material misrepresentations in application; or (iv) default under franchise agreement that would permit termination.
i. Franchisee's obligations on termination/non-renewal	Section 9(c)	You cannot develop any more Mels Original restaurants in your development area and the Company can do so or license someone else to do so.
j. Assignment of contract by franchisor	Section 7(a)	The Company may assign the Area Development Agreement to any other party.
k. "Transfer" by franchisee—defined	Section VII(B)(1)	Includes transfer or encumbrance of Area Development Agreement or if interest in developer.
l. Franchisor approval of transfer by franchisee	Section 7(c)	You must obtain the Company's prior written consent to any transfer.
m. Conditions for franchisor approval of transfer	Section 7(c)	(i) You have paid all your obligations; (ii) you are not in default under the Area Development Agreement or any other agreement between you and the Company; (iii) you execute a general release; (iv) the transferee signs an assumption agreement; (v) the transferee meets the Company's criteria; (vi) the transferee signs current Area Development Agreement; (vii) the transferee completes training; (viii) if the transferee is a corporation, it must only conduct this business, furnish its charter documents to the Company, legend its stock or maintain "stop transfer" instructions, have list of current owners and all its shareholders must guarantee its obligations; and (ix) you pay a transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 7(d)	The Company may match any offer received.

Area Development Agreements: Provision	Area Development Agreements: Section in Franchise or Other Agreement	Area Development Agreements: Summary
o. Franchisor's option to purchase franchisee's business	Not applicable	
p. Death or disability of franchisee	Section 7(c)	Your heir or representative must qualify to operate the business or transfer within 6 months.
q. Non-competition covenants during the term of the franchise	Section 8(a)	You may not divert business or customers, hire the Company's employees, or engage in similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 9(d)	Restrictions in (q) apply for 3 years after termination or expiration.
s. Modification of the agreement		No amendment unless in writing.
t. Integration/merger clause	Section 12(i)	Only the terms of the Area Development Agreement are binding (subject to state law including California law). Any other promises may not be enforceable. The Company does not disclaim the representations made in this FDD.
u. Dispute resolution by arbitration or mediation	Section XIII	Except for certain claims, all disputes may be arbitrated (subject to state law).
v. Choice of forum	Section XV(C)	Litigation must be in California in district where the Company's offices are located (subject to state law).
w. Choice of law	Section 12(h)	California law applies (subject to state law), except that non-competition provisions are governed by local law.

ITEM 18
PUBLIC FIGURES

The Company does not use any public figure to promote its franchise.

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 the disclosure document. Financial performance information that differs from that included in Item 19 may be given only 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 Dana Huie, (916) 458-8135, or dana@originalmels.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

~~This item contains certain information about adjusted gross sales during the 12 months ending December 31, 2019 of existing The Original Mels restaurants with Sales Distribution for the entire 12 months of the calendar year. You should read the information presented together with all of the related information about the factual bases and material assumptions underlying them. Upon reasonable request, the Company will make available to you written substantiating data of financial performance representations used in preparing the Sales Distributions, in a form that does not identify any individual restaurant.~~

~~Other than the Sales Distribution, the Company does not furnish or authorize the furnishing to prospective franchisees of any oral or written information of actual, potential, average or projected sales, costs, income or profits of The Original Mels restaurants.~~

~~**Some restaurants have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**~~

~~SALES DISTRIBUTION~~

~~Annual Sales - Range~~	~~Company Owned Units (Number / Percentage)~~		~~Franchisee Units (Number / Percentage)~~	
~~$2,500,000 +~~	~~4~~	~~44%~~	~~3~~	~~23%~~
~~$2,000,000 - $2,499,000~~	~~1~~	~~11%~~	~~3~~	~~23%~~
~~$1,500,000 - $1,999,000~~	~~4~~	~~44%~~	~~3~~	~~23%~~
~~$1,000,000 - $1,499,000~~	~~0~~	~~0%~~	~~4~~	~~31%~~

	~~Company Units~~	~~Franchisee Units~~
~~Average Sales~~	~~$2,434,735 (4 of 9 units exceeded this)~~	~~$1,969,1642,196,736 (6 of 13 units exceeded this)~~
~~Median Sales~~	~~$2,388,946~~	~~$2,028,393~~
~~High Annual Sales~~	~~$3,958,123~~	~~$3,882,892~~
~~Low Annual Sales~~	~~$1,667,909~~	~~$1,309,494~~

~~These numbers include all units that were open for the entire year in 2019. One company-owned unit and one franchisee-owned unit opened in 2018 and are not included in these charts.~~

~~The above figures are gross revenue and do 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 franchised business. The Company strongly recommends that you construct your own pro forma cash flow statement and make your own projections concerning potential sales, operating costs, total capital investment requirements, cash injection, debt, overall potential cash flow, and other financial aspects of operating a The Original Mels restaurant. Franchisees or former Franchisees, listed in the disclosure document, may be one source of this information.~~

~~The units included above do not materially differ from the type of The Original Mels diner that is being offered in this FDD. Company-owned outlets do not pay the same fees to the Company, but the franchisee-owned outlets included here do.~~

~~*Information about our revenues in 2020:* In 2020, most of our restaurants closed for in-dining purposes in March when the global pandemic was declared. In the initial four months of the pandemic, the only revenue that restaurants in our restaurants had was from take-out and third party deliveries. While a few restaurants in our system were able to open for outdoor dining by July 2020, we did not have all restaurants open for outdoor dining until September 2020.~~

~~In the first six months of the global pandemic, franchisee-owned restaurants' average sales were down 43.32% when compared with the same period in 2019. Our corporate restaurants' average sales were down 44.6% when compared with the same period in 2019.~~

~~Since late September 2020, most of the restaurants in our system were able to reopen their indoor dining facilities to allow 25% of their original capacity in diners.~~

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Fiscal Years ~~2017~~2021 to ~~2019~~2023

Outlet Type	Year	Outlets at start of year	Outlets at end of year	Net Change
Franchised	~~2017~~2021	~~13~~11	~~14~~10	~~+1~~-1
	~~2018~~2022	~~14~~10	~~15~~10	~~+1~~0
	~~2019~~2023	~~15~~10	~~13~~10	~~-2~~0
Corporate owned	~~2017~~2021	~~5~~7	6	~~+1~~-1
	~~2018~~2022	6	~~7~~4	~~+1~~-2
	~~2019~~2023	~~7~~4	~~9~~4	~~+2~~0
Total Outlets	~~2017~~2021	18	~~20~~16	~~+2~~-2
	~~2018~~2022	~~20~~16	~~22~~14	~~+2~~-2
	~~2019~~2023	~~22~~14	~~22~~14	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Fiscal Years ~~2017~~2021 to ~~2019~~2023

State	Year	Number of Transfers
California	~~2017~~2021	~~1~~0
	~~2018~~2022	0
	~~2019~~	~~1~~
~~Nevada~~	~~2017~~2023	0
Total	~~2018~~2021	0

	20192022	0
Total	2017	1
	20182023	0
	2019	1

Table No. 3
Status of Franchise Outlets
For Fiscal Years 20172020 to 20192022

State	Year	Outlets at Start of Year	Outlets Openedat Start of Year	TerminationsOutlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation Other Reasons
California	20172021	11	110	0	1	0	0	0
	20182022	12	19	0	0	0	0	0
	20192023	13	09	0	0	0	30	0
Nevada	20172021	2	1	0	0	0	0	0
	20182022	3	01	0	0	0	0	0
	20192023	3	01	0	0	0	0	0
Totals	20172021	13	111	0	1	0	0	0
	20182022	14	110	0	0	0	0	0
	20192023	15	1(1)10	0	0	0	30	0

(1) This unit is an existing corporate unit purchased by a franchisee.

Table No. 4
Status of THE ORIGINAL MELS DINERS, Inc. Owned Outlets
For Fiscal Years 20172021 to 20192023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Closed	Reacquired from Franchisee	Sold to Franchisees	Outlets at End of Year
California	20172021	45	1	01	0	0	5
	20182022	5	10	01	0	0	64
	20192023	64	0	0	30	10	84
Nevada	20172021	1	0	0	0	0	1
	20182022	1	0	01	0	0	10
	20192023	10	0	0	0	0	10
Totals	20172021	56	1	01	0	0	6
	20182022	6	10	02	0	0	74
	20192023	74	0	0	30	10	94

Table No. 5
Projected New Franchised Outlets
As of December 31, ~~2019~~2023

State	Franchise Agreements signed but Outlet Not Opened	Projected New Franchise Next Fiscal Year	Projected New Company Outlets in Current Fiscal Year
California	0	~~4~~2	~~1~~4
Nevada	0	~~0~~1	~~0~~2
Total	0	~~4~~3	~~1~~6

Contact Information

A list of all active franchised outlets as of December 31, ~~2019~~2023 is attached to the Disclosure Document as Exhibit F-1. The addresses and telephone numbers of the company-owned outlets listed above are in Exhibit F-2.

If you buy this franchise, your contact information will be disclosed to other buyers, including when you leave the franchise system. In some instances, franchisees may be asked to sign a Confidentiality Agreement, which in some instances may restrict current and former franchises their ability to speak openly about their experience with The Original Mels Franchise, however this has not occurred as of the issuance date of this Disclosure Document.

There are no trademark-specific franchisee organizations associated with this system.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C to this Disclosure Document are the audited financial statements for the periods ended December 31, ~~2019~~2023, December 31, ~~2018~~2022 and December 31, ~~2017~~2021. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

Attached are copies of the following agreements regarding the offer of the Franchise:

Exhibit A	Franchise Agreement The Original Mels restaurant
Exhibit B	Area Development Agreement
Exhibit C-1	Confidentiality and Noncompetition Agreement
Exhibit C-2	Guaranty of Franchise Agreement

ITEM 23
RECEIPTS

Copies of the Receipt are attached to the end of this Disclosure Document, following the Exhibits.

EXHIBIT A TO
~~TO~~ THE ORIGINAL MELS
DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

THE ORIGINAL MELS INVESTMENT GROUP, LLC

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EXHIBITS

Exhibit A	Opening Date/Transfer Date of Restaurant; Expiration Date of Initial Term
Exhibit B	Form of Mutual Release of Known Claims
Exhibit C	Outline of Topics - Annual Business Plan (New Restaurants – First Year Plan)
Exhibit D	Outline of Topics – Annual Business Plan (Existing Restaurant)
Exhibit E	Names; Equity Owners of Franchisee
Exhibit F	Confidentiality and Non-competition Agreement; Certification of Equity Holder
Exhibit G	Guaranty of Franchise Agreement

THE ORIGINAL MELS

FRANCHISE AGREEMENT

This franchise agreement (the "Agreement") is entered into by and between THE ORIGINAL MELS INVESTMENT GROUP, LLC, a California limited liability company with headquarters located at 3222 Royal ~~Drive,~~Dr. Suite B, Cameron Park, California 95682 ("Franchisor"), and _____ _____, a _____ (jointly and severally, "Franchisee"), whose address is: _____
_____
.

This Agreement is for the establishment of one THE ORIGINAL MELS restaurant (the "Restaurant") to be located at _____ ~~with the specific opening date to be determined in accordance with the terms of this Agreement~~_____.

RECITALS

A. Franchisor has established methods of operation (the "System") for the development and operation of THE ORIGINAL MELS restaurants which includes, without limitation: the marks and all related names, trademarks, service marks, logos, copyrights and associated goodwill; distinctive building designs, décor, color schemes and trade dress and signage; an operations manual incorporating required standards, procedures, policies and techniques; secret food formulae; and advertising, marketing, and promotional programs.

B. Pursuant to Franchisor's continuing efforts to develop its chain of THE ORIGINAL MELS restaurants, Franchisor desires to grant to Franchisee, and Franchisee desires to obtain from Franchisor, the right to establish and operate the Restaurant in accordance with and under the System.

C. This Agreement is for the establishment of a single THE ORIGINAL MELS restaurant at a specific location. It does not grant to Franchisee any rights to develop or operate any other THE ORIGINAL MELS restaurants at any locations other than the single location designated in Exhibit A of this Agreement.

IN CONSIDERATION OF THE COVENANTS CONTAINED HEREIN, IT IS AGREED AS FOLLOWS:

1. GRANT OF FRANCHISE

Subject to all the terms and conditions of this Agreement, Franchisor grants to Franchisee the non-exclusive right to use the Franchisor's System to establish and operate one Restaurant. Franchisee acknowledges that adherence to the standards and policies of the System, as changed from time to time, is absolutely essential for the continued operation of the Restaurant granted by this Agreement.

2. LOCATION AND PROTECTED TERRITORY

(a) Territory: Franchisee shall have the right to establish the Restaurant at the single location designated above. Except as provided below, while this Agreement is in force, Franchisor shall not operate or enfranchise any other business within a radius Franchisor grants around the Restaurant. The radius shall be ~~three~~five (~~3~~5) miles in areas of average density, but shall be smaller in high density areas and may be larger in low density areas, as determined in the Franchisor's sole discretion. Nothing in this Agreement shall prohibit Franchisor from operating or enfranchising a business that is in a non-retail oriented venue having no direct external access ("Non-Retail Venue") such as an airport, hotel, convention center, sports arena or stadium, college campus, amusement park or similar venue, that Franchisor determines, in its sole discretion, does not meet its criteria for a traditional THE ORIGINAL MELS restaurant (including without limitation a location within the premises of another business), or in a mall within the territory granted by Franchisor to the Restaurant; provided, however, that there shall be no external ingress or egress directly to the Restaurant from the exterior of the mall location and that the restaurant in the Non-Retail Venue or mall location will not offer or provide services outside the boundaries of the venue. For purposes of this Agreement, a mall means a shopping center of not less than 250,000 square feet of gross leasable area with stores front on both sides of an enclosed or open pedestrian walkway. Further, if the Restaurant is located in a mall or within certain metropolitan areas as may be designated from time to time by Franchisor, no such right to a territory shall be granted. Any protected territory granted to Franchisee herein is with respect to the establishment of other restaurant locations only, and shall not be deemed to grant to Franchisee any exclusive market or trade area.

(b) Relocation: Except as provided in this Agreement, any relocations of the Restaurant shall require Franchisor's prior written consent, which may be withheld in its discretion. During the term of this Agreement, Franchisee may relocate the Restaurant only if:

(i) The new location meets the Franchisor's then-current criteria for new locations;

(ii) Franchisor determines, in its reasonable discretion, that such location will not have an adverse competitive impact on the System;

(iii) The proposed location is within the Franchisee's assigned territory and not within any other Restaurant territory;

(iv) All accrued obligations of Franchisee to Franchisor under this Agreement have been performed or satisfied in full;

(v) Franchisee and Franchisor shall have executed a general mutual release in a form satisfactory to Franchisor of all claims that are known or reasonably could have been know (the release shall not include claims by third parties subject to indemnification under paragraph 7(w) below; and

(vi) Franchisee reasonably meets or exceeds Franchisor's standards applicable to new franchisees.

3. TERM OF AGREEMENT

This Agreement shall commence on the date it is signed by Franchisor and shall be for the term set forth on Exhibit "A" attached hereto and incorporated herein by this reference. The term of the lease or sublease, including any applicable options, for the Restaurant must be equal to the term of this Agreement. Once the Restaurant opens for business, Franchisor shall insert the exact opening date in Exhibit "A". If Franchisee is acquiring an existing THE ORIGINAL MELS restaurant, the term shall be the shorter of: (a) the remaining term of the transferor's franchise agreement; or (b) the remaining term of the existing lease, including any applicable options, for the Restaurant.

4. RENEWAL OF FRANCHISE

(a) Renewal: Franchisee, at its option, shall have the right to renew this Agreement for the shorter of the remaining term of the lease or sublease, including option periods, or two additional terms of five years provided that:

(i) Franchisee gives Franchisor written notice of its election to renew not less than 180 days prior to the expiration of the term;

(ii) Franchisee, when notice is given and at the time of renewal, is not in default of any material provision of either this Agreement or any amendment hereof;

(iii) When Franchisee delivers the notice to Franchisor, and on the effective date of the renewal, the following conditions shall exist:

(1) Franchisee has made reasonable alterations and improvement to the Premises as necessary to comply with THE ORIGINAL MELS current décor;

(2) The Restaurant and the surrounding premises are clean, neat and sanitary;

(3) The Restaurant and the surrounding premises are adequately lighted and appear as a clean, wholesome and sanitary environment;

(4) All reasonable repairs and replacements which are needed or have been requested by Franchisor, in writing, have been made; and

(5) All monetary obligations owed by Franchisee to Franchisor or its designee have been satisfied prior to renewal.

(iv) Franchisee and Franchisor execute a then-current form of Franchise Agreement which shall substitute the renewal fee in this Agreement of $2,500 for the initial franchise fee.

(v) Franchisee and Franchisor execute a general mutual release of all claims that are known or reasonably could have been known. The release shall not include claims by third parties subject to indemnification under paragraph 7(w) below. The release will be in a form

substantially similar to that set forth in Exhibit "B" attached hereto and will be subject to Franchisor's reasonable approval;

(vi) Franchisee furnishes Franchisor with a copy of a lease for the Restaurant premises indicating that Franchisee's right and ability to possess is assured for the renewal term; and

(vii) Franchisee performs such remodeling as Franchisor may reasonably require pursuant to paragraph 7(k) below;

(b) Additional Option: Upon expiration of the renewal term described above, and subject to the notice requirements and other conditions set forth in paragraph (a) above, Franchisee will have the option to renew the franchise herein granted upon the then-current terms being offered by Franchisor, provided, that:

(i) There is no additional option to renew or extend the franchise agreement beyond the initial term described in the then-current franchise agreement;

(ii) There is no change in the assignment and transfer provisions of this Agreement; and

(iii) There is no change in the protected territory, if any, described in paragraph 2 above.

5. FEES

(a) Initial Franchise Fee: In consideration of the Franchise granted herein, a Franchisee intending to open a new restaurant at its first franchised location shall pay to Franchisor an initial franchise fee as follows: $ 35,000.00 (Thirty Five Thousand Dollars and no cents) in full upon execution of this Agreement ~~(see paragraph 9(g) below, regarding transfer fees applicable to the acquisition of an existing THE ORIGINAL MELS restaurant)~~.

(b) For each subsequent franchise which may be granted, Franchisee shall pay the initial franchise fee then required by Franchisor for new Franchisees, payable upon Franchisor's approval of Franchisee's application.

If Franchisee has paid part of this initial fee already under an Area Development Agreement, Franchisee shall pay the unpaid balance due for this restaurant.

(c) ~~(b)~~ Royalty Fee: In consideration of the franchise granted herein and the continuing right to use the System, Franchisee agrees to pay Franchisor, commencing from the date the Restaurant opens, a royalty fee of ~~four~~Four and ~~a half~~One Half percent (4.5%) royalty for the initial term of the franchise agreement (see 3. Above) of the adjusted gross sales (defined below at section 5(e)) generated monthly by the Restaurant (except as may be provided in Section 3, if applicable). Payment of the Royalty fee shall be accompanied by or refer to the standard weekly report furnished by Franchisor, and referred to in paragraph 7(o) herein, and shall be made either on a weekly or bi-weekly basis (as agreed upon by the Franchisor and the Franchisee). If Franchisee is

more than five (5) days late in paying the royalty fee, a late charge of ten percent (10.0%) annual interest shall be payable on the unpaid fee from the date such payment was due.

(d) ~~(c)~~ Corporate Marketing Fund: ~~Commencing~~If Franchisor institutes the Corporate Marketing Fund, then, commencing from the date the Restaurant opens, or the date Franchisor initiates the fund, whichever is later, Franchisee shall pay to Franchisor, as the administrator of THE ORIGINAL MELS Corporate Marketing Fund (the "CMF"), an advertising fee of up to two percent (2.0%) of the Adjusted Gross Sales generated by the Restaurant (except as may be provided in Section 3, if applicable). Such fee shall be paid at the same time and manner as the royalty fee with late charge computed and assessed in the same manner as may be imposed for any late payment of a royalty fee. The CMF shall be maintained in a separate account and shall be administered by Franchisor in accordance with paragraph 6(h) below.

(e) ~~(d)~~ Relocation Fee: If Franchisee desires to relocate the Restaurant during the term of this Agreement (which relocation must be in compliance with the conditions set forth in paragraph 2 above), Franchisee shall reimburse Franchisor for its reasonable cost to evaluate and process the transaction, including but not limited to Franchisor's reasonable costs of administration, not to exceed $15,000. Upon request by Franchisee, Franchisor shall provide Franchisee with copies of invoices from any third party providers.

(f) ~~(e)~~ Adjusted Gross Sales: The term "adjusted gross sales" shall mean and include the entire gross receipts of every kind and nature from all products sold in or from the restaurant (or any support facility) or service performed by Franchisee including, without limitation, gross receipts from off-site delivery, catering and special events, without reserve or reduction for inability or failure to collect "adjusted gross sales" will not include (or will be adjusted for) the following: (i) the amount of coupons or similar discounts redeemed in conjunction with any sale by Franchisee; (ii) the amount of any sales tax levied upon retail sales and which is payable to the appropriate governmental authorities and subsequently actually paid to authorities); and (iii) refunds made in good faith to customers..

6. DUTIES OF FRANCHISOR

Franchisor will provide the following services subject to the remedy provision set forth in paragraph 11(j) below:

(a) Location: It is Franchisee's obligation to find a suitable location for the Restaurant which meets the Franchisor's approval. Franchisor will assist Franchisee with the search by advising and consulting with Franchisee, if requested to do so by Franchisee. Franchisee acknowledges that Franchisor's acceptance of a location does not constitute a representation or guarantee by Franchisor that the location will be a successful location for the Restaurant.

(b) Training and Support:

(i) Initial Training. If the Restaurant is Franchisee's first THE ORIGINAL MELS restaurant, before the Restaurant opens for business, Franchisee shall successfully complete Franchisor's customary training course concerning the operation of the Restaurant. Franchisor, in its sole discretion, may require a manager (maximum of three managers, if the number of managers exceeds three, additional fees will apply) or other designated representative of Franchisee to

successfully complete the training course. In addition, prior to completing initial training, Franchisor shall assist Franchisee in preparing a business plan for the Restaurant which shall cover a twelve (12) month period commencing upon Franchisee's completion of training. The business plan, the final form which is subject to Franchisor's approval, shall set forth a pre-opening timetable, a schedule for construction, a hiring plan for Franchisee's employees, scheduled opening of the Restaurant and such other items as Franchisor shall require (the "Business Plan"). Franchisee's completion of the approved Business Plan is a prerequisite to successful completion of initial training. An outline of the subject areas to be addressed in the Business Plan is attached to this Agreement as Exhibit "C".

(ii) Pre-Opening, Opening and Post-Opening Support for New Franchisees. If the Restaurant is Franchisee's first THE ORIGINAL MELS restaurant, Franchisor shall provide Franchisee with pre-opening, opening, and post-opening support which shall consist of on-site visits from Franchisor's representatives prior to the opening of the Restaurant, review of Franchisee's design, construction and equipment plans, a pre-opening inspection to determine whether all conditions to opening have been met and such on-site assistance during and after opening as Franchisor deems reasonably appropriate.

(1) Upon receipt of Franchisee's proposed design, layout and equipment plans (the "Store Plans"), Franchisor will review such plans and either consent to them or provide Franchisee with a written summary of required changes. Franchisee shall implement any required changes and shall not file plans with regulatory authorities or proceed with construction until receiving Franchisor's written consent to the plans.

(2) Prior to the scheduled opening of the Restaurant, Franchisor will send a representative to meet with Franchisee at the Restaurant site to determine whether or not construction of Franchisee's Restaurant is in compliance with the Business Plan and the Store Plans.

(3) Prior to the scheduled opening of the Restaurant, Franchisor shall advise Franchisee in connection with its initial staffing level and scheduling of employees for the Restaurant and shall review with Franchisee training guidelines, job descriptions and supervision of the Restaurant.

(4) Prior to the scheduled opening of the Restaurant, Franchisor will send a representative to the Restaurant to conduct an on-site pre-opening final review in order to determine whether the Restaurant meets all material pre-opening conditions set forth in the Business Plan. If the Restaurant fails to meet the conditions, Franchisor will provide Franchisee with a written report of the deficiencies and requirements to remedy them. Franchisee shall take all steps necessary to implement the requirements set forth in the report. In no event shall Franchisee open the Restaurant without compliance with such pre-opening conditions. Franchisor's representative may, but is not required to, assist Franchisee in implementing corrections required by Franchisor's report. If Franchisee is not able to implement the corrections during the time Franchisor's representative is conducting the on-site review, Franchisee will be responsible for the costs of any additional on-site visits made by Franchisor's representative in order to determine compliance with pre-opening conditions.

(5) Franchisor will send a representative to the Restaurant for its opening to provide assistance to Franchisee for a period of time necessary to implement the opening requirements set forth in the Business Plan, provided such assistance shall not be required to exceed one (1) week. During this period of time, Franchisor's representative shall assist Franchisee in formulating additional objectives for the sixty (60) day period following opening the Restaurant.

(6) Franchisor will send a representative to the Restaurant at a minimum once every two (2) weeks during the sixty (60) day period following opening of the Restaurant to assist Franchisee in implementing the additional objectives. Following this period of time, if the additional objectives have not been implemented, Franchisor may, at Franchisee's request and expense, provide a representative to continue to assist Franchisee in such implementation.

(iii) Periodic Training and Updates. Franchisor shall offer periodic training in connection with the introduction of new products, material changes in operational procedures or other topics which Franchisor determines appropriate. If Franchisor requires attendance at any additional training program(s) or course(s), Franchisee and/or its manager(s) shall successfully complete such program(s) or course(s). In addition;

(1) Franchisor will provide certification examinations which measure proficiency in the same skills that are the subjects of Franchisor's customary training for new franchisees and which will be conducted on a periodic basis at THE ORIGINAL MELS restaurants (or other locations) designated by Franchisor that are reasonably accessible to franchisees. Franchisee shall bear the cost of transportation to the certification location and accommodations, if required, for its own personnel. In addition, Franchisor will charge a fee to cover its expenses in supervising certification re-examinations for managers who fail to successfully complete their initial certification examinations. Franchisees or managers who are certified examiners by Franchisor may administer certification examinations to employees of Franchisee; provided, however, that Franchisor reserves the right to re-examine and/or de-certify individuals certified by others if Franchisor reasonably determines that such individuals have not achieved the required qualifications to operate a restaurant.

(2) Franchisor will maintain training materials for supervisory Restaurant employees. In conjunction with periodic certification examinations, Franchisor will provide instruction to franchisees and certified Restaurant managers regarding use of the materials.

(3) Franchisor will periodically distribute a current schedule and curriculum of management courses. Such courses will be offered at locations designated by Franchisor. All franchisees and certified managers are eligible to attend such courses on a first-come, first-serve basis provided they have completed prerequisite qualifying courses and pre-work.

(4) Franchisor will periodically distribute current information or provide training concerning the repair and maintenance of equipment utilized in the operation of the Restaurant. Franchisee's personnel may attend such courses on a first-come, first-serve basis provided they have completed prerequisite qualifying courses and pre-work.

(5) Franchisor will periodically publish information concerning legal and regulatory requirements that may affect the general business of the System; such information shall not, however, be a substitute for advice Franchisee should obtain from time to time, from professional advisors.

(iv) Special Training and Optional Courses. If Franchisee is an existing THE ORIGINAL MELS franchisee, for subsequent unit openings Franchisor shall waive the initial training described in paragraph 6(b)(i) and, upon Franchisee's request, Franchisor will provide only the services described in subparagraph 6(b)(ii), provided Franchisee submits a completed Business Plan as described in subparagraph 6(b)(i).

(c) Operations Manual and Advertising Manual: Franchisor shall loan to Franchisee a copy of THE ORIGINAL MELS Operations Manual and copies of all marketing and advertising manuals currently in use, and copies of any revisions of such manuals by Franchisor or other manuals as may be developed by Franchisor. Collectively, the manuals will contain information relating to the development, opening and operation of the Restaurant, including food formulas and specifications for designated food and beverage products; required menu items; methods of inventory control; bookkeeping and accounting procedures; marketing ideas and materials; business practices and policies; and other management, advertising and personnel policies (sometimes referred to collectively, the "Manuals"). Franchisor shall periodically update the Manuals, and provide Franchisee with supplements to the Manuals, as reasonably necessary and appropriate. The Manuals are, and are intended to remain, proprietary property of the Franchisor.

(d) Design: Franchisor shall designate the standard design, color scheme, trade dress and motif for the Restaurant. Franchisor will maintain a library of model designs for THE ORIGINAL MELS restaurants. Upon receipt of Franchisee's proposed Store Plans, Franchisor will review such plans and either consent to them or provide Franchisee with a written summary of required changes. Franchisee shall implement any required changes and shall not file plans with regulatory authorities or proceed with construction until receiving Franchisor's written consent.

(e) Fixture, Sign, Equipment, Inventory and Supply Specifications: Franchisor shall designate standard fixtures, signs, current menu reader boards, equipment and initial and continuing inventory and supplies for placement in and use at the Restaurant. Franchisor will maintain, and make available to Franchisee, information concerning products and equipment regularly used in the operation of THE ORIGINAL MELS restaurants. Franchisor will periodically analyze and consider new products and equipment for possible introduction in THE ORIGINAL MELS restaurants. If Franchisor determines in its discretion that such products or equipment should be included in certain or all THE ORIGINAL MELS restaurants and the introduction of the new product or equipment will cause material alteration in the operation of the Restaurant, Franchisor will test the new product or equipment in its own THE ORIGINAL MELS restaurant or in one or more franchised THE ORIGINAL MELS location(s). Results and analysis of Franchisor's tests of the proposed new product or equipment will be provided to franchisees. Training will be conducted and information concerning the products and equipment will be available for review by affected franchisees. Franchisor will maintain comprehensive source materials for products and equipment necessary for the operation of a THE ORIGINAL MELS restaurant and will make such information available to all franchisees upon request. The library will include information concerning pricing, availability, performance specifications, maintenance

and repairs, and if available, performance reviews by Franchisor or franchisees who have used the product in the actual operation of a THE ORIGINAL MELS restaurant. Franchisor will also use reasonable efforts to obtain system-wide or group pricing from relevant distributors and manufacturers to assist franchisees in securing the best pricing for needed equipment and supplies. By providing such information and assistance, Franchisor is not guaranteeing the functionality or quality of any specific equipment or supplies.

(f) Advice and Consultation: Franchisor shall advise and consult with Franchisee periodically in connection with the development and operation of the Restaurant. Franchisor shall communicate to Franchise its know-how, new developments, techniques, and improvements in restaurant management, food preparation, and services which are pertinent to the operation of the Restaurant in accordance with the System, all subject to Franchisee's obligation to maintain in confidence all such information not required to be disclosed during the operation of the Restaurant. Franchisor shall communicate topical information concerning the business of the Restaurant; such information may include lists and referrals to third party providers and other resources. Such communication may be accomplished by operation consultants, reports, seminars, or newsletters, electronic media, or other forms of communication. Franchisor shall also make available to Franchisee, services, facilities, rights, and privileges which Franchisor makes generally available, from time to time, to all of its franchisees operating within the System.

(g) Independent Status of Franchisee: Franchisor shall not establish requirements regarding: (1) Franchisee's employment policies, assignment or direction of Franchisee's employees, wages or hours of labor (except to the extent specified in paragraphs 7(m) and 7(n); and (2) the customers to whom Franchisee may provide services. Franchisor shall not be involved to any extent in the management or operation of the Restaurant, except as otherwise provided in this Agreement.

(h) Advertising:

(i) National Marketing Fund. The CMF exists for the primary purpose of promoting the System through advertising and promotional programs and materials. Franchisee acknowledges that the CMF, which may hire employees, agents and firms to carry out its purpose, shall be used to meet any and all costs, direct and indirect, incident to advertising for the System, including without limitation those incurred in administering the CMF, developing advertising and promotional programs and materials, conducting consumer research, employing individuals, and implementing related activities. Franchisor's charges to the fund shall be limited to reimbursement for the reasonable cost of purchases, activities and services in furtherance of the purpose of the CMF. In its sole discretion, Franchisor shall determine the media, markets, and content of all advertising programs. Franchisor shall not make expenditures from the CMF for advertising directed primarily at the sale of franchises. Franchisor shall account for the CMF separately from Franchisor's other funds and shall prepare reports on a quarterly basis. Such reports shall include advertising fees received, expenditures from the CMF and collection activity. Copies of Franchisor's accounting of the CMF shall be available upon Franchisee's request.

(ii) Local Marketing Expenditure. Franchisee must spend a minimum of one percent (1%) on advertising per year in its local area. Franchisor has discretion to increase this

amount up to as high as two percent (2%) upon 180 days' prior written notice to Franchisee. Franchisee shall account to Franchisor for its expenditures on a quarterly basis.

(i) Franchisee Advisory Committee: Franchisor shall have the right to appoint an advisory committee comprised of at least three (3) franchisees who meet certain criteria established by Franchisor (the "Advisory Committee"). The Advisory Committee shall be charged with the responsibility for advising Franchisor in connection with important decisions affecting training, product and systems development, restaurant operations and operating standards, and design requirements for THE ORIGINAL MELS System. Franchisor will consult with the Advisory Committee and obtain its input before making any material change to the System's operating requirements and standards.

(j) Adherence to System: In the operation of its THE ORIGINAL MELS restaurants (including those operated by its affiliate), Franchisor will comply with all material operational requirements of the System.

7. DUTIES OF FRANCHISEE

In addition to its duties as set forth elsewhere in this Agreement, Franchisee agrees to perform the following:

(a) Preparation of Location: Within one hundred eighty (180) days (or within three hundred sixty (360) days where Franchisee has obtained a build-to-suit location) of the date a final location is obtained, Franchisee shall totally equip and make ready the location for operation. Immediately upon receipt of written acknowledgement from Franchisor the Restaurant complies with the System specifications and requirements, Franchisee shall commence operation of its Restaurant.

(b) Lease Responsibilities: Except as otherwise provided herein, Franchisee shall be responsible for all terms and conditions of the lease pertaining to the location, including any required security deposit and prepaid rent. Franchisee shall provide to Franchisor a copy of the fully executed lease (and any assignment and/or subleases thereto) immediately upon execution of this Agreement.

(c) Construction Standards: Franchisee shall be responsible for the establishment and completion of the Restaurant, including construction or remodeling and equipment installation. Franchisee agrees that in constructing or remodeling the Restaurant, it shall secure all necessary permits and adhere to the plan, design, color scheme, and motif of THE ORIGINAL MELS restaurants as specified by Franchisor, provided that Franchisee may make minor changes to the standard plans and specifications, if necessary, to meet the requirements of applicable codes and regulations. Franchisee shall submit all Store Plans and specifications to Franchisor for review prior to submitting them to regulatory authorities for approval, and shall not submit plans to any regulatory authority or proceed with construction until Franchisor's written consent shall have been obtained. In the event Franchisee commences construction, remodeling, installation, or other work on the premises without the prior written approval of Franchisor, or contrary to the specifications and directions of Franchisor, Franchisee shall upon notice from Franchisor and solely at

Franchisee's expense, promptly remove or appropriately modify all objectionable items so as to comply with Franchisor's specifications and directions.

(d) Fixture and Equipment Standards: Franchisee shall lease and /or purchase all fixtures and equipment designated by Franchisor and shall install, or have installed, in the Restaurant all such fixtures and equipment. Franchisee has the right to lease and/or purchase the fixtures and equipment from any source, provided, however, all fixtures, furnishings, color schemes, machinery, equipment, and accessories shall conform to specifications of design, color, quality, performance, and utility designated and approved by Franchisor.

(e) Sign Standards: Franchisee shall prominently display and maintain in good appearance and condition on the land and building comprising THE ORIGINAL MELS restaurant all signs of such nature, form, color, illumination, and size, and containing such legends and symbols as Franchisor shall require. Franchisee shall not display at the Restaurant any signs to which Franchisor objects.

(f) Inventory and Supply Specifications: For the purposes of this paragraph, the types of inventory, supplies and products used in the operation of a THE ORIGINAL MELS restaurant can be divided into three categories: (1) "Proprietary Products"; (2) products using a logo or trademark; and (3) all other products, items and supplies. To insure uniformity and quality, and to protect the integrity of THE ORIGINAL MELS name and marks, Franchisee agrees to the following restrictions regarding these various types of products, as follows:

(i) Proprietary Products. Franchisor has developed certain ingredients and products using or incorporating secret recipes or other trade secrets or information (the "Proprietary Products"). These products may include additional items if future products are developed and authorized for use in THE ORIGINAL MELS restaurants. Franchisee agrees to purchase all Proprietary Products only from suppliers specified by Franchisor, and in no event will Franchisee alter or attempt to substitute any other product for any Proprietary Product. Franchisee will only use or distribute Proprietary Products in connection with the operation of the franchise granted herein and any other franchise which Franchisor may grant to Franchisee. Franchisor expressly reserves the right to designate suppliers or itself to be the sole supplier of Proprietary Products.

(ii) Advertising and Materials or Supplies Using the Marks or Logos. In the dispensing and sale of food products, and in displaying products and merchandise to be sold hereunder, all articles such as containers, cartons, bags, menus, napkins and other paper goods, packaging, point of sale advertising and promotional materials, shall be subject to approval by Franchisor as to quality and design and shall bear trademarks approved by Franchisor.

(iii) All Other Products, Inventory or Supplies. In order to protect the integrity of THE ORIGINAL MELS System and the Proprietary trademarks, Franchisor will from time to time establish and publish reasonable specifications for the types of products, inventory and supplies authorized for use in connection with the operation of the Restaurant. Except as may be required above, Franchisee may purchase any or all of its products, inventory and supplies from any source, provided that the items conform to Franchisor's specifications.

(g) Restrictions Against use of Non-Conforming Products: Franchisee shall: (1) use only recipes, flavorings, garnishments and food and beverage ingredients which meet Franchisor's standards and specifications as described above; (2) employ only those methods of food handling and preparation which Franchisor may designate in the Operations Manual or as otherwise indicated by the Franchisor; and (3) serve and dispense only foods and beverages of the types authorized by Franchisor. Except for Proprietary Products, Franchisor will not prescribe a particular brand or supplier of products, inventory or supplies; provided, however, that it may require Franchisee to purchase all or part of its requirements solely from distributors or manufacturers which meet Franchisor's reasonable standards and specifications for quality and consistency.

(h) Confidential Information and operations Manual and Advertising Manuals: Franchisee acknowledges that the information contained in Franchisor's operations and advertising manuals constitutes confidential and trade secret information. Additionally, Franchisor may provide Franchisee with other information which has been designated by Franchisor as "Confidential", "Trade Secret"' or "Proprietary Information". Without the prior written consent of Franchisor, Franchisee shall neither disclose the contents of the Manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor reprint or reproduce the Manuals, or any Confidential, Trade Secret, or Proprietary Information, in whole or part for any purposes. Upon reasonable request by Franchisor, Franchisee shall undertake reasonable efforts to obtain agreements from its management personnel prohibiting disclosure of any trade secret or proprietary information.

(i) Operation of Restaurant:

(i) Operation of Restaurant Facility. Franchisee shall participate in the operation and management of the Restaurant (personally or through a manager approved by Franchisor) and shall diligently devote Franchisee's best efforts to the operation and management so as to maximize sales and profits, keeping free from conflicting enterprises or any other activities which would be detrimental to or interfere with such operation or management. The Restaurant must be directly operated by Franchisee, who has successfully completed Franchisor's customary training for new franchisees as set forth in subparagraph 6(b)(i) above, or by a manager who has been certified by Franchisor as described in subparagraph 6(iii)(A) above. Franchisee shall operate and maintain the Restaurant only at the location designated herein and only in accordance with the business standards, procedures, policies, and techniques comprising the System as specified in Franchisor's Operations Manual, as modified from time to time, or as specified in other manuals or written material provided by Franchisor. Franchisee shall at all times during the term of this Agreement remain responsible for overseeing the day-to-day operations of the Restaurant, or employ a manager for this purpose who has successfully completed Franchisor's manager certification course. Franchisee shall conspicuously post at the Restaurant a notice to the effect that the Restaurant is a franchised business operated independently of The Original Mels Investment Group, LLC.

(ii) Menu. Mandatory and optional menu items offered for sale at and from the Restaurant are essential components of the System and shall be specified by Franchisor in its sole discretion, from time to time, in its Manuals. Franchisee shall offer for sale all mandatory menu items and shall not offer for sale menu items which are not so specified by Franchisor as mandatory

or optional. The requirements of this subparagraph are subject to exception or amendment only as follows:

(1) By Franchisor's written consent; or

(2) Franchisee may object to offering any new mandatory menu item by seeking a determination, pursuant to and in accordance with paragraph 19 (Dispute Resolution Procedures) that its introduction will either (1) cause an unreasonable burden on the operation of the Restaurant or (2) adversely affect the business of the Restaurant. If Franchisee's objection becomes the subject of arbitration, pursuant to paragraph 19, Franchisee shall have the burden of proving such unreasonable burden or adverse effect and establishing that the Restaurant otherwise satisfies the operational specifications prescribed under subparagraphs 7(l) and (m), below. During the pendency of the dispute resolution proceedings, Franchisee shall not be deemed in default for failure to offer such mandatory menu item for sale nor shall Franchisor be limited in its conduct of advertising, promotional programs or consumer research with regard to such item nor shall its administration of the Fund otherwise be restricted. Franchisee may object to offering any new mandatory menu item in the manner described above at any time before, or within two hundred seventy (270) days after, the date its introduced.

(j) Annual Business Plan: Franchisee shall, each year, not later than ninety (90) days following the anniversary of the effective date of this Agreement, develop and provide to Franchisor a business plan for the operation of the Restaurant during the immediately following twelve (12) month period, in form and substance satisfactory to Franchisor (the "Annual Business Plan"). The Annual Business Plan shall set forth, among other things, goals and specific commitments by Franchisee for improving sales, marketing, operations and financial performance. Franchisee, shall, upon Franchisor's request and reasonable advance notice, meet with Franchisor at such time and place as Franchisor shall designate to discuss the Annual Business Plan and the operation of the Restaurant. An outline of the subject areas to be addressed in the Annual Business Plan is attached to this Agreement as Exhibit "C".

(k) Sanitation and Maintenance Standards: At its sole expense, Franchisee shall at all times maintain the interior and exterior of the Restaurant premises, including all of the fixtures, signs, and equipment, in a good, clean, attractive, and safe condition and repair.

(l) Remodeling/Improvements: Franchisor shall establish and publish specifications for the furnishings, fixtures, signage, facility and equipment of the Restaurant to enhance the value of the System. Franchisee shall from time to time make such cost effective improvements and alterations to the Restaurant as Franchisor shall reasonably require in order for the Restaurant to meet such specifications.

(m) Staffing Requirements: Franchisee shall maintain an adequate number of neat, clean, competent, and courteous employees at the Restaurant to insure maximum customer satisfaction and consistent service. Franchisee shall require all employees to wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time. Franchisor may periodically require Franchisee to submit to Franchisor for its approval plans setting forth staffing levels for the Restaurant and describing employee functions.

(n) Hours of Operation: Subject to any contrary requirements of regulatory authorities or Franchisee's lease, Franchisee shall operate the Restaurant at such minimum hours and on such days as may from time to time be prescribed by Franchisor (except when the Restaurant is untenable as a result of fire or other casualty) and shall maintain sufficient supplies of goods and products so as to operate the Restaurant at maximum capacity and efficiency.

(o) Sales Records and Monthly Reports: Franchisee shall record all sales on point-of-sale systems designated by Franchisor. Franchisee shall execute and submit a monthly written report, on Franchisor's prescribed form, of Franchisee's Adjusted Gross Sales from the reported month's operation and any additional information which Franchisor may reasonably request. The report shall be submitted to Franchisor in accordance with the terms of paragraph 5(b) herein. If requested by Franchisor, Franchisee shall furnish frequent reports of adjusted gross sales by telephone or as otherwise specified by Franchisor. Franchisee shall purchase or lease and install a point of sale ("POS") electronic cash register or computer system (a "POS system") which reasonably meets or exceeds Franchisor's published specifications. Franchisee agrees to execute any and all necessary agreements and pay reasonable fees in connection with the installation, maintenance and upgrade of such a POS system. Franchisee understands and agrees that both technological and operational developments may require Franchisee to upgrade or replace components of, or the entire, POS system during the term of this Agreement or upon its renewal. Franchisee will upgrade, replace or expand the POS system in order to assume and discharge all of the POS system related tasks specified, and as modified from time to time, by Franchisor.

(p) Prompt Payment: Franchisee shall make timely payments to Franchisor under this Agreement and to third party vendors and suppliers in accordance with the terms of invoices rendered to Franchise for the purchase of food, paper products, and other supplies, and for all obligations necessary to conduct the business of the Restaurant. For purchases made from Franchisor or the Fund, Franchisor's then-current late charge shall be payable on all past due payments (computed from the due date to the date of receipt); payments shall be deemed "past due" if not received by Franchisor (or the Fund) in accordance with the terms of the applicable invoice. Franchisee agrees and acknowledges that Franchisor may require, as a component of the POS system referred to in paragraph 7(o) herein, that Franchisee participate in Franchisor's automatic debit/credit transfer program. Franchisor will not undertake the transfer of funds from Franchisee's account without prior, written authorization from Franchisee to do so.

(q) Advertising: Franchisee acknowledges the need for uniformity in THE ORIGINAL MELS image. Except for all advertising and/or promotional materials prepared or previously approved by Franchisor, no advertising and/or promotional materials (including without limitation electronic media, home pages, web sites and the like, and changes thereto) shall be used by Franchisee, until such time as Franchisee has submitted the materials to Franchisor and the use of such materials has not been disapproved by Franchisor within a period of ten (10) days from the date of Franchisor's acknowledged receipt of materials.

(r) Trade Name and Marks:

(i) Franchisor's trade name, and the service marks and trademarks licensed hereunder (the "Proprietary Marks"), are the sole and exclusive property of Franchisor. Franchisee shall require no right to use, or to license the use of any name, mark, or other tangible property

right granted herein, or any name or mark confusingly similar thereto, except in connection with the operation of the Restaurant. Franchisee shall not incorporate or form a partnership or joint venture under any names, in whole or in part, referred to in this Agreement or otherwise belonging to Franchisor or any name or mark confusingly similar thereto. Execution of this Agreement by Franchisor shall constitute its consent to Franchisee's name, if Franchisee is an entity, and to its use of such other names as are set forth in Exhibit "E" attached hereto and incorporated herein by this reference.

(ii) Franchisee agrees to consistently use the mark THE ORIGINAL MELS and/or such other name(s) as designated by Franchisor on all signs, decorations, advertising, menus, letterhead, telephone listings, and other printed and decorative materials used in or on the premises.

(iii) If there should be asserted a claim or prior use of any trade names, trademarks, service marks, slogans or visual media used in the Restaurant, Franchisee, at its sole expense, shall use such name or marks as may then be provided by Franchisor, or, if no such substitutes are provided by Franchisor, Franchisee's own name and such marks or words as shall clearly avoid possible confusion between the business of the Restaurant and the business of the claimant, and Franchisee shall have no claim against Franchisor for any damages due to the change in names or marks.

(s) Legal Compliance: At its sole expense, Franchisee shall comply with all federal, state, and local laws, ordinances and regulations affecting the operation of the Restaurant.

(t) Right of Inspection: Franchisee shall allow the designated agents of Franchisor to enter the Restaurant at reasonable times for the purpose of examining and inspecting fixtures, furnishings, signs, equipment, products, supplies, and employees of the Restaurant to determine whether Franchisee is in compliance with the standards and policies of the System. In order to monitor the System, Franchisor shall have the right to take reasonable samples of food and ingredients served at the Restaurant, free of charge. If Franchisee shall fail to operate the Restaurant in accordance with the System, Franchisor may, at its option, and at Franchisee's expense, and in addition to any other remedies of Franchisor hereunder, place a representative of Franchisor in the Restaurant until Franchisor shall determine that the Restaurant is in compliance.

(u) Books and Records: Franchisee shall keep books of account in accordance with sound accounting practices which fully and accurately disclose gross and adjusted gross sales of the Restaurant and in compliance with Franchisor's requirements for accounting systems and methods as set forth in the Operations Manual. Franchisor shall deliver or cause to be delivered, by the twenty-fifth (25^{th}) day of the following month, monthly financial statements in an electronic format which including a balance sheet and a profit & loss statement and a debt summary which comply with Franchisor's requirements. In addition, Franchisee shall permit Franchisor, or its authorized agent, to inspect and examine Franchisee's books and records at reasonable times. If any audit discloses that reported adjusted gross sales of Franchisee have been understated, Franchisee shall immediately pay to Franchisor and the Fund amounts due, together with late charges as prescribed in paragraph 5(b) hereof. If such audit discloses that the reported adjusted gross sales of Franchisee have been understated to the extent of three percent (3%) or more,

Franchisee shall reimburse Franchisor for any and all expenses incurred in connection with or attributable to the audit.

(v) Insurance: At all times during the term of this Agreement, Franchisee shall maintain in full force and effect at its sole cost and expense Commercial General Liability Insurance, including Contractual liability, Products-Completed Operations, Personal and Advertising Injury liability with minimum limits of liability for each type of insurance of $1,000,000 General Aggregate, $1,000,000 Products-Completed Operations Aggregate, $1,000,000 Personal and Advertising Injury, $1,000,000 Each Occurrence, $50,000 Fire Damage, and $1,000 Medical Expense. Franchisee shall also maintain in full force and effect at its sole cost Workers Compensation Insurance as required by applicable law, Employers' Liability Insurance with minimum limits $1,000,000, Umbrella Excess Liability Insurance with minimum limits of $2,000,000, and any other or increased amounts of insurance which Franchisor may from time to time require. Franchisor recommends Franchisee obtain Employment Practices Liability Insurance (EPLI) as well as cyber liability insurance policies, however, these policies are not required. Franchisor and all other subsidiaries and affiliates designated by Franchisor from time to time shall be named as additional insureds effective at the beginning of the term of each policy. Franchisee shall provide Franchisor with certificates of insurance evidencing the required coverage. Such certificates shall be renewed and provided annually and shall contain such detailed information as Franchisor may from time to time request. Franchisee shall also provide Franchisor with full and complete copies of any and all of the above policies upon request of Franchisor. All insurance policies must be issued by an insurance company licensed to do business in the state where the Restaurant is located, approved by Franchisor, and rated A or better by A.M. Best 7 Company, Inc. Franchisee shall cause the companies to agree by endorsement or separate written document that Franchisor shall be given at least thirty (30) days' prior written notice of termination, expiration, cancellation, modification or reduction in coverage limits of any such policy. Upon failure of Franchisee to maintain in effect any of the insurance required, or to furnish to Franchisor satisfactory evidence of such insurance, Franchisor may, in its discretion, obtain insurance coverage on behalf of Franchisee, and Franchisee agrees to promptly execute applications or instruments required to obtain any such insurance and to pay to Franchisor, on demand, all costs, premiums and other expenses incurred by Franchisor.

(w) Notification of Legal Proceedings: Franchisee shall notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award, or decree of any court or government agency which may adversely affect Franchisee's financial condition or ability to perform its duties or meet its obligations hereunder.

(x) Indemnity: Franchisee shall pay all bills, debts, obligations and liabilities incurred in the operation of the Restaurant and shall indemnify and hold each "Indemnified Party" (as defined below) harmless therefrom. If any Indemnified Party is subjected to any claim, demand or liability or becomes a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission of Franchisee, its employees or agents, or by reason of any act or omission occurring on the Restaurant premises or otherwise relating to the business or operation of the Restaurant, Franchisee shall indemnify each Indemnified Party and hold each Indemnified Party harmless from and against all judgments, settlements, penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceeding. The

defense of such claim, litigation or administrative proceeding by an Indemnified Party, or by Franchisee on an Indemnified Party's behalf, shall be at the sole cost and expense of Franchisee, who shall hold each Indemnified Party free and harmless from all such obligations and liabilities and shall reimburse an Indemnified Party for all expenses incurred therein, including attorneys' fees. Further, an Indemnified Party shall have the right independently to take any action it may deem necessary, in its sole discretion, to protect and defend itself against any threatened action subject to indemnification hereunder, without regard to expense, forum or other parties that may be involved. As used in this paragraph 7(y), the term "Indemnified Party" means Franchisor and any subsidiary or affiliated company of Franchisor, and any officer, director, shareholder or employee of Franchisor or any such subsidiary or affiliated company. The obligation of Franchisee to indemnify and hold harmless Franchisor for Franchisor's own negligence shall be limited to an amount not to exceed the amount of benefits paid under the insurance coverage maintained by Franchisee in accordance with the requirements of paragraph 7(u) above.

(y) Copyrights: Franchisor owns rights under the Copyright Act in various creative works. Franchisor shall have the right, in its sole discretion, to grant to Franchisee a revocable, non-exclusive, royalty-free license to reproduce, copy, and distribute copyrighted works selected and made available to Franchisee (except confidential and trade secret information) by Franchisor from time to time, but any such license shall not include the right to make adaptations or derivative works based upon the licensed works.

(z) Information on Entity Franchisee. If Franchisee is an Entity, it shall deliver to Franchisor a copy of its current partnership agreement, articles of incorporation, operating agreement or other agreement or document that provides for the disposition of this Agreement or an interest therein, prior to the execution of this Agreement. Franchisee shall also deliver to Franchisor copies of all subsequently restated or amended agreements or documents (marked to show the changes made).

8. NON-COMPETITION

(a) Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and trade secrets, including without limitation information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, Franchisee agrees that it shall not during the term of this Agreement and for a period of five years after termination of this agreement (for any reason), engage in activities which are licensed under this agreement with respect to any business other than the franchised business, nor operate, manage, own assist or hold interest, direct or indirect (as an employee, officer, director, shareowner, partner, joint venture or otherwise), in any retail or wholesale business or business selling products other than the franchised business, without the express prior written consent of Franchisor. It is the intention of the parties that Franchisee maximize the franchise business and gross receipts for the mutual benefit of Franchisor and Franchisee, and any action of Franchisee which diverts business to another entity or diminishes the gross receipts of the franchised business shall be a material breach of this Agreement. Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation, (i) divert or attempt to divert any business or customer of the franchised business to any competitor, by direct or indirect inducement or otherwise, or do perform, directly or indirectly, any other act injurious or prejudicial

to the goodwill associated with the Marks or the System, or (ii) solicit any person who is at the time employed by, or engaged as a sales agent or broker by, franchisor or any related entity to leave his or her employment. This section 8(a) including the following covenants 8(a)(i)-(iii), shall apply to each of its directors, officers, general partners, and Principals:

(i) Franchisee acknowledges that the restrictions contained in this section are reasonable and necessary in order to protect legitimate interest of Franchisor, and in the event of violation of any of these restrictions, Franchisor shall be entitled to obtain damages including, without limitation, continuing Royalty and other fees that would have been payable if such business were included in the Franchised Business and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor may be entitled at law or in equity.

(ii) During the term of this Agreement, Franchisee shall not directly or indirectly sell, dispense, give away or otherwise provide Franchisee's food products for sale within the exclusive territory of any other franchised or company-owned THE ORIGINAL MELS restaurant.

(iii) During the term of this Agreement, neither the Franchisee nor any of the Franchisee's principals shall directly or indirectly engage or be financially involved in (except for ownership of not more than five (5%) percent of the outstanding stock, voting and non-voting, of a corporation, the stock of which is traded on a national securities exchange) or be employed by any café or restaurant business selling or offering related products to those sold or offered by Franchisee's franchised business which are a significant aspect of that operation.

(b) Franchisee shall require and obtain execution of covenants similar to those set forth in this paragraph 8 including covenants applicable upon the termination of a person's relationship with Franchisee and covenants set forth in paragraph 7(h) above from any or all of the following persons:

(i) all officers, directors, and holders of a beneficial interest in the securities of Franchisee and any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation;

(ii) any limited partners owning an interest in the partnership interest in Franchisee and the general partners (including any corporation and the officers, directors, and holders of a beneficial interest in the securities of any corporation which controls, directly or indirectly, any general partner or 10% limited partner), if Franchisee is a partnership;

(iii) any person holding a beneficial interest in Franchisee if Franchisee is any other type of entity; provide, however, if an equity holder of Franchisee does not have access to Franchisor's trade secrets or proprietary or confidential information and is not active in the business (and so attests in writing jointly certified by Franchisee), such person will not be required to execute such covenants. Franchisee shall use its best efforts to cause its equity holders to execute either the covenants described above or the certification (that such equity holder does not have access to Franchisor's trade secrets or proprietary or confidential information and is not active in

the business). The requirements of the preceding sentence are continuing and a change in circumstances shall require Franchisee to then use its best efforts to obtain the required documentation. Franchisee's inability to obtain an equity holder's execution (other than the control Person, as defined below) of the required documents shall not be a material default under this Agreement. Franchisee's inability to obtain the cooperation of its equity holder shall not be or cause an estoppel or waiver of Franchisor's right to rely upon and enforce against any party the trade secret, confidentiality and non-competition provisions of this Agreement. The provisions of subparagraph 9(e)(iv) below, and the benefits provided therein, shall not apply to any equity holder who fails to fully execute any requested trade secret, confidentiality, non-competition, or disclaimer of information documentation.

(c) All covenants required by this paragraph 8 shall be in forms satisfactory to Franchisor, including without limitation specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

9. ASSIGNMENT AND TRANSFER

(a) Definitions: Certain words used in this paragraph, and elsewhere in this Agreement, shall have the following meanings:

(i) "Control Person" means the individual who has the authority to, and does in fact, actively direct and control the business affairs of an entity with respect to the Restaurant; such authority may arise from or be the result of the ability to legally control the equity of the Entity, by contract, or otherwise as may reasonably be determined by Franchisor.

(ii) "Controlling Interest" means the authority exercised by the Control Person, either alone or in combination with another or others;

(iii) "Entity" means a legally formed or constituted means of doing business, including, but not limited to, a corporation, partnership, limited partnership, or limited liability company;

(iv) "Immediate Family" means spouse, brother, sister, daughter, son or grandchild (or qualifying legal representative of any minor described in this subparagraph);

(v) "Key Employee" means a Restaurant employee of at least management level who has successfully completed Franchisor's training course or meets Franchisor's training criteria and who has been employed by Franchisor for at least two (2) years in such managerial capacity and who is of good moral character. As used in this paragraph, a "Key Employee" shall be considered as a member of Franchisee's immediate family and shall be accorded like treatment.

(b) General: None of Franchisee's rights under this Agreement, all of which are personal in nature, may be the subject of any pledge, lien, levy, attachment, or security interest or arrangement, or acquired through execution, foreclosure, or like action or event. Without Franchisor's prior written consent and Franchisee's compliance in all other aspects with the terms in this paragraph, none of Franchisee's rights or obligations under this Agreement are directly or indirectly assignable or transferable. Any change in the Control Person (defined below) requires the consent of Franchisor which will not be unreasonably withheld. Any purported transaction,

transfer of interest or action contrary to this paragraph will be a breach of this Agreement and will be void. Upon and after each valid assignment of a beneficial interest under this Agreement pursuant to this paragraph, the assignee(s) or transferee(s) shall be deemed to be franchisees under this Agreement and shall be bound by and liable for all existing and future obligations of Franchisee. No equity owner in any entity (defined below) which becomes the Franchisee shall have any rights in or under this Agreement by reason of his or her equity position.

If the initial Franchise named on page 1 of this Agreement is an Entity, a Control Person (defined below) shall be identified in Exhibit "A" and established for the Entity in accordance with the provisions of subparagraph 9(f)(ii) below.

(c) Assignments and Transfers: This Agreement may not be assigned or transferred, whether by sale, death of Franchisee, or otherwise, except:

(i) to an Entity in which Franchisee is the Control Person; or

(ii) to an individual who is determined by Franchisor to meet the requirements of an individual assignee or transferee; or

(iii) to an Entity in which the Control Person is determined by Franchisor to meet the requirements of a Control Pederson under paragraph (f) below; or

(iv) in connection with an assignment or transfer that involves less than fifty percent (50%) of the total equity in an Entity (in the aggregate over the term of this Agreement and where the Control Person remains the same, provided that the assignee or transferee is of good moral character, and the transferee or assignee executes the confidentiality agreement or certification described in subparagraph 8(c)(iv) above; or

(v) to an Immediate Family member who meets Franchisor's qualifications for new franchisee; Franchisor may evaluate whether a minor Immediate Family member (for whom there was a qualified representative at the time of assignment) meets such qualifications when such Immediate Family member becomes an adult.

(d) Right of First Refusal: Any other provision of this Agreement not withstanding, no assignment or transfer of the Franchise, a majority of the equity in a Franchisee that is an Entity, or a controlling equity interest in a Franchisee, shall be made, unless and until:

(i) The parties to the proposed transaction have entered into a binding written agreement subject to the rights of Franchisor under this Agreement;

(ii) Franchisor has been provided with a copy of the agreement (and any material, collateral transaction documentation); and

(iii) Franchisor has been offered, in writing, a sixty (60) day period within which to first acquire the interest upon the same terms and conditions set forth in the agreement; provided, however, Franchisor's right shall be limited to the right to acquire any undivided interest in the assets of the Restaurant, both tangible and intangible, equivalent in value to the equity interest offered for sale or to be transferred (and Franchisor shall succeed to the majority or control

authority of the seller/transferor), but Franchisor shall not have the right to acquire and interest in the Entity; in the alternative, if Franchisor elects to exercise its right under this paragraph, Franchisee shall then have the right, as condition to such exercise, to require Franchisor to purchase all of the assets of the Restaurant, both tangible and intangible, for a price or other consideration based upon an extension of the fractional value represented by the proposed sale or transfer to the entire value of the Restaurant.

Franchisee shall advise any and all prospective transferees of the terms of this Agreement and, in particular, the requirements of this paragraph.

(e) Exceptions to Franchisor's Rights of First Refusal: Any other provision of this Agreement notwithstanding, Franchisor will not exercise its right of first refusal, set forth in the preceding paragraph, if the proposed assignment or transfer is to:

(i) a member of Franchisee's Immediate Family; or

(ii) a qualified retirement plan; or

(iii) an estate trust, the trustee of which is reasonably acceptable to Franchisor and the primary beneficiaries of which are members of the trustor's Immediate Family, and Franchisee timely delivers to Franchisor writings necessary and appropriate to document the transaction; or

(iv) to an existing equity holder in Franchisee, provided that : (A) Franchisee was an existing franchisee and had disclosed to Franchisor its equity owners in writing prior to or upon execution of this Agreement; and (B) the transferee is reasonably qualified to operate Franchisee's business; and such equity holder(s) are listed in Exhibit "E" hereto.

(f) Conditions to Assignments and Transfers:

(i) No assignment or transfer of this Agreement shall be approved by Franchisor unless and until all accrued obligations of Franchisee to Franchisor under this Agreement have been performed or satisfied in full.

(ii) A proposed Control Person (including a proposed individual assignee acquire a Controlling Interest) must demonstrate to Franchisor's satisfaction that he or she reasonably meets or exceeds Franchisor's standards applicable to new franchisees with respect to experience in the food business, personal and financial reputation and stability, willingness and ability to devote adequate time and best efforts to the operation of the Restaurant, and such other criteria and conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided such information about the proposed Control Person, and the nature and make-up of the Entity, as it may reasonably require.

(iii) A proposed assignee or transferee must agree in a writing satisfactory to Franchisor to assume all of the obligations of Franchisee under this Agreement, by personal guaranty (subject to the provisions of paragraph 21(b) or otherwise, and demonstrate to Franchisor's satisfaction that he or she fully meets and satisfies Franchisor's standards applicable to new franchisees regarding financial resources.

(iv) Franchisee or the transferee shall pay to Franchisor the applicable transfer fee described in paragraph 9(g) below.

(v) Franchisee and Franchisor shall execute a mutual general release in a form satisfactory to Franchisor, of all claims that are known or reasonably could have been known (but shall not include claims by third parties subject to indemnification under paragraph 7(y) above).

(g) Transfer Fee: If the transfer is subject to Franchisor's right of first refusal, then the transfer fee due to Franchisor is $12,500, unless the transferee is a franchisee that already operates THE ORIGINAL MELS restaurants in which event the transfer fee due to Franchisor is $2,500**.** If the transfer is not subject to Franchisor's right of first refusal, Franchisee shall pay to Franchisor the reasonable cost of affecting the transfer of interest. The transfer fee is payable upon Franchisor's approval of the proposed transfer.

(h) Franchisor's Consent: Upon full performance and satisfaction of the preceding requirements of this paragraph by Franchisee and/or the prospective assignee(s) or transferee(s), Franchisor's consent to the proposed transaction shall not be unreasonably withheld.

(i) Offerings by Franchisee: No offering of any securities by Franchisee shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in underwriting, issuing, or offering securities of Franchisee or Franchisor or that Franchisee owns the Proprietary Marks or the System. Franchisee shall give Franchisor reasonable prior written notice and obtain Franchisor's prior written consent (in addition to complying with any other applicable requirements of this Paragraph 9) if it intends to make any reference to Franchisor, the Proprietary Marks, the System or this Agreement in Franchisee's offering materials. Franchisor shall have the right to require that any offering materials contain a written statement prescribed by Franchisor concerning the limitation described in the preceding sentence prior to any distribution of the offering materials. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering.

(j) Successors: Except as otherwise expressly provided herein, this Agreement shall inure to the benefit of and shall bind the heirs, executors, personal representatives, administrators, successors, and assigns of Franchisor and Franchisee. Franchisor shall have the right to sell, assign, or transfer all or any part of its interests herein to any person or entity.

10. OPERATION IN THE EVENT OF ABSENCE, DISABILITY OR DEATH

The parties hereto acknowledge that it's imperative that the Restaurant be operated without any interruption and in a manner that will not cause harm to the Restaurant or the System. In order to insure such continued operation, in the event that Franchisee is not able to operate the Restaurant, by reason of illness, death, or otherwise, Franchisee authorizes Franchisor to operate the Restaurant for as long as Franchisor deems necessary and practicable without waiver of any other rights or remedies Franchisor may have under this Agreement. All proceeds from the operation of the Restaurant during such period of operation by Franchisor shall be separately accounted for, and the expenses of the Restaurant, including reasonable compensation and expenses for Franchisor's representative(s) shall be charged to said proceeds. If Franchisor, in its sole discretion, temporarily operates the Restaurant as provided in this paragraph, Franchisee

agrees to hold harmless and full indemnify Franchisor and any representative(s) of Franchisor who may act in accordance with this provision. The obligation of Franchisee to indemnify and hold harmless Franchisor for Franchisor's own negligence shall be limited to an amount not to exceed the amount of benefits paid under the insurance coverage maintained by Franchisee in accordance with the requirements of paragraph 7(w) above. Nothing herein shall be construed to deny the surviving spouse, heirs, or estate of a deceased Franchisee or the majority shareholder or partner of Franchisee, as the case may be, the opportunity to participate in the ownership of Franchise for a reasonable time after the death of Franchisee or majority shareholder of Franchise, as the case may be, provided that said surviving spouse, heirs, or estate shall obtain the consent of Franchisor in accordance with paragraph 9 above.

11. DEFAULT AND TERMINATION

(a) The occurrence of any of the following events shall constitute a default under this Agreement:

(i) Franchisee fails to obtain a suitable Franchisor-approved location within one hundred eighty (180) days of the execution of this Agreement by Franchisor, or if Franchisee fails within one hundred eighty (180) days (or within three hundred sixty (360) days where Franchisee has obtained a build–to-suit location) from the date obtaining a location approved by Franchisor to totally equip and ready the location, unless such failure is caused by delays provided for in paragraph 13 herein;

(ii) Franchisee misuses the System or the names, marks, insignia, symbols or rights provided by Franchisor to Franchisee, or otherwise materially impair the goodwill associated therewith, or if Franchisee shall use at the Restaurant any names, marks, insignia or symbols not authorized by Franchisor;

(iii) Franchisee uses any part or all of the System for any purpose except in connection with the Franchise granted herein and any other franchises granted to Franchisee by Franchisor;

(iv) Franchisee fails to remit to Franchisor, or its assignee or designee, any payments when due;

(v) Franchisee fails to submit to Franchisor any financial or other information (including the Annual Business Plan) required under this Agreement;

(vi) Franchisee fails to construct, maintain, remodel or equip the Restaurant in accordance with this Agreement;

(vii) Franchisee fails to successfully complete Franchisor's customary training and indoctrination course concerning the operation of the Restaurant as required by paragraph 6(b) above, or if Franchisee shall fail to successfully complete any other program or course required by Franchisor as set forth in paragraph 6(b) above;

(viii) Franchisee fails to operate the Restaurant in accordance with the terms of this Agreement and Franchisor's Operations Manual, or other manuals designated by Franchisor;

or fails to use products, ingredients and methods of preparation which conform to the standards and specifications of Franchisor or serves any menu items that are not approved by Franchisor; or fails to remain responsible for the day-to-day operation of the Restaurant or to employ a manager for this purpose who has successfully complete Franchisor's manager certification course or fails to maintain Franchisor's standards of quality, appearance and service in the operation of the Restaurant;

(ix) Franchisee attempts to effect any assignment or other than in accordance with paragraph 9 hereof;

(x) Franchisee is in default under any lease or sublease of the Restaurant premises or lose right to possession thereof for any reason whatsoever (including Franchisee's election not to exercise an option under its lease or sublease) other than partial condemnation or casualty loss which are subject to the provisions of paragraph 12 below;

(xi) Franchisee makes, or has made, any misrepresentation to Franchisor in connection with obtaining this Agreement or in conducting the business franchised and licensed hereunder;

(xii) Franchisee fails to obtain Franchisor's prior written consent or approval where expressly required by this Agreement;

(xiii) Franchisee fails to maintain in effect the insurance coverage required by this Agreement;

(xiv) Franchisee, or, subject to the provisions set forth in the last two sentences of this subparagraph, any person controlling, controlled by or under common control with Franchisee or acting as guarantor or surety of any obligation of Franchisee, becomes insolvent by reason of inability to pay its debts as they mature, is adjudicated bankrupt, or files or have filed against it a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; or if a receiver, permanent or temporary, of the business assets or property, or any part thereof, of Franchisee, or any such person , is appointed by a court of competent authority; or if Franchisee, or any such person requests the appointment of a receiver or makes a general assignment for the benefit of creditors; or if a final judgment against Franchisee, or any such person, in the amount of $10,000 or more remains unsatisfied of record for thirty (30) days or longer; or if the bank accounts, property receivables of Franchisee, or any such person, are attached and such attachment proceedings are not dismissed within a thirty (30) day period; or if execution is levied against the business or property of Franchisee, or any such person, or if suit to foreclose any lien or mortgage against the Restaurant, the premises thereof, or the equipment thereon is instituted and not dismissed within thirty (30) days. If a person controlling Franchisee or acting as guarantor or surety of any obligation of Franchisee suffers or is made the subject of any of the foregoing acts or procedures, Franchisor may require Franchisee to obtain a personal guarantee of the obligations imposed upon Franchisee under this agreement from persons having, in the aggregate, financial resources reasonably acceptable to Franchisor. If Franchisor requires such additional guarantees, Franchisee will have a reasonable amount of time (under the circumstances) to procure such guarantees, but in no event more than forty-five (45) days following receipt of Franchisor's request;

(xv) Franchisee abandons the Restaurant. For purposes of this Agreement, "abandon" shall mean Franchisee's failure, at any time during the term hereof, to keep the Restaurant open and operating for business during the minimum days and hours specified by Franchisor, for any aggregate of five (5) days in any thirty (30) day period or for such smaller amount of time as may be specified in the lease for the Restaurant premises as constituting abandonment, except in the case of casualty loss subject to the provisions of paragraph 12 below;

(xvi) The premises are damaged, destroyed or become unusable for the operation of the Restaurant by reason of fire, earthquake, flood, or for any other reason, and if Franchisee does not comply with the provisions of paragraph 12 below;

(xvii) Franchisee, or any person controlling, controlled by or under common control with Franchisee, is convicted under any law providing criminal penalties, provided such conviction is directly related to the business conducted pursuant to this agreement.

(b) Upon the occurrence of any event set forth in paragraph 11(a), Franchisor may terminate this Agreement without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, unless otherwise explicitly provided herein. Such termination shall be effective ten (10) days after written notice is given by Franchisor to Franchisee of any event set forth in subparagraphs 11(a)(ii) through (xv) if each default is not cured within such ten (10) day period. Termination shall be effective immediately and without prior notice, however, upon occurrence of any events specified in subparagraphs 11(a)(i) and (xvi) through (xvii). Should termination occur under that provision of subparagraph 11(a)(i) where Franchisee fails to obtain a suitable Franchisor-approved location within one hundred eighty (180) days of the date of execution of this Agreement by Franchisor, Franchisor shall refund the initial franchise fee, after deduction of all amounts expended by Franchisor in processing Franchisee's application, inspecting proposed locations, reviewing proposed leases and otherwise working with Franchisee, including without limitation travel and living expenses and compensation of Franchisor's employees and consultants.

(c) In the event of the termination or expiration of this Agreement for any reason, or upon Franchisee's sale, assignment or transfer of this Agreement, the franchise or any other interest hereunder, Franchisee shall immediately discontinue the use of all trade names, trademarks, service marks, trade dress, exterior and interior signs, structures, and forms of advertising depicting Franchisor, its symbols, trademarks, service marks, business, and products (sometimes collectively referred to as "indicia of the System"). Franchisee shall immediately : (i) remove all indicia of the System so as to eliminate Franchisor's name, trademarks, service marks, and symbols from the Restaurant; (ii) make such reasonable modifications to the exterior and interior appearance, décor, and trade dress of the Restaurant so as to eliminate its identification as a THE ORIGINAL MELS restaurant in the local market in which it is situated; and (iii) otherwise cease using Franchisor's name, trademarks, service marks, and symbols in advertising or any other activities including without limitation electronic media, home pages, web sites or the like. Franchisee shall also remove from the premises and cease using all of the paper products and other articles bearing Franchisor's name, trademarks or service marks. Franchisee shall not adopt or use marks or names which are confusingly similar to or colorable imitations of Franchisor's name, marks, or symbols. If Franchisee shall fail or omit to make or cause necessary changes to be made within seven (7) days after written notice by Franchisor, Franchisor shall have the right to enter upon the Restaurant

premises and without prejudice to Franchisor's other rights and remedies, for the purpose of making or causing such changes to be made, which changes shall be at Franchisee's sole expense, including, without limitation, the removal of all indicia of the System. If the termination of this Agreement is by Franchisor for cause, then, in addition to the above, Franchisee shall immediately: (i) cease using all telephone numbers associated or identified with the Restaurant and, upon Franchisor's request, assign or transfer such numbers to Franchisor or its designee(s); and (ii) deliver to Franchisor all customer lists for the Restaurant. Franchisee will not be in breach of this requirement solely because a published, pre-printed directory or advertising materials (over which Franchisee has no control) will remain in circulation after the termination or expiration of this Agreement (e.g., a telephone directory). In such cases, however, Franchisee must promptly notify the publisher or person controlling such materials that (i) Franchisee no longer operates the Restaurant or the Restaurant no longer will be operated as a THE ORIGINAL MELS restaurant, as applicable; (ii) Franchisee is no longer authorized to use the Proprietary Marks pursuant to this Agreement; (iii) upon expiration or termination of the edition of the pre-printed directory or advertising materials, that Franchisee will not renew the listing or advertising materials using the Proprietary Marks; and (iv) undertake other reasonable action necessary to assure that the continuing publication ceases.

(d) Following the expiration of this Agreement, termination of this Agreement by Franchisor for cause or termination by Franchisee in breach of this Agreement, Franchisor shall have the option, exercisable within thirty (30) days from the date of expiration or termination, to purchase Franchisee's THE ORIGINAL MELS restaurant (including an assignment of the lease, if any, and leasehold improvements and all tangible and intangible property of Franchisee used in the franchised business including the telephone numbers associated with the business) under the following terms:

(i) The purchase price for said property shall be the fair market value, payable in cash within ninety (90) days from the date of the exercise of the option, less the amount of any liens or encumbrances against such property. Franchisor and Franchisee shall have thirty (30) days from the date of the exercise of the option within which to agree upon a fair market value. If Franchisor and Franchisee cannot agree, each shall have thirty (30) days (or not more than sixty (60) days from the date of the exercise of the option) within which to appoint an appraiser, and to give written notice to the other party of such appointment. The two appraisers so appointed shall then jointly appoint a third appraiser to perform the actual valuation. If either party shall then fail to give notice to the other of appointment of an appraiser within the time frames set forth above, the duly appointed appraiser shall determine the fair market value. Franchisor shall pay the cost of appraisal if the right to purchase is exercised following expiration of this Agreement. In determining the Restaurant's fair market value, the appraiser will value the business as a going concern and will not discount the value because either the franchise agreement or lease for the Restaurant have expired (or soon will expire). Franchisor will have the right to rescind its agreement to purchase the Restaurant if all the following occur: (1) Franchisor is unable to obtain long-term leasehold rights to possess the property at a fair market rent and upon commercially reasonable terms; (2) Notice of the rescission is given to Franchisee within sixty (60) days of the date the appraiser delivers his valuation; (3) unless the Restaurant is being acquired subsequent to termination of this Agreement (by Franchisor for cause or by Franchisee in breach of this Agreement) and Franchisor has installed its representative to operate the Restaurant, Franchisee

has been allowed to continuously operate the Restaurant as a THE ORIGINAL MELS restaurant until the date of such notice.

(ii) If the purchase is exercised following Franchisor's termination of this Agreement for cause or termination by Franchisee in breach of this Agreement, any and all costs, expenses, and liabilities incurred by Franchisor, including attorney's fees and the cost of appraisal, in exercising this option and in acquiring said property, as well as any and all monies due and owing from Franchisee to Franchisor, plus any damages, expenses and costs incurred or suffered by Franchisor by reason of any default, breach, or violation of this Agreement by Franchisee, shall be deducted from the purchase price.

(e) Termination and/or expiration of this Agreement shall not affect the rights of Franchisee to operate any other THE ORIGINAL MELS restaurant(s) in accordance with the terms and conditions of any other The Original Mels Investment Group, LLC Agreement(s) to which Franchisee is a party.

(f) Upon termination of this Agreement for any reason Franchisee shall immediately return to Franchisor all copies in Franchisee's possession or control of Franchisor's Operations Manual and all marketing and advertising materials, together with all copies of any materials marked by Franchisor as "Confidential," "Trade Secret" or "Proprietary Information" and all copies of any other written or printed material identified in writing by Franchisor as being subject to return to Franchisor.

(g) Franchisee's obligation to maintain information received hereunder in confidence shall survive termination of this Agreement and shall continue until such information shall become generally known in the industry through no fault of Franchisee.

(h) Termination of this Agreement shall terminate all rights and licenses granted during the term of this Agreement to copy, reproduce, distribute, and publicly display any copyrighted work of Franchisor. Franchisee acknowledges that it has never had, and after termination still does not have, the right to make adaptations or derivative works based upon the creative works owned by Franchisor.

(i) Franchisee agrees that in the event Franchisee shall breach any of its obligations under paragraphs (c), (d), (f), (g), or (h) of this Article, money damages would not adequately compensate Franchisor for such violations and Franchisor shall be entitled, without showing any actual damages it has sustained and in addition to any remedies it may have, to injunctions or other appropriate orders to restrain or remedy any such breach by Franchisee.

(j) Franchisee expressly agrees that it does not have the right to terminate for convenience. In the event that Franchisee terminates or abandons its obligations under this Agreement other than as expressly permitted under the terms of this Agreement, the parties agree that damages will be virtually impossible to determine and so the parties agree that Franchisee shall pay two (2) years' worth of royalties and advertising fund contributions based upon the prior two (2) years' gross sales as liquidated damages.

(k) Upon the occurrence of a material default by Franchisor of its obligations under this Agreement (except as explicitly provided herein), Franchisee shall have the right, in addition

to any other rights under this Agreement or at law, to terminate this Agreement by written notice to Franchisor after having notified Franchisor in writing of the details of Franchisor's material default and affording Franchisor the right to cure the default. Upon receipt of the notice of the default, Franchisor shall have a reasonable amount of time to cure the default. Any dispute regarding whether or not Franchisor is in material default, has failed to cure such default in a reasonable time, or whether or not Franchisee is entitled to terminate this Agreement, will be submitted to binding cost-effective arbitration, as set forth herein.

12. CONDEMNATION AND CASUALTY

(a) Franchisee shall give Franchisor notice of any proposed taking through the state or federal government's exercise of the power of eminent domain, at the earliest possible time. If the Restaurant or a substantial part of the Restaurant is to be taken, it may be relocated within the area specified in paragraph 2, above, or elsewhere with the Franchisor's written approval in accordance with its relocation procedures. If such location is authorized and Franchisee opens a new THE ORIGINAL MELS restaurant at such other location in accordance with Franchisor's specifications within one year of the closing of the old THE ORIGINAL MELS restaurant, the new THE ORIGINAL MELS restaurant will thereafter be deemed to be the Restaurant franchised under this Agreement. If such a condemnation takes place and a new THE ORIGINAL MELS restaurant does not, for whatever reason, become the Restaurant under this Agreement in strict accordance by Franchisor to Franchisee, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

(b) If the Restaurant is damaged by fire or other casualty, Franchisee will expeditiously repair the damage. If the damage or repair requires closing the Restaurant, Franchisee will immediately notify Franchisor, will repair or rebuild the Restaurant in accordance with Franchisor's specifications, and will reopen the Restaurant for continuous business operations as soon as reasonably practicable (but in any event within one year after closing of the Restaurant), giving Franchisor advance notice of the date of reopening. If the Restaurant is not reopened in accordance with this paragraph, this Agreement shall terminate immediately upon notice by Franchisor to Franchisee.

(c) The term of this Agreement shall not be extended by any interruption in the Restaurant's operations except by an act of God that results in the Restaurant being closed not less than sixty (60) days nor more than three hundred sixty-five (365) days. Franchisee must apply for any such extension within sixty (60) days following the reopening of the Restaurant. Except as expressly provided elsewhere in this Agreement, no such event during the term of this Agreement shall excuse Franchisee from paying periodic franchise fees in accordance with the preceding requirements of this Agreement to the extent Franchisee receives benefits under business interruption insurance or similar coverage Franchisee maintains in accordance with the requirements of paragraph 7(w) above.

13. UNAVOIDABLE DELAYS

In the event of failure to perform or delays in the performance of any duties hereunder caused by forces not within the reasonable preventive control of the party due to perform, for example (without Limitation), government regulations, fire, flood, labor disputes, natural disaster,

acts of God, civil disorders, riots, insurrections, work stoppages, slowdowns or disputes, or other similar events, such failures or delays shall not cause a default in said performance, but, in the event of delay, or for such other reasonable period of time as agreed to between the parties, provided that such extension shall not enlarge or extend the Term of Agreement set forth in paragraph 3 herein (except as may be provided in paragraph 12 above).

14. INVALID OR UNENFORCEABLE PROVISIONS

Whenever possible, each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provisions or term or the remaining provisions or terms of this Agreement.

15. RELATIONSHIP BETWEEN PARTIES

The relationship between the parties is only that of independent contractors. No partnerships, joint venture, or relationship of principal and agent is intended. Franchisee shall not pledge Franchisor's credit or bind it to any obligation.

16. WAIVER

No failure of Franchisor or Franchisee to exercise any power hereunder granted, or to insist on strict compliance by the other with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. Waiver by either party of any particular default by the other shall not affect or impair any rights with respect to any subsequent default of the same or of a different nature; nor shall any delay or omission of either party to exercise any rights arising from a default affect or impair any rights as to said default or any subsequent default.

17. NOTICES

All notices hereunder shall be hand delivered or sent by express mail or air courier or by registered or certified mail to Franchisor and Franchisee at the respective addresses set forth on the first page of this Agreement, unless Franchisor and/or Franchisee shall from time to time change said addresses by written notice to the other as provided herein. Any notice given by registered or certified mail shall be deemed received by the party to whom it is addressed on the third day after such notice is deposited in the United States mail with the postage thereon fully prepaid, return receipt requested. Any notice given express mail or air courier shall be deemed given the next business day. Neither party may avoid the presumption of notice by refusing delivery of a certified or overnight delivery.

18. APPLICABLE LAW

This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California without regard to its conflict of law provisions.

19. RESOLUTION OF DISPUTES

Franchisor and Franchisee each agree to submit any controversy, dispute or claim of whatever nature, arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based upon contract, negligence or other tort, or statute, to resolution as follows:

(a) The parties will attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement. Either party may initiate negotiation by providing written notice in letter form to the other party, setting forth the subject of the dispute and the relief requested. The recipient of such notice will respond in writing within five (5) days with a statement of its position and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each party with full settlement authority will meet at a mutually agreeable time and place within ten (10) days of the date of the initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the dispute is not resolved after 30 days of good faith negotiations, the matter shall be submitted to binding arbitration with Judicial Arbitration & Mediation Services, Inc. ("JAMS/ENDISPUTE"), or its successor. Each party shall advance their own filing fees.

(b) The parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement that are not resolved by their mutual agreement shall be submitted to final and binding arbitration before JAMS/ENDISPUTE, or its successor, pursuant to the United States Arbitration Act, 9 U.S.C. Sec. 1 *et seq.* Either party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS/ENDISPUTE, with a copy to the other party. Except as provide below, the arbitration will be conducted in accordance with the provisions of JAMS/ENDISPUTE's Comprehensive Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. The parties will cooperate with JAMS/ENDISPUTE and with one another in selecting an arbitrator from JAMS/ENDISPUTE's panel of neutrals, and in scheduling the arbitration proceedings. The parties covenant that they will participate in the arbitration in good faith, and that they will share equally in its costs. The provisions of this paragraph may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorney's fees, to be paid by the party against whom enforcement is ordered. If the rules of JAMS/ENDISPUTE permit, the arbitration of the dispute, claim or controversy will be conducted in accordance with the provisions of JAMS/ENDISPUTE's Streamlined Arbitration Rules. In determining whether or not deference to Franchisor's business judgment, consistent with Franchisor's operation of its THE ORIGINAL MELS restaurants (or those of any affiliate). If the dispute, claim or controversy relates to a requirement that Franchisee remodel or improve the Restaurant, the arbitrator will also give consideration to Franchisee's prior improvements to the Restaurant and will have discretion as to dates by which the requirements must be implemented.

(c) The foregoing provisions of this paragraph notwithstanding, Franchisor shall retain the right, in its discretion, to initiate proceedings in any court of competent jurisdiction exclusively for injunction relief under the Lanham Act (15 U.S.C. 1051 et seq.) Franchisor shall also have the right to seek provisional relief in any court of competent jurisdiction for violation of paragraph 8 ("Non-Competition") or paragraph 11(d); provided, however, that Franchisor shall also

concurrently initiate arbitration proceedings in accordance with this agreement and the arbitrator shall be authorized to enter plenary relief.

20. TERMINOLOGY

All items and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any section, paragraph, or cause herein may require, as if such word had been fully and properly written in the appropriate number and gender.

21. ENTIRE AGREEMENT

(a) This Agreement and the exhibits attached hereto and incorporated herein, if any, contain the entire agreement of the parties and there are no representations (other than those contained in the Franchise Disclosure Document, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties hereto other than those set forth and duly executed in writing in this Agreement.

(b) Upon execution of this Agreement by Franchisor, all previous agreements, contracts, arrangements or undertakings of any kind relative to the Franchise granted herein are canceled, and as between parties hereto, all claims and demands are fully satisfied; provided, however, that this paragraph shall have no effect upon written agreement(s) signed by both parties, whenever executed, except to the extent that such written agreement specifically refers to and modifies or cancels this Agreement. If Franchisee is a corporation, partnership or other entity, those shareholders, partners and other persons described in paragraph 8 above shall sign Franchisor's form of Confidentiality and Non-Competition Agreement. If Franchisee is a corporation, partnership or other entity, Franchisor will determine which of the shareholders, partners or other principals shall sign Franchisor's form of Guaranty of Franchise Agreement, in accordance with Franchisor's criteria, which are set forth in Exhibit "G" attached hereto and herein incorporated.

22. AMENDMENT OF AGREEMENT

This Agreement shall not be modified or amended except by written agreement executed by both parties hereto. No subsequently published manual or other publication of Franchisor shall materially alter the parties' rights and obligations under this Agreement.

23. COSTS AND EXPENSES OF ENFORCEMENT

The prevailing party shall recover the reasonable costs and expenses, including reasonable attorneys' fees, incurred by such party in connection with any legal proceeding involving the enforcement of any of the provisions of this Agreement.

24. CAPTIONS

The paragraph headings throughout this Agreement are for convenience and reference only, and the words contained therein shall not be held to expand, modify, amplify, or aid in the interpretation or construction of this Agreement.

25. CONSENT AND APPROVAL

Whenever either of the parties is required herein to obtain the consent or approval of the other party, such consent or approval shall not be unreasonably withheld.

26. FRANCHISEE'S ACKNOWLEDGMENTS

BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ALL DISPUTES, CLAIMS OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT DECIDED BY NEUTRAL ARBITRATION, AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THOSE MATTERS LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL EXCEPT TO THE EXTENT THAT THEY ARE SPECIFICALLY PROVIDED FOR UNDER THIS AGREEMENT. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION YOU MAY BE COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

NO REPRESENTATION, PROMISE, GUARANTEE OR WARRANTY WAS MADE TO INDUCE THE EXECUTION HEREOF OR IN CONNECTION HEREWITH WHICH IS NOT EXPRESSLY CONTAINED HEREIN. FRANCHISEE RECOGNIZES THAT NEITHER FRANCHISOR NOR ANY OTHER PERSON CAN GUARANTEE FRANCHISEE'S SUCCESS IN THE FRANCHISED BUSINESS. BY THE EXECUTION AND ACCEPTANCE OF THIS AGREEMENT, THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ THE SAME AND UNDERSTAND EACH PROVISION HEREOF. THIS AGREEMENT, ALTHOUGH DRAWN BY FRANCHISOR, SHALL BE CONSTRUED FAIRLY AND REASONABLY, AND NOT MORE STRICTLY AGAINST ONE PARTY THAN AGAINST THE OTHER PARTY HERETO.

FRANCHISEE ACKNOWLEDGES THAT HE OR SHE HAS HAD THE OPPORTUNITY, AND HAS BEEN ADVISED BY FRANCHISOR, TO CONSULT WITH FRANCHISEE'S OWN INDEPENDENT ADVISORS SUCH AS ATTORNEYS, ACCOUNTANTS, BANKERS AND BUSINESS CONSULTANTS REGARDING THIS FRANCHISE AND THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND THAT FRANCHISEE IS NOT RELYING ON ANY REPRESENTATIONS OR STATEMENTS OTHER THAN THOSE SET FORTH IN THIS AGREEMENT AND FRANCHISOR'S OFFERING CIRCULAR. FRANCHISEE FURTHER AGREES AND ACKNOWLEDGES THAT FRANCHISEE SHALL COMPLY WITH ALL APPLICABLE LAW IN THE OPERATION OF THE RESTAURANT AND ITS BUSINESS AND SHALL CONSULT WITH ITS OWN INDEPENDENT ADVISORS TO THE EXTENT

NECESSARY TO DO SO. FRANCHISOR SHALL NOT BE RESPONSIBLE FOR THE OPERATION OF FRANCHISEE'S BUSINESS. WHENEVER A PROVISION OF THIS AGREEMENT PROVIDES FOR FRANCHISOR'S REVIEW AND CONSENT OF APPROVAL, FRANCHISOR'S REVIEW SHALL NOT BE TO DETERMINE COMPLIANCE WITH THE LAW. SUCH COMPLIANCE IS THE SOLE RESPONSIBILITY OF FRANCHISEE.

27. EFFECTIVE DATE

This Agreement shall become effective and binding upon execution by Franchisor.

DATED:_____

Franchisee ~~(Print Name)~~

By: _____

Title:_____

DATED:_____

THE ORIGINAL MELS INVESTMENT GROUP, LLC
Franchisor

_____

By: Dana K. Huie

Title: Managing Member

Exhibit A

Opening Date/Transfer Date/Expiration Date Of Restaurant

1. Address of Restaurant:

_____

_____

_____

_____

2. Opening Date: _____

_____

3. Expiration Date of Initial Term: _____

_____

_____

4. Control Person: _____

_____

_____

Acknowledged by: _____
(signature of Control Person)

Initial Here: _____ _____
Franchisor Franchisee

STORE NUMBER: _____

Exhibit B

Form of Mutual Release of Known Claims

In consideration of the mutual promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, The Original Mels Investment Group, LLC ("Franchisor"), on the one hand, and _____, a _____ ("Franchisee"), for itself and on behalf of its respective Agents, on the other hand, hereby fully relieve and forever discharge one another and their respective Agents from the Claims, as those terms are defined below. This Release is intended to bind the parties hereto, on their own behalf and on behalf of their respective (as the case may be) spouse, officers, directors, partners, shareholders, employees, trustees, affiliates, predecessors, successors, subsidiaries, parent corporations, heirs, executors, beneficiaries, administrators, agents, representatives, assigns and any and all persons claiming any rights whatsoever from or through said parties or any of said parties or entities (the "Agents").

Subject to the limitations set forth in the following two sentences, "Claims" means any and all rights, claims (including claims of any predecessor in interest), debts, costs, liabilities, accounts, reckonings, demands, agreements, contracts, covenants, representations, warranties, promises, undertakings, suits, judgments, losses, injuries, obligations. Liens, expenses (including without limitation attorney's fees and costs) and damages, actions and causes of action of every kind and nature whatsoever which the parties and their respective Agents may now or hereafter have, individually or collectively, based upon, arising out of, relating to or in connection with the certain franchise agreement dated _____ between Franchisor and Franchisee with respect to THE ORIGINAL MELS restaurant located at: _____ (the "Franchise Agreement"); provided, however that this release shall not affect the rights, obligations and covenants of the parties which by their nature survive the expiration or termination of the Franchise Agreement. The Claims shall only include claims based on facts that are known by the releasing party as of the date of this Release or which, with reasonable due diligence, could have been discovered by the releasing party as of the date of this Release. The Claims shall not include any claims by third parties subject to indemnification under the provisions of paragraph 7(y) of the Franchise Agreement, nor does it include any obligation to pay accrued and unpaid franchise fees, advertising fund fees, or other obligations to pay money set forth in a separate executed writing.

The parties acknowledge that no representation, promise or inducement not contained in this Release or in the documents referred to in it was made to them. The parties further agree that they will forever refrain and forebear from commencing, instituting and prosecuting any lawsuit, action or other proceeding against one another based on, arising out of, relating to or in connection with any Claims released hereunder.

By executing this Release, the parties, for themselves and their respective Agents, represent and warrant that their statements herein are true and correct and that they have the respective right and authority to enter into and to accept the terms and covenants of this Release, and that no third

party has or claims an interest in any of the Claims released hereby. The parties acknowledge that this Release shall be a complete defense to any Claim subject to the terms hereof.

The interpretation and enforcement of this Release shall be governed by the laws of the State of California. Any dispute concerning this Release shall be resolved in accordance with the provisions of paragraph 19 of the Franchise Agreement.

DATED: _____

_____,
a California _____

Franchisee (Print Name)

By:_____

Title:_____

DATED: _____

THE ORIGINAL MELS INVESTMENT GROUP, LLC

By: _____

Title:

Exhibit C

Outline of Topics - Annual Business Plan

(New Restaurants - First Year Plan)

I. Pre-Opening Procedures
This section should include; site selection, planning process, description of THE ORIGINAL MELS franchise support.

II. Personnel
This section should describe your philosophy on management style as it relates to customer satisfaction and service.

III. Operations
This section should describe the structure of your staff, job descriptions, hours of operation, etc.

IV. Financial Planning
This section should describe your investment, additional funding, start-up costs, a two year P&L and a cash flow projection.

V. Ownership Structure
This section describes the owner's involvement, business knowledge, and business structure.

VI. Sales & Marketing
This section should include the menu, the competition, your market opportunities and advertising strategies.

VII. Business Priorities
This section should contain information about 1 year plan and 5 year plan for operating and expending (if desired) the new THE ORIGINAL MELS restaurant.

Exhibit D

Outline of Topics - Annual Business Plan

(Existing ~~Restaurant~~Restaurt)

I. Personnel

II. The Facility

III. Operations

IV. Financial Planning

V. Ownership Structure

VI. Sales & Marketing

VII. Business Priorities

Exhibit E

Names

Equity Owners of Franchisee

Name: _____, a _____	Address: _____	Percentage Ownership:
1. _____	_____	_____
	_____	
	Email _____	
	Phone _____	
2. _____	_____	_____
	_____	
	Email _____	
	Phone _____	
3. _____	_____	_____
	_____	
	Email _____	
	Phone _____	
4. _____	_____	_____
	_____	
	Email _____	
	Phone _____	

Exhibit F

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

As partial, essential consideration for The Original Mels Investment Group, LLC to enter into a franchise agreement with _____, ~~a California~~ _____, a _____, ("Franchisee") ~~For~~for THE ORIGINAL MELS restaurant (the "Restaurant") located at: _____ _____ _____ (the "Franchise Agreement") the undersigned represents and agrees as follows:

1. The covenants contained herein shall be construed as severable and independent, and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on the undersigned's activities are divisible so that if any provisions invalid, that provision shall be automatically modified to the extent necessary to make it valid.

2. The undersigned acknowledges that by reason of the undersigned's affiliation with Franchisee, the undersigned may have access to trade secrets and confidential information concerning The Original Mels Investment Group, LLC, its products, customers, and its methods of doing business. The undersigned, therefore, agrees that during the term of the Franchise Agreement, he or she shall not engage in, either as a principal, agent, employee, officer or director, or be financially interested in or associated with any business that has as its primary objective the sale cheese steaks in the county in which the Restaurant, which is the subject of the Franchise Agreement, is located.

3. The undersigned agrees not to divulge, communicate, use to the detriment of The Original Mels Investment Group, LLC or for the benefit of any other person or persons, or misuse in any way, any confidential information or trade secrets of The Original Mels Investment Group, LLC or Franchisee, including, without limitation, the contents of any manuals, business methods and processes, know-how, lists, recipes, ingredient lists, formulas, financial information, cost and expense information, product information, food cost analyses, pricing and discount information, product data, marketing and customer data, business plans or other technical data. The undersigned acknowledges and agrees that any information or data it has acquired or may hereafter acquire by reason of its affiliation with Franchisee and/or The Original Mels Investment Group, LLC, whether or not designated as confidential, is the property of The Original Mels Investment Group, LLC, was received in confidence and that such confidentiality shall be absolutely maintained.

4. The undersigned acknowledges that the Franchise Agreement may affect his or her right to sell, assign, pledge, encumber or otherwise transfer, voluntarily or by operation of law, the undersigned's interest in Franchisee. If Franchisee is a corporation, the undersigned acknowledges that the bylaws of Franchisee shall include or otherwise incorporate the following provision:

Legending of Certificates. Every certificate representing shares of the corporation {i.e., Franchisee} shall contain the following legend conspicuously on its face:

The transfer of the shares represent by this certificate is subject to the terms and conditions of a Franchise Agreement with The Original Mels Investment Group, LLC dated: _____ a copy of which is on file with the Secretary of this Corporation.

5. The undersigned agrees and acknowledges that The Original Mels Investment Group, LLC is a third party beneficiary of the covenants set forth in this Agreement with the independent right to enforce them. The undersigned shall provide The Original Mels Investment Group, LLC, upon request, with written evidence of compliance with the terms of this Agreement and of the undersigned's position and ownership interest in Franchisee.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the _____ day of _____, _____, 20___.

_____	_____
(SIGNATURE)	Position with Franchisee
_____	_____
(SIGNATURE)	Percentage Ownership of Franchisee

CERTIFICATION OF EQUITY HOLDER

In connection with the execution of that certain Franchise Agreement between The Original Mels Investment Group, LLC ("THE ORIGINAL MELS INVESTMENT GROUP, LLC") and _____, ~~a California (~~, _____, a _____ ("Franchisee"), for THE ORIGINAL MELS restaurant (the "Restaurant") located ~~in~~ _____, _____ at _____ (the "Franchise Agreement"), the undersigned jointly attests and certifies as follows:

> The undersigned, an equity holder of Franchisee, does not have access to trade secrets or proprietary or confidential information concerning THE ORIGINAL MELS INVESTMENT GROUP, LLC, its products, customers, or its methods of doing business, and is not active in the Franchisee's business or the operation of the restaurant.

IN WITNESS WHEREOF, the undersigned have executed this Certificate as of the ~~_____ day of _____~~, _____ day of _____, 20___.

Equity Holder:

_____ _____

(SIGNATURE) Position with Franchisee

_____ _____

(SIGNATURE) Percentage Ownership of Franchisee

Jointly certified by:

_____

_____

(Name of Franchisee)

By: _____

Name: _____

Title: _____

Exhibit G

GUARANTY OF FRANCHISE AGREEMENT

THIS GUARANTY is effective as of the _____ day of _____, _____, 20__. (the "Effective Date"), by _____, a _____ (jointly and severally, "Guarantor") in favor of The Original Mels Investment Group, LLC, a California corporation ("THE ORIGINAL MELS INVESTMENT GROUP, LLC") and is entered into in consideration of a franchise agreement for the operation of a THE ORIGINAL MELS restaurant located at: _____, _____ (the "franchise Agreement") with _____, a _____ ("Franchisee"). As follows:

1. Guarantor unconditionally guarantees to The Original Mels Investment Group, LLC the full payment of all monies owed and the full performance of Franchisee's obligations under the Franchise Agreement and any undertakings or agreements entered in connection therewith, as the same may be modified, renewed or amended from time to time, and the costs (including attorney's fees) incurred by The Original Mels Investment Group, LLC to collect and enforce them under such agreement or hereunder (the "Obligations").

2. Guarantor agrees that Guarantor's liability hereunder shall not be released, reduced or in any way affected by (a) the taking of any guaranty for the Obligations; (b) any release, waiver, exchange, substitution, subordination or other modification of any guaranty relating to the Obligations; (c) any partial release of Guarantor's liability hereunder or under any other instrument held as security for the Obligations; or (d) any assignment by The Original Mels Investment Group, LLC, in whole or in part, of this Guaranty. In addition, if and to the extent that The Original Mels Investment Group, LLC is required, in connection with any bankruptcy proceeding affecting Franchisee, to return any amounts paid The Original Mels Investment Group, LLC by franchisee, Guarantor guarantees repayments to The Original Mels Investment Group, LLC of any amounts so required to be returned.

3. Guarantor waives (a) presentment, demand, protest and notice of any kind; (b) all statutes of limitations as a defense to any action brought against Guarantor by The Original Mels Investment Group, LLC to the fullest extent permitted by law; (c) any defense based upon any legal disability of Franchisee or any discharge or limitation of the liability of Franchisee to The Original Mels Investment Group, LLC, whether consensual or arising by operation of law or any bankruptcy, insolvency, or debtor-relief proceeding, or from any other cause; and (d) all rights of subrogation, all rights to enforce any remedy that The Original Mels Investment Group, LLC may have against Franchisee and all rights to participate in any security held by The Original Mels Investment Group, LLC for the Obligations, until the Obligations have been paid and performed in full. The Original Mels Investment Group, LLC may bring an action against Guarantor in his capacity as guarantor without first proceeding against Franchisee or any other person or security held by The

Original Mels Investment Group, LLC and without pursuing any other remedy. Upon a default by Franchisee, The Original Mels Investment Group, LLC may nonjudicially or judicially foreclose against any real or personal property security it holds for the Obligations or exercise any other remedy against Franchisee.

4. Any indebtedness of Franchisee now or hereafter held by Guarantor is hereby subordinated to the Obligations. No delay or failure by The Original Mels Investment Group, LLC to exercise any right or remedy against Franchisee or Guarantor shall be construed as a waiver of such right or remedy. All remedies of The Original Mels Investment Group, LLC against Franchisee and guarantor are cumulative.

5. If any provision of this Guaranty is held to be unenforceable, such unenforceability will not affect any other provisions hereof. The provisions of this Guaranty shall benefit and bind Guarantor and The Original Mels Investment Group, LLC and their respective heirs, administrators, legal representatives, successors and permitted assigns. This Guaranty shall be governed by the laws of the State of California and may be amended only by a written instrument signed by Guarantor and The Original Mels Investment Group, LLC.

THE ORIGINAL MELS INVESTMENT GROUP, LLC

"Guarantor"

By: _____ _____

_____ _____

Its: _____ _____

_____

EXHIBIT B
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

FOR

THE ORIGINAL MELS INVESTMENT GROUP LLC

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THE ORIGINAL MELS DINER, LLC
AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is made and entered into this_____ day of _____, 20__ (the "Effective Date") by and between The Original Mels Investment Group LLC, a California limited liability company (the "Company") and _____

_____

_____, (the "Area Developer");

W I T N E S S E T H:

WHEREAS, Company is the owner and operator of certain proprietary and other property rights and interests in and to the "The Original Mels" name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs (the "Proprietary Marks") used in connection with the development, operation and maintenance of restaurant (each a "Restaurant" and collectively, "Restaurant") offering an American diner style featuring American diner food and such other menu items as the Company may authorize from time to time (the "Franchised Business");

WHEREAS, the Company has originated, developed and perfected a unique and successful system for the establishment, operation and merchandising of Restaurants, which system includes, but is not limited to, site selection, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, equipment selection and installation, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training and a confidential manual (the "Manual") of operating procedures containing specially conceived and designed methods for restaurant operations (the "System"); and

WHEREAS, Company desires to expand and develop the Franchised Business and seeks sophisticated and efficient multi-unit Developers who will develop numerous Restaurants for the Franchised Business within designated areas; and

WHEREAS, Area Developer desires to build and operate Restaurants, and Company desires to grant to Area Developer the right to build and operate Restaurants in accordance with the terms and upon the conditions contained in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. GRANT OF AREA DEVELOPMENT RIGHTS

(a) Grant of Area Development Rights

Company hereby grants to Area Developer, and Area Developer hereby accepts, the non-exclusive right to enter into our standard form of franchise agreement then being offered to

prospective Developers under the System (a "Franchise Agreement"), during the Term (as defined below), to develop, construct, equip, open and operate Restaurants in the Development Area (as defined below), upon the terms and subject to the conditions of this Agreement.

This Agreement is not a Franchise Agreement and Area Developer does not have the right to use the Proprietary Marks or System in any manner by virtue hereof. Each Restaurant will be governed by a Franchise Agreement entered into by the Company and Area Developer for each Restaurant in accordance with the terms and conditions of this Agreement.

2. AREA DEVELOPER'S DEVELOPMENT OBLIGATION

(a) Development Obligation

Area Developer hereby agrees to construct, equip, open and thereafter continue to operate within the Development Area not less than the cumulative number of Restaurants set forth on Exhibit "A" which is attached hereto and by this reference made a part hereof, within each of the time periods (the "Development Periods") specified therein (the "Development Obligation").

(b) Force Majeure

Should Area Developer be unable to meet the Development Obligation solely as the result of Force Majeure (herein so called), including, but not limited to, strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, but not limited to, any legal disability of the Company to deliver a Franchise Disclosure Document pursuant to Section 6(a) of this Agreement), which result in the inability of Area Developer to construct or operate Restaurant(s) in the Development Area, and which Area Developer could not by the exercise of due diligence have avoided, the Development Periods shall be extended by the amount of time during which such Force Majeure shall exist.

3. DEVELOPMENT AREA

(a) Description of Development Area

If Area Developer complies with the terms of this Agreement, including, without limitation, the Development Obligation, and if Area Developer complies with the Franchise Agreement entered into for each Restaurant, then, during the Term, Company shall not operate, or license any other person to operate, a Restaurant within the area set forth and described on Exhibit "B" which is attached hereto and by this reference made a part hereof (the "Development Area"). Notwithstanding the foregoing, the Company hereby reserves the right to:

(i) Establish or license others to establish restaurants or provide similar or competitive products or services under marks other than the Proprietary Marks within or outside of the Development Area and regardless of proximity to any Restaurant within the Development Area;

(ii) Establish or license others to establish restaurants or cafés under the Proprietary Marks in non-traditional retail locations such as inside grocery stores, gourmet food stores, book stores, department stores, airports; temporary locations such as trade shows or

festivals, kiosk, food court or concession and locations and other establishments within or outside of the Development Area;

(iii) Sell packaged products under the Proprietary Marks through distribution channels or retail locations within or outside of the Development Area;

(iv) Offer or sell any products or services under the Proprietary Marks or any other marks, through any other channel of distribution within or outside of the Development Area;

(v) Advertise and market the System anywhere at any time; and

(vi) Establish, either directly or through an affiliate of the Company or by licensing others, Restaurants at any site the Company deems appropriate outside of the Development Area, regardless of the proximity to the boundaries of the Development Area. The Company makes no representation or warranty that Area Developer will have any right to participate in such licenses.

4. TERM OF AREA DEVELOPMENT AGREEMENT

(a) Term

The term of this Agreement (the "Term") shall commence on the Effective Date and, unless sooner terminated in accordance with the provisions herein, or extended as provided in Section 2(b), shall expire when the last Restaurant to be developed pursuant to the Development Obligation is open for business.

(b) Renewal

Area Developer shall have no right to renew this Agreement.

(c) Limited Additional Development Right

If within the first year after the last Restaurant to be developed under this Agreement is open for business the Company determines, in its sole and absolute discretion, that further development of the Development Area is desirable, the Company shall notify Area Developer in writing of the Company's determination to develop additional Restaurants in the Development Area and a plan for such development (the "Company Notice"). Upon delivery of the Company Notice by the Company to the Area Developer, but subject, nevertheless, to the conditions set forth in Section 4(e) of this Agreement, Area Developer shall have a prior right to undertake the additional development which Company shall have set forth in the Company Notice to Area Developer. This right of additional development by Area Developer shall be exercised only in accordance with Section 4(d) and is subject to the conditions set forth in Section 4(e). If the Company Notice is given to Area Developer and if such right of additional development is not exercised by Area Developer in accordance with this Agreement, Area Developer shall be deemed to have waived such right of additional development, such right of additional development shall automatically terminate and be of no further force or effect, and the Company or any Developer of the Company may thereupon construct, equip, open and operate additional

Restaurants in the Development Area without any liability to Area Developer of any kind whatsoever with respect to additional development in the Development Area.

(d) Exercise of Right of Additional Development

If the Company delivers the Company Notice to Area Developer, Company shall also deliver to Area Developer (and all other required persons or entities) a copy of Company's then-current Franchise Disclosure Document or its equivalent as may be required by applicable law, together with execution counterparts of the Company's then-current Area Development Agreement and execution counterparts of such other ancillary agreements as may be required by the Company. "Then-current," as used in this Agreement and applied to the Franchise Disclosure Document and any Area Development Agreement, shall mean the form then-currently provided to prospective Developers or Area Developers, or if not then being so provided, then such form selected by the Company, in its sole and absolute discretion, which previously has been delivered to and executed by a Developer or area Developer of the Company. The new Area Development Agreement, which may vary substantially from this Agreement, will reflect Area Developer's new development obligation consistent with Company's plan for additional development set forth in the Company Notice to Area Developer. Area Developer shall be deemed to have exercised Area Developer's right of additional development (described in Section 4(c)) if, within thirty (30) days after Area Developer's receipt of the Franchise Disclosure Document and execution counterparts of the new Area Development Agreement and all other ancillary agreements, but no sooner than immediately after any applicable waiting periods prescribed by law ("Disclosure Period") have passed, Area Developer executes and delivers, and/or causes to be executed and delivered to the Company, counterparts of the new Area Development Agreement and other ancillary agreements described in the Franchise Disclosure Document. If Area Developer so executes and returns the new Area Development Agreement and other ancillary agreements to the Company within said thirty (30) day period and satisfies all of the conditions set forth in Section 4.5, Company will execute the agreements and return one fully executed copy of same to Area Developer.

(e) Conditions to Exercise of Right of Additional Development

If the Company elects to give the Company Notice to Area Developer as aforesaid, Area Developer's right to additional development within the Development Area described in Section 4.3 shall be further subject to Area Developer's fulfillment of the following conditions precedent:

(i) Area Developer shall have fully performed all of its obligations under this Agreement and all other agreements between Company and Area Developer, including, without limitation, all Franchise Agreements entered into by the Company and Area Developer pursuant to this Agreement.

(ii) Area Developer shall have demonstrated to the satisfaction of the Company, in its sole and absolute discretion, Area Developer's financial capacity to perform the additional development obligations set forth in the new Area Development Agreement. In determining if Area Developer is financially capable, Company will apply the same criteria to Area Developer as it applies to prospective area Developers at that time.

(iv) Upon expiration of the Term, Area Developer shall continue to operate, in the Development Area, not less than the aggregate number of Restaurants required by the Development Obligation set forth in Exhibit "A".

5. PAYMENTS BY AREA DEVELOPER

(a) Development Area Fee

The aggregate initial franchise fees to be remitted by Area Developer to Company is set forth on Exhibit "C" attached hereto and by this reference made a part hereof. Area Developer shall pay to Company in cash or by certified check concurrently with the execution of this Agreement fifty percent (50%) of the aggregate initial franchise fees in a lump sum upon execution of this Agreement (the "Development Area Fee"). The balance (fifty percent (50%)) of the aggregate initial franchise fees attributable to each Restaurant must be paid when the Franchise Agreement for each Restaurant is executed. Each portion of the initial franchise fee is deemed fully earned upon receipt and is non-refundable.

6. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

(a) Site Approval, Submission of Franchise Disclosure Document Execution of Franchise Agreement

(i) At the time of execution of this Agreement, Area Developer shall have identified the general area in which to Develop the first Restaurant, and Area Developer shall sign the current form of Franchise Agreement.

(ii) For all subsequent Restaurants, after Area Developer has located a proposed site for construction of a Restaurant, Area Developer shall submit to Company such information regarding the proposed site as Company shall require and in the form which Company shall require, together with the terms of any proposed lease relating to such site. Company may request such additional information as it deems necessary, and Area Developer shall respond promptly to such requests for additional information. The Company's approval of a proposed site will be evidenced by the Company entering into the then-current form of Franchise Agreement and the then-current form of agreement required by the Company to supplement or amend the Franchise Agreement in order to describe the approved site (a "Site Location Addendum"), and such approval will be given (if at all) after the Company has (1) reviewed all information required to be submitted by Area Developer regarding the proposed site; and (2) in the Company's discretion visited the proposed site.

(iii) With respect to each Restaurant to be developed under this Agreement, Area Developer shall, on or before one hundred fifty (150) days prior to expiration of the applicable Development Period, enter into the then current Franchise Agreement and such other ancillary agreements (including, without limitation, a Site Location Addendum) as may be required by the Company; provided, however, the initial franchise fee to be remitted to the Company for each Restaurant shall remain the same as set forth in Exhibit "C" attached to this Agreement.

(iv) Prior to entering into a Franchise Agreement and a Site Location Addendum, the Company shall transmit to Area Developer a Franchise Disclosure Document, together with execution counterparts of the Company's then-current Franchise Agreement and such other ancillary agreements as may be required by the Company pertaining to the proposed site and providing for a protected territory surrounding said Restaurant, determined by Company in good faith, in accordance with Company's then-current policies and standards for exclusive territories. Immediately upon receipt of the Franchise Disclosure Document, Area Developer (and all other required persons or entities) shall return to Company a signed copy of the Receipt of the Franchise Disclosure Document. After the passage of any applicable Disclosure Period, Area Developer shall execute and deliver, and/or cause to be executed and delivered, to Company counterparts of said Franchise Agreement and all other ancillary agreements required by the Company (including, without limitation, the Site Location Addendum), together with the initial franchise fee required pursuant to this Agreement, less the credit, if any, applicable pursuant to Section 5.1. Company shall, promptly upon receipt of said documents and initial franchise fee, execute and return to Area Developer one fully executed copy of the Franchise Agreement and other ancillary agreements. Notwithstanding the foregoing, if Company is not legally able to deliver a Franchise Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, or because Company is in the process of amending any such registration, or for any reason beyond Company's reasonable control, Company may delay approval of the proposed site for Area Developer's proposed Restaurant until such time as Company is legally able to deliver a Franchise Disclosure Document.

(b) Condition Precedent to Company's Obligations

It shall be a condition precedent to Company's obligations pursuant to Section 6(a), that Area Developer shall have performed all of Area Developer's obligations under and pursuant to this Agreement and all other agreements between Area Developer and Company.

7. ASSIGNABILITY AND SUBFRANCHISING

(a) Assignability by Company

Company shall have the right to assign this Agreement, or any of its rights and privileges hereunder, to any other person or entity without Area Developer's prior consent.

(b) No Subfranchising by Area Developer

Area Developer shall not offer, sell, or negotiate the sale of The Original Mels franchises to any third party, either in Area Developer's own name or in the name and on behalf of Company, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement shall be construed as granting Area Developer the right to do so.

(c) Assignment by Area Developer

(i) The rights and duties created by this Agreement are personal to Area Developer. Accordingly, except as otherwise permitted herein, neither Area Developer nor the owner of any stock, membership interest, partnership interest or other equity interest ("Equity Interest") in Area Developer shall, without the prior written consent of the Company, directly or

indirectly, sell, assign, transfer (including, without limitation, any transfer occurring by inter vivos transfer or, upon death, by testamentary disposition or pursuant to the laws of intestate succession), convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement or any Equity Interest in Area Developer. Any such purported transfer or assignment occurring by operation of law or otherwise without the prior written consent of the Company shall constitute a breach of this Agreement by Area Developer and shall be null and void. Any such transfer or assignment shall be subject, in any event, to the right of first refusal in favor of the Company set forth in Section 7(d) of this Agreement.

(ii) Should Company not elect to exercise its said right of first refusal, Company's consent to such transfer or assignment, but not to the partition, sharing or dividing of rights under this Agreement, shall not be unreasonably withheld; provided, however, the Company may impose any reasonable condition(s) to the granting of its consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to its consent to any such transfer or assignment shall be deemed to be reasonable:

(1) that the assignee (or, in the case of an entity assignee, the shareholders, members, partners or other equity interest holders of the assignee) demonstrate that they have the skills, qualifications and economic resources necessary, in Company's judgment, reasonably exercised, to develop, construct, equip, open and operate the Restaurants contemplated by this Agreement, and by all other agreements between the Company and such assignee, and all agreements (including, without limitation, Franchise Agreements entered into pursuant to this Agreement) proposed to be assigned to such assignee;

(2) that the assignee enter into a written assignment, in form and substance satisfactory to the Company, pursuant to which such assignee assumes and agrees to discharge all rights and obligations of Area Developer under this Agreement and all Franchise Agreements entered into pursuant to this Agreement;

(3) that Area Developer pay to Company any and all transfer fees that may be required by each Franchise Agreement executed pursuant hereto;

(4) that Area Developer, and each owner of an Equity Interest in Area Developer, execute a general release, the consideration for which shall be the consent to the assignment, in form and substance satisfactory to the Company, of any and all claims against the Company and all of Company's subsidiaries and affiliates (collectively, "Company's Affiliates"), and their respective shareholders, members, partners and other equity interest holders, officers, directors, managers, agents, representatives, successors and assigns, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, to the extent permitted by law;

(5) that as of the date of any such assignment, the assignor shall have fully complied with all of its obligations to Company, whether under this Agreement or any other agreement (including, without limitation, Franchise Agreements entered into pursuant to this Agreement or otherwise), arrangement or understanding with Company;

(7) that assignee is not then in default of any of such assignee's obligations to Company, whether pursuant to a Franchise Agreement or other agreement with Company;

(8) that the assignee shall pay to Company a transfer fee equal to $2,500.00 which is reasonably required to cover Company's expenses relating to said assignment (such fee being in addition to any transfer fee required to be paid under any Franchise Agreement entered into pursuant to this Agreement or otherwise); and

(9) that the assignee, or all of the shareholders, members, partners or other equity interest holders of the assignee, as the case may be, shall jointly and severally fully, unconditionally and irrevocably guarantee the performance by Area Developer of all its obligations hereunder.

(iii) Any assignment, transfer or other disposition of a Restaurant within the Development Area shall be governed by the Franchise Agreement for such Restaurant.

(iv) If Area Developer is a legal entity, each of the following shall be deemed to be an assignment by Area Developer of this Agreement (or of an interest in this Agreement) within the meaning of this Section: (1) the transfer or assignment by any owner of an Equity Interest in the Area Developer; (2) the issuance of any securities by Area Developer which itself or in combination with any other transaction(s) results in the owners of an Equity Interest in Area Developer existing as of the Effective Date, owning less than one hundred percent (100%) of the Equity Interest in the Area Developer; and (3) any merger, stock redemption, consolidation, reorganization or recapitalization involving Area Developer.

(v) Without limiting the generality of the foregoing, Area Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written consent of Company, which consent may be withheld by the Company in its sole and absolute discretion.

(d) <u>Right of First Refusal</u>

Any assignment of this Agreement, or any interest herein, shall be subject to the Company's right of first refusal with respect thereto. Company's said right of first refusal shall be exercised in the following manner:

(i) Area Developer shall deliver to Company a written notice clearly and unambiguously setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee, including, but not limited to, information concerning the employment history, financial condition, credit history, skill and qualifications of the proposed assignee and, in the case of an entity, of its shareholders, members, partners and equity interest holders, as applicable.

(ii) Within thirty (30) days after Company's receipt of such notice (or if Company shall request additional information, within thirty (30) days after receipt of such additional information), Company may either consent or withhold its consent to such assignment,

in accordance with Section 7(c), or, at its option, accept the assignment to itself or to its nominee upon the terms and conditions specified in the notice. Company may substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

(iii) If Company shall elect not to exercise its said right of first refusal and shall consent to such assignment, Area Developer shall, subject to the provisions of Section 7(c), be free to assign this Agreement to such proposed assignee on the terms and conditions specified in said notice. If, however, Company does not elect to exercise its right of first refusal and said terms shall be materially changed, or if more than 90 days shall elapse after the date of Company's receipt of written notice of such assignment without such assignment occurring, such changed terms or lapse of time shall be deemed a new proposal, and Company shall again have such right of first refusal with respect thereto.

(e) Individual Franchise Agreements

Area Developer shall not execute any Franchise Agreement, or construct or equip any Restaurant, with a view to transferring or assigning such Franchise Agreement or Restaurant.

8. NON-COMPETITION

(a) In Term

During the Term of this Agreement, neither Area Developer, or if Area Developer is a legal entity, no owner of an Equity Interest in Area Developer or any officer, director or manager of Area Developer shall either directly or indirectly, own, operate, advise, be employed by, or have any interest in any restaurant, diner, café or similar establishment that features such other menu items featured by The Original Mels Restaurants whether within or outside of the Development Area, unless Company, in its sole and absolute discretion, shall consent thereto in writing.

(b) Modification

The parties have attempted in Section 8(a) above to limit the Area Developer's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 8(a) is disputed at any time by Area Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent it deems necessary to make such provision(s) enforceable under applicable law. In addition, the Company reserves the right to reduce the scope of either, or both, of said provisions without Area Developer's consent, at any time or times, effective immediately upon notice to Area Developer.

9. TERMINATION

(a) Termination Pursuant to A Material Breach of This Agreement

This Agreement may be terminated by Company for cause without notice or opportunity to cure, except for such notice as may be required by law, in the event of any material breach by

Area Developer of this Agreement. Material breach, as used herein, shall specifically include, among other things, the following:

(i) Failure of Area Developer to comply with the Development Obligation within the Development Periods;

(ii) Failure of Area Developer to perform any other of Area Developer's obligations under this Agreement, including, without limitation, the obligation to enter into a Franchise Agreement with respect to any Restaurant within the time required under this Agreement, and the obligation of Area Developer to obtain the prior written consent of the Company with respect to any transfer or assignment of this Agreement, in whole or in part, or any or all rights and obligations hereunder.

(ii) The filing by or against Area Developer of any petition in bankruptcy, arrangement for the benefit of creditors, or petition for reorganization which is not dismissed within ninety (90) days;

(iv) The appointment of a receiver or trustee for Area Developer which receiver or trustee is not dismissed within ninety (90) days from the date of appointment;

(v) The conviction of, or pleading of nolo contendere by, any owner of an Equity Interest in Area Developer to a felony or crime involving moral turpitude; or

(vi) Discovery by Franchisor that Area Developer materially misrepresented or omitted facts in its application for the rights in this Agreement.

(b) Termination by Reason of a Material Breach of Other Agreement

This Agreement may be terminated, at the election of Company, in the event of any material breach by Area Developer of an individual Franchise Agreement or any other agreement between Company and Area Developer, upon the notice, if any, specified in the Franchise Agreement or other agreement.

(c) Effect of Expiration or Termination

Upon the expiration of the Term, or upon the prior termination of this Agreement, Area Developer shall have no further right to construct, equip, open or operate additional Restaurants which are not, at the time of such expiration or termination, the subject of a then-existing Franchise Agreement between Area Developer and Company which is in full force and effect, and Company may itself construct, equip, open, or operate, or license others to construct, equip, open, or operate Restaurants in the Development Area, subject to the provisions of Sections 4(c) and 4(d) of this Agreement, and as provided in any Franchise Agreement executed pursuant to this Agreement. Further, Area Developer shall cease to use all confidential information as it pertains to this Agreement.

(d) Post-Termination Non-Competition

Except where prohibited by law, for a period of two (2) years after the termination of this Agreement, for any reason, Area Developer shall not acquire or maintain any interest in any competitive business offering any similar products or services to The Original Mels ("Competitive Business").

10. ENTITY AREA DEVELOPER

(a) Entity Area Developer

(i) If Area Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each owner of an Equity Interest in Area Developer:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(ii) If Area Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each director, manager, or general partner, as applicable, of Area Developer:

NAME	ADDRESS

(iii) The address where Area Developer's financial records, and corporate, company, partnership or other entity records, as applicable, are maintained is:

_____

_____

_____

_____

_____

(iv) If Area Developer is a corporation, limited liability company, partnership or other legal entity, there is set forth below the name, address and title of the owner of an Equity

Interest in Area Developer who owns not less than fifty percent (50%) of the Equity Interest in Area Developer and who will serve as the so-called "Operating Partner" and devote a majority of his or her time and efforts to the management and operation of each Restaurant constructed, equipped, opened and operated by Area Developer under each Franchise Agreement entered into pursuant to this Agreement:

NAME ADDRESS

_____

_____

_____

_____

_____

(v) Area Developer shall notify Company in writing within ten (10) days of any change in the information set forth in subparagraphs (i) through (iv) above.

(vi) Area Developer shall promptly provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer.

(vii) If Area Developer is a corporation, limited liability company, partnership or other legal entity, each of the owners of an Equity Interest in Area Developer shall, by executing this Agreement, fully, unconditionally and irrevocably guarantee the performance by Area Developer of all of its obligations hereunder. In addition, Developer shall upon Company's request cause all of its current and future owners of an Equity Interest in Area Developer to execute and deliver a guaranty in substantially the form of Exhibit "D" which is attached hereto and by this reference made a part hereof.

11. VENUE AND REMEDIES

(a) Venue

To the extent permitted by applicable law, Area Developer agrees that any action brought by Area Developer against Company shall be brought in the state courts or in the U.S. District Court of the jurisdiction in which Company has its principal place of business at the time such proceeding is commenced, and Area Developer waives its right to bring any action against Company in any other jurisdiction or venue. Additionally, to the extent permitted by applicable law, Area Developer hereby submits to the jurisdiction of such courts, and Area Developer waives any right it may have to object to such jurisdiction and venue.

(b) Remedy

No right or remedy conferred upon or reserved by Company by this Agreement is intended and shall not be deemed to be exclusive of any other right or remedy provided or

permitted herein, at law or in equity, but each right or remedy shall be cumulative of every other right or remedy.

(c) Injunctive Relief

Nothing herein contained shall bar Company's right to obtain injunctive relief against threatened conduct that will cause it loss or damage under the usual equity rules, including, without limitation, the applicable rules for obtaining restraining orders and preliminary injunctions. Company shall not be required to post a bond in excess of $1,000.00 or other security with respect to obtaining any such equitable relief.

12. GENERAL CONDITIONS AND PROVISIONS

(a) Relationship of Area Developer to Company

It is expressly agreed that Area Developer has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Area Developer is the employer, employee, agent, partner or co-venturer of, or with the other, each being independent. Area Developer agrees that Area Franchise will not hold himself or itself out as the agent, employee, partner or co-venturer of Company. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

(b) Indemnity by Area Developer

Area Developer hereby agrees to protect, defend and indemnify Company, and all of its past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Area Developer's operation of a Restaurant pursuant hereto. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

(c) No Consequential Damages For Legal Incapacity

Company shall not be liable to Area Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer by reason of any delay in the delivery of Company's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misconduct of Company.

(d) Waiver and Delay

No waiver by Company of any breach or series of breaches or defaults in performance by Area Developer, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any franchise agreement between Company and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants) or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any franchise agreement between Company and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

(e) Survival of Covenants

The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

(f) Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of Company and shall be binding upon and inure to the benefit of Area Developer and his, its or their respective heirs, executors, administrators, successors and permitted assigns, subject to the prohibitions against assignment contained herein.

(g) Joint and Several Liability

If Area Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Company are joint and several.

(h) Governing Law

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act), 15 U.S.C., Section 1051, et seq.), this Agreement shall be construed in accordance with the laws of the State of California.

(i) Entire Agreement

This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. All prior agreements, understandings and representations, are merged herein and superseded hereby. Area Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or any Franchise Disclosure Document for prospective

Developers required by applicable law, and Area Developer agrees that Area Franchise has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto. Where this Agreement and any Franchise Agreement entered into pursuant to this Agreement conflict with respect to the amount or payment terms of initial franchise fees, or the date by which a Restaurant is to be opened, the terms of this Agreement shall govern. Nothing in the agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

(j) Titles for Convenience

Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

(k) Gender

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

(l) Severability

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

(m) Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

(n) Attorney Fees

Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

(o) Notices

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered three (3) days after placed in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at such party's most current principal address which the notifying party has on record.

13. SUBMISSION OF AGREEMENT

(a) General

The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Area Developer. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE PRESIDENT OF COMPANY. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS AREA DEVELOPER SHALL HAVE BEEN FURNISHED BY COMPANY WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

14. ACKNOWLEDGMENT

(a) General

Area Developer, and the owners of any Equity Interests in Area Developer as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

(*Continued on following page*)

IN WITNESS WHEREOF, the parties have hereto set their hands, affixed their seals and delivered these presents as of the day and year first above written.

THE COMPANY:

The Original Mels Investment Group LLC,
a California limited liability company

_____(SEAL)

By: _____

Name: _____

Title: _____

AREA DEVELOPER:

_____

_____(SEAL)

By: _____

Name: _____

Title: _____

(CORPORATE SEAL, if applicable)

EQUITY INTEREST OWNERS:

_____(SEAL) _____

_____(SEAL) _____

EXHIBIT A

DEVELOPMENT OBLIGATION

Development Period Ending	Cumulative Number of Restaurants to be in Operation
1 _____, 20___	_____
2 _____, 20___	_____
3 _____, 20___	_____
4 _____, 20___	_____
5 _____, 20___	_____

EXHIBIT B

DEVELOPMENT AREA

EXHIBIT C

AGGREGATE INITIAL FRANCHISE FEE

EXHIBIT D

GUARANTY OF AREA DEVELOPER'S UNDERTAKINGS

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement dated _____, and any and all revisions, modifications and amendments thereto or renewals thereof, (hereinafter collectively the "Agreement"), by and between The Original Mels Investment Group LLC, a California limited liability company, for itself and for its affiliates (hereinafter, collectively, "Mels") and _____ (hereinafter "Area Developer"), each of the undersigned "Guarantors" (herein so called) agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guarantee the full, prompt and complete performance of Area Developer under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Mels under the Agreement. The word "indebtedness" is used herein in its most comprehensive sense and includes without limitation any and all advances, debts, obligations and liabilities of Area Developer, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Area Developer and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Area Developer or whether Area Developer is joined in any such action.

3. If the Area Developer is a corporation, partnership, limited liability company or other legal entity, Mels shall not be obligated to inquire into the power or authority of Area Developer or its officers, directors, agents, managers, representatives, employees or other persons acting or purporting to act on Area Developer's behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations, partnerships, limited liability companies or other legal entities, it shall be conclusively presumed that the Guarantors and all shareholders, partners, members and other owners of such entities, and all officers, directors, agents, managers, representatives, employees or other persons acting on their behalf have the express authority to bind such entities and that such entities have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such entities.

4. Mels, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors and assigns have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any

indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned each further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including, without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Area Developer and Mels resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, heirs, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term "the undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. Without limiting the generality of any part or all of the foregoing, the undersigned do each hereby further covenant and agree that each of the undersigned are hereby bound by those certain terms, obligations, covenants and conditions of the Agreement with respect to the following:

(i) Section 7(c) entitled "Assignment by Area Developer";

(ii) Section 7(d) entitled "Right of First Refusal";

(iii) Section 8 entitled "Non-Competition";

(iv) Section 10(a) entitled “Entity Area Developer”;

(v) Section 11(a) entitled "Venue";

(vi) Section 11(c) entitled "Injunctive Relief";

(vii) Section 12(g) entitled "Joint and Several Liability";

(viii) Section 12(o) entitled "Notices"; and

(ix) Section 14(a) entitled "General."

The undersigned each agree that the references to the "Area Developer" in the Sections referenced hereinabove shall include and be applicable to each of the undersigned.

9. All capitalized terms not defined herein shall have the meanings given to them in the Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty of Area Developer's Undertakings under seal effective as of the _____ day of _____, _____.

_____
Name

_____

_____

_____
Home Address

_____
Home Telephone

_____
Business Telephone

_____
Date

EXHIBIT C-1
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

As partial, essential consideration for The Original Mels Investment Group LLC to enter into a franchise agreement with _____, a _____ ("Franchisee") for The Original Mels restaurant (the "Restaurant") located at _____ _____ (the "Franchise Agreement") the undersigned represents and agrees as follows:

1. The covenants contained herein shall be construed as severable and independent, and shall be interpreted and applied consistently with the requirements of reasonableness and equity. The period, the geographic area and the scope of the restrictions on the undersigned's activities are divisible so that if any provisions invalid, that provision shall be automatically modified to the extent necessary to make it valid.

2. The undersigned acknowledges that by reason of the undersigned's affiliation with Franchisee, the undersigned may have access to trade secrets and confidential information concerning The Original Mels Diners Franchising Co., its products, customers, and its methods of doing business. The undersigned, therefore, agrees that during the term of the Franchise Agreement, he or she shall not engage in, either as a principal, agent, employee, officer or director, or be financially interested in or associated with any business that has as its primary objective the sale American diner style food in the county in which the Restaurant, which is the subject of the Franchise Agreement, is located.

3. The undersigned agrees not to divulge, communicate, use to the detriment of The Original Mels Diners Franchising Co. or for the benefit of any other person or persons, or misuse in any way, any confidential information or trade secrets of The Original Mels Diners Franchising Co. or Franchisee, including, without limitation, the contents of any manuals, business methods and processes, know-how, lists, recipes, ingredient lists, formulas, financial information, cost and expense information, product information, food cost analyses, pricing and discount information, product data, marketing and customer data, business plans or other technical data. The undersigned acknowledges and agrees that any information or data it has acquired or may hereafter acquire by reason of its affiliation with Franchisee and/or The Original Mels Diners Franchising Co., whether or not designated as confidential, is the property of The Original Mels Diners Franchising Co., was received in confidence and that such confidentiality shall be absolutely maintained.

4. The undersigned acknowledges that the Franchise Agreement may affect his or her right to sell, assign, pledge, encumber or otherwise transfer, voluntarily or by operation of law, the undersigned's interest in Franchisee. If franchisee is a corporation, the undersigned acknowledges that the bylaws of Franchisee shall include or otherwise incorporate the following provision:

> "Legending of Certificates'. Every certificate representing shares of the corporation {i.e., Franchisee} shall contain the following legend conspicuously on its face:
>
> "The transfer of the shares represent by this certificate is subject to the terms and conditions of a Franchise Agreement with The Original Mels Investment Group LLC dated _____, a copy of which is on file with the Secretary of this Corporation."

5. The undersigned agrees and acknowledges that The Original Mels Diners Franchising Co. is a third-party beneficiary of the covenants set forth in this Agreement with the independent right to enforce them. The undersigned shall provide The Original Mels Diners Franchising Co., upon request, with written evidence of compliance with the terms of this Agreement and of the undersigned's position and ownership interest in Franchisee.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the _____ day of _____, _____.

_____ _____
(SIGNATURE) Position with Franchisee

_____ _____
(SIGNATURE) Percentage Ownership of Franchisee

CERTIFICATION OF EQUITY HOLDER

In connection with the execution of that certain Franchise Agreement between The Original Mels Investment Group LLC ("The Original Mels Diners Franchising Co.") and _____, a(n) _____ ("Franchisee") for The Original Mels restaurant (the "Restaurant") located at _____ (the "Franchise Agreement"), the undersigned jointly attests and certifies as follows:

The undersigned, an equity holder of Franchisee, does not have access to trade secrets or proprietary or confidential information concerning The Original Mels Diners Franchising Co., its Products, customers, or its methods of doing business, and is not active in the Franchisee's business or the operation of the restaurant.

IN WITNESS WHEREOF, the undersigned have executed this Certificate as of the _____day of_____, _____.

Equity Holder:

_____ _____
(Signature) Position with Franchisee

_____ _____
(Print Name) Percentage Ownership of Franchise

Jointly certified by:

_____
(Name of Franchisee)

By: _____
Name:_____
Title:_____

EXHIBIT C-2
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

GUARANTY OF FRANCHISE AGREEMENT

THIS GUARANTY is effective as of the _____day of _____, _____ (the "Effective Date"), by _____ (jointly and severally, "Guarantor") in favor of The Original Mels Investment Group LLC, a California limited liability company ("The Original Mels Franchising Co.") and is entered into in consideration of a franchise agreement for the operation of a THE ORIGINAL MELS restaurant located at _____ (the "franchise Agreement") _____ ("Franchisee"). As follows:

1. Guarantor unconditionally guarantees to The Original Mels Diners Franchising Co. the full payment of all monies owed and the full performance of Franchisee's obligations under the Franchise Agreement and any undertakings or agreements entered in connection therewith, as the same may be modified, renewed or amended from time to time, and the costs (including attorney's fees) incurred by The Original Mels Diners Franchising Co. to collect and enforce them under such agreement or hereunder (the "Obligations").

2. Guarantor agrees that Guarantor's liability hereunder shall not be released, reduced or in any way affected by (a) the taking of any guaranty for the Obligations; (b) any release, waiver, exchange, substitution, subordination or other modification of any guaranty relating to the Obligations; (c) any partial release of Guarantor's liability hereunder or under any other instrument held as security for the Obligations; or (d) any assignment by The Original Mels Diners Franchising Co., in whole or in part, of this Guaranty. In addition, if and to the extent that The Original Mels Diners Franchising Co. is required, in connection with any bankruptcy proceeding affecting Franchisee, to return any amounts paid The Original Mels Diners Franchising Co. by franchisee, Guarantor guarantees repayments to The Original Mels Diners Franchising Co. of any amounts so required to be returned.

3. Guarantor waives (a) presentment, demand, protest and notice of any kind; (b) all statutes of limitations as a defense to any action brought against Guarantor by The Original Mels Diners Franchising Co. to the fullest extent permitted by law; (c) any defense based upon any legal disability of Franchisee or any discharge or limitation of the liability of Franchisee to The Original Mels Diners Franchising Co., whether consensual or arising by operation of law or any bankruptcy, insolvency, or debtor-relief proceeding, or from any other cause; and (d) all rights of subrogation, all rights to enforce any remedy that The Original Mels Diners Franchising Co. may have against Franchisee and all rights to participate in any security held by The Original Mels Diners Franchising Co. for the Obligations, until the Obligations have been paid and performed in full. The Original Mels Diners Franchising Co. may bring an action against Guarantor in his capacity as guarantor without first proceeding against Franchisee or any other person or security held by The Original Mels Diners Franchising Co. and without pursuing any other remedy. Upon a default by Franchisee, The Original Mels Diners Franchising Co. may nonjudicially or judicially foreclose against any real or personal property security it holds for the Obligations or exercise any other remedy against Franchisee.

4. Any indebtedness of Franchisee now or hereafter held by Guarantor is hereby subordinated to the Obligations. No delay or failure by The Original Mels Diners Franchising Co. to exercise any right or remedy against Franchisee or Guarantor shall be construed as a waiver of such right or remedy. All remedies of The Original Mels Diners Franchising Co. against Franchisee and guarantor are cumulative.

5. If any provision of this Guaranty is held to be unenforceable, such unenforceability will not affect any other provisions hereof. The provisions of this Guaranty shall benefit and bind Guarantor and The Original Mels Diners Franchising Co. and their respective heirs, administrators, legal representatives, successors and permitted assigns. This Guaranty shall be governed by the laws of the State of California and may be amended only by a written instrument signed by Guarantor and The Original Mels Diners Franchising Co.

The Original Mels Diners Franchising Co. "Guarantor"

By: _____
Its: _____

EXHIBIT D
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

STATE ADDENDA

CALIFORNIA APPENDIX

1. 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.

2. The financial performance representation figures (or earnings claims) do not include either 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 Original Mels franchise. Franchisees or former franchisees, listed in the disclosure document may be one source of this information.

3. California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

4. The Franchise Agreement and Area Development Agreement each requires binding arbitration. The arbitration will occur in or near El Dorado Hills, California with the costs being borne by both parties, but with the arbitrator permitted to award fees and costs to the prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions 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.

5. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USCA § 101 *et seq*.).

6. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

7. Neither the franchisor nor any person described in Item 2 of the disclosure document is subject to any currently effective order of any national securities exchange as defined in the Securities Exchange Act of 1934, 15 USCA 78a *et seq*., suspending or expelling such persons from membership in such association or exchange.

8. Our url is www.originalmelsdiner.com. Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

9. You must sign a general release 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).

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 be rule or order require, before a solicitation of a proposed material modification of an existing franchise.

11. The franchise agreement requires binding arbitration. The arbitration will occur in Sacramento, California with the costs being borne equally by both parties. Prospective franchisees are encouraged to consult private

legal counsel to determine the applicability of California and federal laws (such as Business and Professions 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.

12. Item 5 entitled Initial Fees is amended to add the following initial paragraph:

> As required by the California Department of ~~Business Oversight~~Financial Protection and Innovation, we have agreed to defer the collection of all initial fees in California under we have performed all of our pre-opening obligations to you. Therefore, you would instead pay the Initial Franchise Fee to us when your Original Mels restaurant opens. However, you would still be required to enter into a Franchise Agreement in order to be granted a franchise. In the future, should this fee deferral requirement be lifted by the California Department of ~~Business Oversight~~Financial Protection and Innovation, the collection of fees from you would occur as and when described in Item 5.

EXHIBIT E
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and December 25, 2022

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Members
The Original Mels Investment Group, LLC and Subsidiaries
Cameron Park, California

We have audited the accompanying consolidated financial statements of The Original Mels Investment Group, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and December 25, 2022, and the related consolidated statements of income and members' equity and cash flows for the periods then ended, and the related notes to the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Original Mels Investment Group, LLC and Subsidiaries as of December 31, 2023 and December 25, 2022, and the results of their operations and their cash flows for the periods 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 Original Mels Investment Group, LLC and Subsidiaries 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.

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, that raise substantial doubt about The Original Mels Investment Group, LLC and Subsidiaries' 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 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 Original Mels Investment Group, LLC and Subsidiaries' 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, that raise substantial doubt about The Original Mels Investment Group, LLC and Subsidiaries' 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.

Propp Christenson Canigilia LLP

May 28, 2024
Roseville, California

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2023 and December 25, 2022

ASSETS

	2023	2022
Current assets:		
Cash	$ 2,174,761	$ 2,756,666
Royalties receivable	140,054	168,595
Other receivables	46,471	39,063
Advances receivable - related parties	117,500	117,500
Inventory	74,492	64,723
Deposits	86,859	11,853
Prepaid expenses	79,908	133,407
Total current assets	2,720,045	3,291,807
Notes receivable - related parties	824,905	838,994
Investments - related parties	65,638	70,824
Property and equipment, net	1,708,269	2,035,454
Operating lease right-of-use assets	1,764,801	2,199,709
Other assets	-	1,277,988
Trademark, net	5,285	2,963
Goodwill	8,332,432	8,332,432
Total assets	$ 15,421,375	$ 18,050,171

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	$ 485,069	$ 584,553
Income tax payable	6,206	-
Deferred revenue	119,922	112,297
Accrued liabilities	193,690	247,349
Loans payable - related parties	55,757	55,757
Current portion of operating lease liabilties	494,861	460,105
Current portion of notes payable - related parties	131,772	835,966
Current portion of notes payable - unrelated parties	1,309,457	770,207
Total current liabilities	2,796,734	3,066,234
Long-term liabilities:		
Deferred tax liability	117,000	128,700
Operating lease liabilities, net of current portion	1,403,053	1,897,915
Notes payable - related parties, net of current portion	174,215	-
Notes payable - unrelated parties, net of current portion	4,596,593	6,925,579
Total long-term liabilities	6,290,861	8,952,194
Total liabilities	9,087,595	12,018,428
Members' equity:	6,333,780	6,031,743
Total liabilities and members' equity	$ 15,421,375	$ 18,050,171

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Periods Ended December 31, 2023 and December 25, 2022

	2023	2022
Sales	$ 11,801,808	$ 14,703,908
Cost of sales	(7,507,894)	(9,918,184)
Gross profit on sales	4,293,914	4,785,724
Royalty revenue	703,258	744,663
Operating expenses	(4,291,910)	(4,985,279)
Net operating income	705,262	545,108
Other income (expense):		
Interest expense	(409,229)	(491,447)
Gain (loss) on disposal of fixed assets	(39,789)	195,791
Investment income (loss)	(4,208)	80,287
Cumulative effect of change in accounting principle	-	(154,781)
Other income	74,265	2,767,326
Income before income taxes	326,301	2,942,284
Provision for income tax expense	(24,264)	(11,742)
Net income	302,037	2,930,542
Members' equity, beginning of year	6,031,743	3,101,201
Members' equity, end of year	$ 6,333,780	$ 6,031,743

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended December 31, 2023 and December 25, 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 302,037	$ 2,930,542
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	316,412	354,735
Amortization of operating lease right-of-use assets	434,908	521,457
Cumulative effect of change in accounting principle	-	154,781
Forgiveness of Paycheck Protection Program loan	-	(2,937,621)
(Gain) loss on sale of assets	39,789	(195,791)
Investment loss	5,186	80,287
Deferred tax benefit	(11,700)	(21,800)
Change in operating assets and liabilities:		
Royalties receivable	28,541	73,553
Accounts receivable - other	(7,408)	21,834
Inventory	(9,769)	44,558
Deposits	(75,006)	948
Prepaid expenses	53,499	(47,449)
Other assets	1,277,988	1,250,795
Accounts payable	(99,484)	(267,852)
Income taxes payable	6,206	-
Deferred revenue	7,625	12,225
Accrued liabilities	(53,659)	(120,892)
Operating lease liabilities	(460,106)	(517,927)
Net cash provided by operating activities	1,755,059	1,336,383
Cash flows from investing activities:		
Purchases of property and equipment	(62,516)	(125,547)
Disposal of property and equipment	31,178	62,010
Notes receivable - related parties	14,089	(88,674)
Net cash used in investing activities	(17,249)	(152,211)
Cash flows from financing activities:		
Principal payments on notes payable - unrelated parties	(1,789,736)	(707,279)
Principal payments on notes payable - related parties	(529,979)	(93,329)
Net cash used in financing activities	(2,319,715)	(800,608)
Change in cash	(581,905)	383,564
Cash, beginning of period	2,756,666	2,373,102
Cash, end of period	$ 2,174,761	$ 2,756,666
Supplemental disclosure of cash flow information:		
Interest paid	$ 409,229	$ 491,447
Taxes paid	$ 125,656	$ 129,440
Supplemental disclosure of noncash operating activities:		
Operating lease right-of-use assets	$ -	$ 2,721,166
Operating lease liabilities	$ -	$ 2,875,947

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: NATURE OF BUSINESS

The Original Mels Investment Group, LLC, and Subsidiaries, (the "Company") purchase, develop, operate and franchise 1950's style diners. The Company currently operates four diners in Northern California. Additionally, the Company receives royalties from certain non-corporate owned restaurants.

In 2014, The Original Mels, Inc., a California corporation ("Original Mels"), merged with and into The Original Mels Diners, Inc., a California corporation ("OMI"). Upon consummation of the merger, Original Mels ceased to exist and OMI was the surviving entity and became a wholly owned subsidiary of The Original Mels Investment Group, LLC ("TOMIG"). Each share of Original Mels was converted into one fully paid and nonassessable share of common stock of OMI. There are currently ten thousand shares of common stock of OMI outstanding, all owned by TOMIG.

In 2016, Original Mels Development Co., LLC ("OMDC"), was organized with TOMIG as its sole member. OMDC was organized for the purpose of developing, owning and operating additional diners in Rocklin, California and Fairfield, California.

In 2016, TOMIG established a new operating segment under the DBA ONE Foodservice Management and Investment Company ("ONE"). ONE was initially formed with the intent of attracting other restaurant chains as members. The targeted benefit is to leverage the purchasing power of the ONE members to achieve national account pricing from suppliers. Additionally, ONE receives a 1% rebate from US Foods and P&R Paper on all purchases made by ONE members.

In 2021, Original Mels RH Development Company, LLC ("OMRH"), was organized with OMDC as its sole member. OMRH was organized for the purpose of developing, owning and operating an additional diner in Placerville, California.

The Company conducts business on a fiscal year consisting of thirteen, four-week periods, for a total of 52 weeks ending on the Sunday nearest December 31.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of The Original Mels Investment Group, LLC, and it's wholly owned subsidiaries, The Original Mels Diners, Inc., Original Mels Development Co., LLC and Original Mels RH Development Company, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The business activity of the above entities is as follows:

The Original Mels Investment Group, LLC:
The Original Mels Investment Group, LLC, ("TOMIG") was organized to engage in the purchase, development, operation and franchising of 1950's style diners and investing in entities that do so. In 2016, TOMIG began the operating segment, ONE, to enhance the purchasing power of its members.

The Original Mels Diners, Inc.:
The Original Mels Diners, Inc. ("OMI") was incorporated in February 2015 and operates three diners. Additionally, the corporation receives royalties from certain non-corporate owned restaurants. During 2022, OMI closed one diner in Reno, Nevada.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Original Mels Development Co., LLC:
Original Mels Development Co., LLC ("OMDC") was organized in 2016 to develop and operate one diner in Rocklin, California and purchased four additional diners in subsequent years. During 2020, OMDC closed one diner in Northern California. During 2021, OMDC closed two diners and invested in Buckhorn Rocklin LLC, a related party entity. OMDC has a 25% ownership interest in the Company.

Original Mels RH Development Company, LLC:
Original Mels RH Development Company, LLC ("OMRH") was organized in 2021 to develop and operate one diner in Placerville, California. The diner was closed in April 2022.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. In accordance with the *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification Topic* (ASC) 230, *Statement of Cash Flows*, the statement of cash flows presents the total change in cash, including restricted cash, during the period.

Receivables
Management believes that all royalties and advances receivable as of December 31, 2023 and December 25, 2022, are fully collectible. Accordingly, no allowance for uncollectible amounts is deemed necessary.

Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) basis. Inventory consists of perishable food products and durable goods. Spoilage resulting from unused perishables is not material to the consolidated financial statements and is included in cost of sales.

Property and Equipment
Property and equipment are stated at cost. The cost of building improvements, machinery and equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets that range from 3 to 18 years. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Investments
The investments in Buckhorn Rocklin LLC are accounted for using the equity method, which requires that the investments are recorded at cost and adjusted for the Company's share of income or loss and cash distributions. To the extent that equity losses are incurred when the Company's carrying value of the investment has reached a zero balance, any losses will be suspended to be used against future income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
The Company records revenue for store sales upon purchases by customers. Revenue is recorded net of sales returns, discounts and sales taxes. A deferred liability is recognized for gift cards that have been sold but not yet redeemed at their anticipated redemption value. The Company recognizes revenue and reduces the related deferred liability when the gift cards are redeemed. The Company records royalty revenue calculated as a percentage of monthly sales at participating locations. Royalty revenue is recognized upon receipt of monthly sales figures after the close of the period.

The Company recognizes revenue from contracts in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (FASB ASC 606), which was retrospectively adopted with no change to income or members' equity. The guidelines for recognizing and measuring revenue consist of identifying the contracted services, identifying and separating performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations, and recognizing revenue when (or as) each distinct performance obligation is satisfied. The completion of a franchise contract includes the following performance obligations: pre-opening assistance, post-opening assistance and marketing/advertising.

As the initial franchise fee and ongoing royalty fees provide primarily the same benefit (license to intellectual property), the payments are not considered distinct and are recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalty and other fees are recognized periodically, as the fees become earned and are receivable from the franchisee. Recognizing revenue as performance obligations are satisfied utilizes the output method of accounting.

The Company does not have obligations for returns, refunds, or warranties. Judgments that could significantly affect the determination of the amount and timing of revenue from contracts are stipulated in the individual contracts. No revenue will be recognized in situations where it is probable that a significant reversal will occur.

Goodwill
The Company has accounted for its business acquisitions under the purchase method, resulting in the acquired assets being stepped-up to their fair market value at the date of purchase. The excess of the purchase cost over the fair value of the net assets acquired is reported as goodwill.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill impairment in the amount of $150,000 was recorded during the period ended December 25, 2022. There was no goodwill impairment during the period ended December 31, 2023.

Debt Issuance Costs
The Company records debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the consolidated statement of income and members' equity.

Advertising
The Company expenses advertising costs as they are incurred. Advertising expense for the periods ended December 31, 2023 and December 25, 2022, was $1,849 and $4,628, respectively.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes
TOMIG has been organized as a limited liability company in the State of California. For federal and state income tax purposes, TOMIG is treated as a partnership and all items of income and expense flow through to the individual members. TOMIG is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMDC has been organized as a single-member limited liability company in the State of California with TOMIG serving as its sole member. For federal and state income tax purposes, OMDC is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMDC is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMRH has been organized as a single-member limited liability company in the State of California with OMDC serving as its sole member. For federal and state income tax purposes, OMRH is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMRH is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMI is a C corporation which incurs corporate income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are related primarily to temporary differences between the basis of certain assets and liabilities for financial and income tax reporting. The resulting deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets, net of allowances based on the likelihood of realization, are also recognized for operating losses and deductions carried forward that are available to offset future taxable income.
OMI's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Fair Value Measurements
The Company's investments are measured under the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)
The Company's financial instruments are measured under the provisions of FASB ASC 825 as revised by Accounting Standards Update (ASU) 2016-01, Financial Instruments–Overall (subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 enhances the reporting model for financial instruments by providing financial statement users with more decision-useful information.

Management's Use of Estimates
The presentation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases
The Organization presents its leases in accordance with the provisions of FASB ASC 842, *Leases*. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, have not been recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term.

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through May 28, 2024, the date that the consolidated financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in various commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents exceeded federally insured limits at December 31, 2023 and December 25, 2022 by $1,535,513 and $2,185,224, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2023 and December 25, 2022:

	2023	2022
Building improvements	$ 1,231,794	$ 1,227,383
Machinery and equipment	1,496,183	1,451,078
Furniture and fixtures	945,195	1,055,928
Subtotal	3,673,172	3,734,389
Less accumulated depreciation	(1,964,903)	(1,698,935)
Total property and equipment, net	$ 1,708,269	$ 2,035,454

Total depreciation expense for the periods ended December 31, 2023 and December 25, 2022, was $318,734 and $354,321, respectively.

NOTE 5: CAPITALIZED TRADEMARK COSTS

Trademarks, as of December 31, 2023 and December 25, 2022, consist of the following:

	2023	2022
Trademark	$ 6,206	$ 6,206
Less accumulated amortization	(3,657)	(3,243)
Total trademark, net	$ 2,549	$ 2,963

Capitalized trademark costs are amortized over their legal lives. Total amortization expense was $414 for the periods ended December 31, 2023 and December 25, 2022, respectively. Estimated aggregate amortization expense for each of the next five periods and thereafter is approximated as follows:

Period Ending December:	
2024	$ 414
2025	414
2026	414
2027	414
2028	414
Thereafter	479
Total	$ 2,549

NOTE 6: NOTES PAYABLE

Notes payable to related parties as of December 31, 2023 and December 25, 2022, is summarized as follows:

	2023	2022
Note payable to related parties Note payable of $1,250,000 payable to a former member with monthly principal and interest payments of $6,869, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until the maturity date of February 1, 2023. As of February 1, 2023, the note payable was extended until March 1, 2026. Note is secured by a member's membership interest.	$ 172,110	$ 470,209
Note payable to related parties Note payable of $980,000 payable to a former member with monthly principal and interest payments of $5,343, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until February 1, 2023. As of February 1, 2023, the note payable was extended until March 1, 2026. Note is secured by a member's membership interest.	133,877	365,757
Total notes payable to related parties	305,987	835,966
Less current portion	131,772	835,966
Total long-term portion payable to related parties	$ 174,215	$ -

NOTE 6: NOTES PAYABLE (CONTINUED)

The following is a summary of principal maturities of the notes payable to related parties for the next period:

Period Ending December:	
2024	$ 131,772
2025	139,900
2026	34,315
Total	$ 305,987

Notes payable to unrelated parties as of December 31, 2023 and December 25, 2022, are summarized as follows:

	2023	2022
Note Payable to Mechanics Bank Note payable of $9,000,000 obtained in December 2019 with interest at a rate of 5%. Monthly principal and interest payments to begin January 20, 2020, in the amount of $95,459 until extended maturity in December 2026. Note is secured by all company assets, shares and membership interests.	$ 5,933,660	$ 7,751,006
Less unamortized debt issuance costs	(27,610)	(55,220)
Notes payable to unrelated parties, less unamortized debt issuance costs	5,906,050	7,695,786
Less current portion	(1,309,457)	(770,207)
Total long-term portion payable to unrelated parties	$ 4,596,593	$ 6,925,579

The following is a summary of principal maturities of notes payable to unrelated parties during the next three periods:

Period Ending December:	
2024	$ 1,309,457
2025	1,378,229
2026	3,245,974
Total	$ 5,933,660

There are restrictive covenants on indebtedness. The Company was in compliance with such restrictive covenants or had obtained consent of the lender as of December 31, 2023 and December 25, 2022.

NOTE 7: INCOME TAXES

The provision for income taxes for the periods ended December 31, 2023 and December 25, 2022, are as follows:

	2023	2022
Federal income tax benefit (expense):		
Current	$ (20,364)	$ -
Deferred	7,800	14,600
Net federal income tax benefit (expense)	(12,564)	14,600
State income tax benefit (expense):		
Current	(15,600)	(33,542)
Deferred	3,900	7,200
Net state income tax benefit (expense)	(11,700)	(26,342)
Provision for income tax benefit (expense)	$ (24,264)	$ (11,742)

The deferred tax assets and liabilities as of December 31, 2023 and 2022, are as follows:

	2023	2022
Non-current deferred tax asset (liability):		
Compensated absences	$ 10,100	$ 11,500
Fixed assets	(127,100)	(140,200)
Total non-current deferred tax liability	$ (117,000)	$ (128,700)

The provision for income taxes differs from the expense that would result from applying the federal and state statutory rates to income before income taxes because of certain permanent differences, including nondeductible expenses, future changes in enacted tax rates and items flowing through to individual members of TOMIG, OMRH and OMDC.

NOTE 8: OPERATING LEASES

The Company leases real and personal property under non-cancelable operating leases. While all of the agreements provide for minimum lease payments, one provides for rental payments contingent upon prescribed sales volumes. Most of the leases contain renewal options. The total lease expense for the periods ended December 31, 2023 and December 25, 2022, was $871,718 and $996,061, respectively.

NOTE 8: OPERATING LEASES (CONTINUED)

Future estimated minimum lease payments and a reconciliation of undiscounted cash flows under operating lease liabilities for the next five years and thereafter are as follows:

Period Ending December:	
2024	$ 581,845
2025	583,306
2026	522,660
2027	293,737
2028	111,375
Total undiscounted cash flows	2,092,923
Less: discount on operating lease liabilities	(195,009)
Total operating lease liabilities	1,897,914
Less: current portion of operating lease liabilities	(494,861)
Operating lease liabilities, net of current portion	$ 1,403,053

Minimum lease payments in the schedule exclude contingent rentals, month-to-month rentals and rentals under renewal options which, as of December 31, 2023 and December 25, 2022, are not reasonably assured of being exercised. The lease with Shingle Springs Tribal Gaming Authority was terminated in April 2022. As of December 31, 2023, operating lease right-of-use assets totaled $1,764,801 and operating lease liabilities totaled $1,897,914. As of December 25, 2022, operating lease right-of-use assets totaled $2,199,709 and operating lease liabilities totaled $2,358,020. The weighted average remaining lease terms of operating leases was approximately 3.40 years. The weighted average discount rate used to determine the lease liabilities was approximately 5.20%.

NOTE 9: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company was granted loans from Mechanics Bank in the amount of $2,083,151 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans bear interest at 1% per annum and matured in April 2022. The note and accrued interest were forgivable after 24 weeks as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. For the year ended December 25, 2022, the total amount of $2,083,151 was included in other income on the consolidated statements of income and members' equity.

In January and February 2021, the Company was granted loans from Mechanics Bank in the amount of $2,937,621 under the PPP as part of the CARES Act. The loans bear interest at 1% per annum and matures in 2023. The note and accrued interest are forgivable after 24 to 60 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. For the year ended December 25, 2022, the total amount of $2,937,621 is included in other income on the consolidated statements of income and members' equity.

NOTE 10: RELATED PARTY TRANSACTIONS

During 2019, the Company redeemed certain membership interests. The Company has two notes payable to the former members in the amounts of $2,580,000. Terms are as stated in Note 6. As of December 31, 2023 and December 25, 2022, the notes payable totaled $305,987 and $835,966, respectively, and are reported as notes payable – related parties.

During 2017, certain members of the Company made short-term unsecured non-interest-bearing loans to the Company. At December 31, 2023 and December 25, 2022, the balance outstanding of these loans were $55,757 and are reported as loans payable - related parties.

The Company has advances receivable from certain members of TOMIG, in the amount of $57,500 at December 31, 2023 and December 25, 2022. This amount is included in advances receivable - related parties.

The Company has an amount receivable from a related party of certain members of TOMIG in the amount of $60,000 at December 31, 2023 and December 25, 2022. This amount is included in advances receivable - related parties.

The Company has a note receivable from a related party of certain members of TOMIG, in the amount of $180,000 at December 26, 2021. This amount was included in notes receivable - related parties. During the period ending December 25, 2022, this note receivable was paid in full.

The Company is invested in Buckhorn Rocklin LLC, a related party Company, as of 2021. The Company owns a twenty-five percent interest in the related party Company and is reflected as investments on the consolidated balance sheets.

	2023	2022
Beginning balance	$ 70,824	$ 151,111
Current year income (loss)	4,208	(80,287)
Withdrawals	(9,394)	-
Total investments	$ 65,638	$ 70,824

As of December 31, 2023 and December 25, 2022, the Company has amounts totaling $824,905 and $838,994, respectively, included in notes receivable – related parties.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a nonrecurring basis at December 31, 2023 and December 25, 2022, are as follows:

	Level 1	Level 2	Level 3	2023 Total
Goodwill	$ -	$ -	$ 8,332,432	$ 8,332,432

	Level 1	Level 2	Level 3	2022 Total
Goodwill	$ -	$ -	$ 8,332,432	$ 8,332,432

NOTE 12: COMMITMENTS AND CONTINGENCIES

During the course of business, the Company is involved in certain activities that may result in contingent liabilities including transactions to sell franchises. The potential of such transactions to result in contingency liabilities is unknown. The Company considers all such contingent liabilities to be unlikely.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 25, 2022 and December 26, 2021

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Members
The Original Mels Investment Group, LLC and Subsidiaries
Cameron Park, California

We have audited the accompanying consolidated financial statements of The Original Mels Investment Group, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 25, 2022 and December 26, 2021, and the related consolidated statements of income and members' equity and cash flows for the periods then ended, and the related notes to the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Original Mels Investment Group, LLC and Subsidiaries as of December 25, 2022 and December 26, 2021, and the results of their operations and their cash flows for the periods 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 Original Mels Investment Group, LLC and Subsidiaries 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.

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, that raise substantial doubt about The Original Mels Investment Group, LLC and Subsidiaries' 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 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 Original Mels Investment Group, LLC and Subsidiaries' 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, that raise substantial doubt about The Original Mels Investment Group, LLC and Subsidiaries' 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.

November 3, 2023
Roseville, California

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 25, 2022 and December 26, 2021

ASSETS

	2022	2021
Current assets:		
Cash	$ 2,756,666	$ 2,373,102
Royalties receivable	168,595	242,148
Other receivables	39,063	60,897
Advances receivable - related parties	117,500	117,500
Inventory	64,723	109,281
Deposits	11,853	12,801
Prepaid expenses	133,407	85,958
Total current assets	3,291,807	3,001,687
Notes receivable - related parties	838,994	750,320
Investments - related parties	70,824	151,111
Property and equipment, net	2,035,454	2,130,447
Operating lease right-of-use assets	2,199,709	-
Other assets	1,277,988	2,528,783
Trademark, net	2,963	3,377
Goodwill	8,332,432	8,332,432
Total assets	$ 18,050,171	$ 16,898,157

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	$ 584,553	$ 852,405
Deferred revenue	112,297	100,072
Accrued liabilities	247,349	368,241
Loans payable - related parties	55,757	55,757
Paycheck Protection Program	-	2,937,621
Current portion of operating lease liabilties	460,105	-
Current portion of notes payable - related parties	835,966	93,328
Current portion of notes payable - unrelated parties	770,207	732,213
Total current liabilities	3,066,234	5,139,637
Long-term liabilities:		
Deferred tax liability	128,700	150,500
Operating lease liabilities, net of current portion	1,897,915	-
Notes payable - related parties, net of current portion	-	835,967
Notes payable - unrelated parties, net of current portion	6,925,579	7,670,852
Total long-term liabilities	8,952,194	8,657,319
Total liabilities	12,018,428	13,796,956
Members' equity:	6,031,743	3,101,201
Total liabilities and members' equity	$ 18,050,171	$ 16,898,157

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Periods Ended December 25, 2022 and December 26, 2021

	2022	2021
Sales	$ 14,703,908	$ 15,661,438
Cost of sales	(9,918,184)	(8,876,854)
Gross profit on sales	4,785,724	6,784,584
Royalty revenue	744,663	656,637
Operating expenses	(4,985,279)	(6,198,226)
Net operating income	545,108	1,242,995
Other income (expense):		
Interest expense	(491,447)	(532,721)
Startup costs	-	(219,861)
Gain (loss) on disposal of fixed assets	195,791	(438,024)
Impairment of goodwill	-	(150,000)
Investment income (loss)	80,287	(192,529)
Cumulative effect of change in accounting principle	(154,781)	-
Other income	2,767,326	2,805,170
Income before income taxes	2,942,284	2,515,030
Provision for income tax expense	(11,742)	(48,981)
Net income	2,930,542	2,466,049
Members' equity, beginning of year	3,101,201	635,152
Members' equity, end of year	$ 6,031,743	$ 3,101,201

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended December 25, 2022 and December 26, 2021

	2022	2021
Cash flows from operating activities:		
Net income	$ 2,930,542	$ 2,466,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	354,321	497,301
Amortization of operating lease right-of-use assets	521,457	-
Cumulative effect of change in accounting principle	154,781	-
Forgiveness of Paycheck Protection Program loan	(2,937,621)	(2,083,151)
(Gain) Loss on sale of assets	(195,791)	438,024
Impairment of goodwill	-	150,000
Investment loss	80,287	192,529
Deferred tax expense (benefit)	(21,800)	(33,100)
Change in operating assets and liabilities:		
Royalties receivable	73,553	(18,304)
Accounts receivable - other	21,834	(60,897)
Inventory	44,558	(5,585)
Deposits	1,362	42,534
Prepaid expenses	(47,449)	(29,687)
Other assets	1,250,795	(1,558,192)
Accounts payable	(267,852)	71,189
Income taxes payable	-	(81)
Deferred revenue	12,225	3,494
Accrued liabilities	(120,892)	107,967
Other liabilities	-	(28,191)
Operating lease liabilities	(517,927)	-
Net cash provided by operating activities	1,336,383	151,899
Cash flows from investing activities:		
Purchase of investments	-	(343,640)
Purchases of property and equipment	(125,547)	(216,251)
Disposal of property and equipment	62,010	278,205
Notes receivable - related parties	(88,674)	(750,320)
Net cash used in investing activities	(152,211)	(1,032,006)
Cash flows from financing activities:		
Principal payments on notes payable - unrelated parties	(707,279)	(328,016)
Proceeds from Paycheck Protection Program	-	2,937,621
Principal payments on notes payable - related parties	(93,329)	(87,906)
Payments on loans payable - related parties	-	(50,000)
Net cash provided by (used in) financing activities	(800,608)	2,471,699
Change in cash	383,564	1,591,592
Cash, beginning of period	2,373,102	781,510
Cash, end of period	$ 2,756,666	$ 2,373,102
Supplemental disclosure of cash flow information:		
Interest paid	$ 491,447	$ 504,530
Taxes paid	$ 129,440	$ 82,081
Supplemental disclosure of noncash operating activities:		
Operating lease right-of-use assets	$ 2,721,166	$ -
Operating lease liabilities	$ 2,875,947	$ -

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: NATURE OF BUSINESS

The Original Mels Investment Group, LLC, and Subsidiaries, (the "Company") purchase, develop, operate and franchise 1950's style diners. The Company currently operates five diners in Northern California. Additionally, the Company receives royalties from certain non-corporate owned restaurants.

In 2014, The Original Mels, Inc., a California corporation ("Original Mels"), merged with and into The Original Mels Diners, Inc., a California corporation ("OMI"). Upon consummation of the merger, Original Mels ceased to exist and OMI was the surviving entity and became a wholly owned subsidiary of The Original Mels Investment Group, LLC ("TOMIG"). Each share of Original Mels was converted into one fully paid and nonassessable share of common stock of OMI. There are currently ten thousand shares of common stock of OMI outstanding, all owned by TOMIG.

In 2016, Original Mels Development Co., LLC ("OMDC"), was organized with TOMIG as its sole member. OMDC was organized for the purpose of developing, owning and operating additional diners in Rocklin, California and Fairfield, California.

In 2016, TOMIG established a new operating segment under the DBA ONE Foodservice Management and Investment Company ("ONE"). ONE was initially formed with the intent of attracting other restaurant chains as members. The targeted benefit is to leverage the purchasing power of the ONE members to achieve national account pricing from suppliers. Additionally, ONE receives a 1% rebate from US Foods and P&R Paper on all purchases made by ONE members.

In 2021, Original Mels RH Development Company, LLC ("OMRH"), was organized with OMDC as its sole member. OMRH was organized for the purpose of developing, owning and operating an additional diner in Placerville, California.

The Company conducts business on a fiscal year consisting of thirteen, four-week periods, for a total of 52 weeks ending on the Sunday nearest December 31.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of The Original Mels Investment Group, LLC, and it's wholly owned subsidiaries, The Original Mels Diners, Inc., Original Mels Development Co., LLC and Original Mels RH Development Company, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The business activity of the above entities is as follows:

The Original Mels Investment Group, LLC:
The Original Mels Investment Group, LLC, ("TOMIG") was organized to engage in the purchase, development, operation and franchising of 1950's style diners and investing in entities that do so. In 2016, TOMIG began the operating segment, ONE, to enhance the purchasing power of its members.

The Original Mels Diners, Inc.:
The Original Mels Diners, Inc. ("OMI") was incorporated in February 2015 and operates three diners. Additionally, the corporation receives royalties from certain non-corporate owned restaurants. During 2022, OMI closed one diner in Reno, Nevada.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Original Mels Development Co., LLC:
Original Mels Development Co., LLC ("OMDC") was organized in 2016 to develop and operate one diner in Rocklin, California and purchased four additional diners in subsequent years. During 2020, OMDC closed one diner in Northern California. During 2021, OMDC closed two diners and invested in Buckhorn Rocklin LLC, a related party entity. OMDC has a 25% ownership interest in the Company.

Original Mels RH Development Company, LLC:
Original Mels RH Development Company, LLC ("OMRH") was organized in 2021 to develop and operate one diner in Placerville, California. The diner was closed in April 2022.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. In accordance with the *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification Topic* (ASC) 230, *Statement of Cash Flows*, the statement of cash flows presents the total change in cash, including restricted cash, during the period.

Receivables
Management believes that all royalties and advances receivable as of December 25, 2022 and December 26, 2021, are fully collectible. Accordingly, no allowance for uncollectible amounts is deemed necessary.

Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) basis. Inventory consists of perishable food products and durable goods. Spoilage resulting from unused perishables is not material to the consolidated financial statements and is included in cost of sales.

Property and Equipment
Property and equipment are stated at cost. The cost of building improvements, machinery and equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets that range from 3 to 18 years. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Investments
The investments in Buckhorn Rocklin LLC are accounted for using the equity method, which requires that the investments are recorded at cost and adjusted for the Company's share of income or loss and cash distributions. To the extent that equity losses are incurred when the Company's carrying value of the investment has reached a zero balance, any losses will be suspended to be used against future income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
The Company records revenue for store sales upon purchases by customers. Revenue is recorded net of sales returns, discounts and sales taxes. A deferred liability is recognized for gift cards that have been sold but not yet redeemed at their anticipated redemption value. The Company recognizes revenue and reduces the related deferred liability when the gift cards are redeemed. The Company records royalty revenue calculated as a percentage of monthly sales at participating locations. Royalty revenue is recognized upon receipt of monthly sales figures after the close of the period.

The Company recognizes revenue from contracts in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (FASB ASC 606), which was retrospectively adopted with no change to income or members' equity. The guidelines for recognizing and measuring revenue consist of identifying the contracted services, identifying and separating performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations, and recognizing revenue when (or as) each distinct performance obligation is satisfied. The completion of a franchise contract includes the following performance obligations: pre-opening assistance, post-opening assistance and marketing/advertising.

As the initial franchise fee and ongoing royalty fees provide primarily the same benefit (license to intellectual property), the payments are not considered distinct and are recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalty and other fees are recognized periodically, as the fees become earned and are receivable from the franchisee. Recognizing revenue as performance obligations are satisfied utilizes the output method of accounting.

The Company does not have obligations for returns, refunds, or warranties. Judgments that could significantly affect the determination of the amount and timing of revenue from contracts are stipulated in the individual contracts. No revenue will be recognized in situations where it is probable that a significant reversal will occur.

Goodwill
The Company has accounted for its business acquisitions under the purchase method, resulting in the acquired assets being stepped-up to their fair market value at the date of purchase. The excess of the purchase cost over the fair value of the net assets acquired is reported as goodwill.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill impairment in the amount of $150,000 was recorded during the periods ended December 25, 2022 and December 26, 2021.

Debt Issuance Costs
The Company records debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the consolidated statement of income and members' equity.

Advertising
The Company expenses advertising costs as they are incurred. Advertising expense for the periods ended December 25, 2022 and December 26, 2021, was $4,628 and $2,047, respectively.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

TOMIG has been organized as a limited liability company in the State of California. For federal and state income tax purposes, TOMIG is treated as a partnership and all items of income and expense flow through to the individual members. TOMIG is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMDC has been organized as a single-member limited liability company in the State of California with TOMIG serving as its sole member. For federal and state income tax purposes, OMDC is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMDC is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMRH has been organized as a single-member limited liability company in the State of California with OMDC serving as its sole member. For federal and state income tax purposes, OMRH is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMRH is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMI is a C corporation which incurs corporate income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are related primarily to temporary differences between the basis of certain assets and liabilities for financial and income tax reporting. The resulting deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets, net of allowances based on the likelihood of realization, are also recognized for operating losses and deductions carried forward that are available to offset future taxable income.
OMI's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Fair Value Measurements

The Company's investments are measured under the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures,* which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)
The Company's financial instruments are measured under the provisions of FASB ASC 825 as revised by Accounting Standards Update (ASU) 2016-01, Financial Instruments–Overall (subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 enhances the reporting model for financial instruments by providing financial statement users with more decision-useful information.

Management's Use of Estimates
The presentation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases
Effective January 1, 2022, the Company adopted the provisions of FASB ASC 842 as revised by ASU 2016-02, *Leases*. The Company utilized the optional transition method which allows the Company to continue applying historical guidance in the comparative periods presented in the year of adoption. Accordingly, the Company's financial statements for the year ended December 26, 2021, are not adjusted for this change in accounting policy.

The Company elected to apply the following practical expedients permitting the Company not to reassess: (i) whether any expired or existing leases contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial or direct costs for expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of lease assets and lease liabilities on the balance sheet for all leases previously classified as operating leases. The Company recognized $2,721,166 of right-to-use assets and $2,875,947 of related lease liabilities as of January 1, 2022, for contracts are classified as operating leases. The cumulative effect of the change in accounting principle of $154,781 is included on the Consolidated Statements of Income and Members' Equity. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The accounting treatment for financing leases, which were formerly referred to as capital leases, remains substantially unchanged.

Reclassifications
Certain amounts in the 2021 financial statements have been reclassified, with no effect to change in members' equity, to conform to the 2022 financial statements.

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through November 3, 2023, the date that the consolidated financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in various commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents exceeded federally insured limits at December 25, 2022 and December 26, 2021 by $2,185,224 and $2,197,554, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 25, 2022 and December 26, 2021:

	2022	2021
Building improvements	$ 1,227,383	$ 1,353,956
Machinery and equipment	1,451,078	1,745,360
Furniture and fixtures	1,055,928	823,414
Subtotal	3,734,389	3,922,730
Less accumulated depreciation	(1,698,935)	(1,792,283)
Total property and equipment, net	$ 2,035,454	$ 2,130,447

Total depreciation expense for the periods ended December 25, 2022 and December 26, 2021, was $354,321 and $496,886, respectively.

NOTE 5: CAPITALIZED TRADEMARK COSTS

Trademarks, as of December 25, 2022 and December 26, 2021, consist of the following:

	2022	2021
Trademark	$ 6,206	$ 6,206
Less accumulated amortization	(3,243)	(2,829)
Total trademark, net	$ 2,963	$ 3,377

Capitalized trademark costs are amortized over their legal lives. Total amortization expense was $413 and $414 for the periods ended December 25, 2022 and December 26, 2021, respectively. Estimated aggregate amortization expense for each of the next five periods and thereafter is approximated as follows:

Period Ending December:	
2023	$ 414
2024	414
2025	414
2026	414
2027	414
Thereafter	893
Total	$ 2,963

NOTE 6: NOTES PAYABLE

Notes payable to related parties as of December 25, 2022 and December 26, 2021, is summarized as follows:

	2022	2021
Note payable to related parties Note payable of $1,250,000 payable to a former member with monthly principal and interest payments of $6,869, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until the maturity date of February 1, 2023. Note is secured by a member's membership interest.	$ 470,209	$ 522,704
Note payable to related parties Note payable of $980,000 payable to a former member with monthly principal and interest payments of $5,343, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until February 1, 2023. Note is secured by a member's membership interest.	365,757	406,591
Total notes payable to related parties	835,966	929,295
Less current portion	835,966	93,328
Total long-term portion payable to related parties	$ -	$ 835,967

The following is a summary of principal maturities of the notes payable to related parties for the next period:

Period Ending December:	
2023	$ 835,966

NOTE 6: NOTES PAYABLE (CONTINUED)

Notes payable to unrelated parties as of December 25, 2022 and December 26, 2021, are summarized as follows:

	2022	2021
Note Payable to Mechanics Bank		
Note payable of $9,000,000 obtained in December 2019 with interest at a rate of 5%. Monthly principal and interest payments to begin January 20, 2020, in the amount of $95,459 until maturity on December 13, 2024. Note is secured by all company assets, shares and membership interests.	$ 7,751,006	$ 8,485,895
Less unamortized debt issuance costs	(55,220)	(82,830)
Notes payable to unrelated parties, less unamortized debt issuance costs	7,695,786	8,403,065
Less current portion	(770,207)	(732,213)
Total long-term portion payable to unrelated parties	$ 6,925,579	$ 7,670,852

The following is a summary of principal maturities of notes payable to unrelated parties during the next two periods:

Period Ending December:	
2023	$ 770,207
2024	6,980,799
Total	$ 7,751,006

There are restrictive covenants on indebtedness. The Company was in compliance with such restrictive covenants or had obtained consent of the lender as of December 25, 2022 and December 26, 2021.

NOTE 7: INCOME TAXES

The provision for income taxes for the periods ended December 25, 2022 and December 26, 2021, are as follows:

	2022	2021
Federal income tax benefit (expense):		
Current	$ -	$ (48,818)
Deferred	14,600	10,900
Net federal income tax benefit (expense)	14,600	(37,918)
State income tax benefit (expense):		
Current	(33,542)	(33,263)
Deferred	7,200	22,200
Net state income tax benefit (expense)	(26,342)	(11,063)
Provision for income tax benefit (expense)	$ (11,742)	$ (48,981)

The deferred tax assets and liabilities as of December 25, 2022 and 2021, are as follows:

	2022	2021
Non-current deferred tax liability (asset):		
Compensated absences	$ (11,500)	$ (14,500)
Fixed assets	140,200	165,000
Total non-current deferred tax liability	$ 128,700	$ 150,500

The provision for income taxes differs from the expense that would result from applying the federal and state statutory rates to income before income taxes because of certain permanent differences, including nondeductible expenses, future changes in enacted tax rates and items flowing through to individual members of TOMIG, OMRH and OMDC.

NOTE 8: OPERATING LEASES

The Company leases real and personal property under non-cancelable operating leases. While all of the agreements provide for minimum lease payments, one provides for rental payments contingent upon prescribed sales volumes. Most of the leases contain renewal options. The total lease expense for the periods ended December 25, 2022 and December 26, 2021, was $996,061 and $1,263,959, respectively.

NOTE 8: OPERATING LEASES (CONTINUED)

Future estimated minimum lease payments and a reconciliation of undiscounted cash flows under operating lease liabilities for the next five years and thereafter are as follows:

Period Ending December:	
2023	$ 571,975
2024	581,845
2025	583,306
2026	522,660
2027	293,737
Thereafter	111,375
Total undiscounted cash flows	2,664,898
Less: discount on operating lease liabilities	(306,878)
Total operating lease liabilities	2,358,020
Less: current portion of operating lease liabilities	(460,105)
Operating lease liabilities, net of current portion	$ 1,897,915

Minimum lease payments in the schedule exclude contingent rentals, month-to-month rentals and rentals under renewal options which, as of December 25, 2022, are not reasonably assured of being exercised. The lease with Shingle Springs Tribal Gaming Authority was terminated in April 2022. As of December 25, 2022, operating lease right-of-use assets totaled $2,199,709 and operating lease liabilities totaled $2,358,020. The weighted average remaining lease terms of operating leases was approximately 4.40 years. The weighted average discount rate used to determine the lease liabilities was approximately 5.20%.

NOTE 9: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company was granted loans from Mechanics Bank in the amount of $2,083,151 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans bear interest at 1% per annum and matured in April 2022. The note and accrued interest were forgivable after 24 weeks as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. For the year ended December 25, 2022, the total amount of $2,083,151 was included in other income on the consolidated statements of income and members' equity.

In January and February 2021, the Company was granted loans from Mechanics Bank in the amount of $2,937,621 under the PPP as part of the CARES Act. The loans bear interest at 1% per annum and matures in 2023. The note and accrued interest are forgivable after 24 to 60 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. For the year ended December 25, 2022, the total amount of $2,937,621 is included in other income on the consolidated statements of income and members' equity.

NOTE 10: RELATED PARTY TRANSACTIONS

During 2019, the Company redeemed certain membership interests. The Company has two notes payable to the former members in the amounts of $2,580,000. Terms are as stated in Note 6. As of December 25, 2022 and December 26, 2021, the notes payable totaled $835,966 and $929,295, respectively, and are reported as notes payable – related parties.

During 2017, certain members of the Company made short-term unsecured non-interest-bearing loans to the Company. At December 25, 2022 and December 26, 2021, the balance outstanding of these loans were $55,757 and are reported as loans payable - related parties.

The Company has advances receivable from certain members of TOMIG, in the amount of $57,500 at December 25, 2022 and December 26, 2021. This amount is included in advances receivable - related parties.

The Company has an amount receivable from a related party of certain members of TOMIG in the amount of $60,000 at December 25, 2022 and December 26, 2021. This amount is included in advances receivable - related parties.

The Company has a note receivable from a related party of certain members of TOMIG, in the amount of $180,000 at December 26, 2021. This amount was included in notes receivable - related parties. During the period ending December 25, 2022, this note receivable was paid in full.

The Company is invested in Buckhorn Rocklin LLC, a related party Company, as of 2021. The Company owns a twenty-five percent interest in the related party Company and is reflected as investments on the consolidated balance sheets.

	2022	2021
Beginning balance	$ 151,111	$ -
Initial investment	-	257,704
Advances classified as additional investment	-	85,936
Current year loss	(80,287)	(192,529)
Total investments	$ 70,824	$ 151,111

As of December 25, 2022, the Company has amounts totaling $838,994 included in notes receivable – related parties. As of December 26, 2021, the Company had advanced amounts totaling $656,256 to Buckhorn Rocklin LLC, of which $570,320 is included in notes receivable – related parties and $85,936 included as an increase to the investment.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 26, 2021 and December 27, 2020

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Members
The Original Mels Investment Group, LLC and Subsidiaries
Cameron Park, California

We have audited the accompanying consolidated financial statements of The Original Mels Investment Group, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 26, 2021 and December 27, 2020, and the related consolidated statements of income and members' equity and cash flows for the periods then ended, and the related notes to the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Original Mels Investment Group, LLC and Subsidiaries as of December 26, 2021 and December 27, 2020, and the results of their operations and their cash flows for the periods 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 Original Mels Investment Group, LLC and Subsidiaries 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.

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, that raise substantial doubt about The Original Mels Investment Group, LLC and Subsidiaries' 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 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 Original Mels Investment Group, LLC and Subsidiaries' 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, that raise substantial doubt about The Original Mels Investment Group, LLC and Subsidiaries' 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.

October 3, 2022
Roseville, California

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 26, 2021 and December 27, 2020

ASSETS

	2021	2020
Current assets:		
Cash	$ 2,373,102	$ 781,510
Royalties receivable	303,045	223,844
Advances receivable - related parties	702,568	117,500
Inventory	109,281	103,696
Deposits	12,801	55,335
Prepaid expenses	85,958	56,271
Total current assets	3,586,755	1,338,156
Notes receivable - related parties	750,320	-
Investments	151,111	-
Property and equipment, net	2,130,447	3,127,311
Other assets	1,943,715	970,591
Trademark, net	3,377	3,792
Goodwill	8,332,432	8,482,432
Total assets	$ 16,898,157	$ 13,922,282

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	$ 852,405	$ 781,216
Income tax payable	-	81
Deferred revenue	100,072	96,578
Accrued liabilities	368,241	260,274
Loans payable - related parties	55,757	105,757
Other liabilities	-	28,191
Paycheck Protection Program	2,937,621	2,083,151
Current portion of notes payable - related parties	93,328	87,906
Current portion of notes payable - unrelated parties	732,213	714,071
Total current liabilities	5,139,637	4,157,225
Long-term liabilities:		
Deferred tax liability	150,500	183,600
Notes payable - related parties, net of current portion	835,967	929,295
Notes payable - unrelated parties, net of current portion	7,670,852	8,017,010
Total long-term liabilities	8,657,319	9,129,905
Total liabilities	13,796,956	13,287,130
Members' equity:	3,101,201	635,152
Total liabilities and members' equity	$ 16,898,157	$ 13,922,282

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Periods Ended December 26, 2021 and December 27, 2020

	2021	2020
Sales	$ 15,661,438	$ 13,733,145
Cost of sales	(10,892,367)	(8,414,448)
Gross profit on sales	4,769,071	5,318,697
Royalty revenue	656,637	484,830
Operating expenses	(4,182,713)	(5,697,472)
Net operating income (loss)	1,242,995	106,055
Other income (expense):		
Interest expense	(532,721)	(550,939)
Startup costs	(219,861)	-
Loss on disposal of fixed assets	(438,024)	(505,597)
Impairment of goodwill	(150,000)	(150,000)
Investment income (loss)	(192,529)	-
Other income	2,805,170	10,957
Income (loss) before income taxes	2,515,030	(1,089,524)
Provision for income tax benefit (expense)	(48,981)	77,600
Net income (loss)	2,466,049	(1,011,924)
Members' equity, beginning of period	635,152	1,647,076
Members' equity, end of period	$ 3,101,201	$ 635,152

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended December 26, 2021 and December 27, 2020

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 2,466,049	$ (1,011,924)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	497,301	547,278
Forgiveness of Paycheck Protection Program loan	(2,083,151)	-
Loss on sale of assets	438,024	505,597
Impairment of goodwill	150,000	150,000
Investment loss	192,529	
Deferred tax expense (benefit)	(33,100)	(80,000)
Change in operating assets and liabilities:		
Royalties receivable	(79,201)	(91,366)
Advances receivable - related parties	(585,068)	-
Inventory	(5,585)	42,926
Deposits	42,534	23,224
Prepaid expenses	(29,687)	(14,327)
Other assets	(973,124)	(970,591)
Accounts payable	71,189	(452,116)
Income taxes payable	(81)	(38,479)
Deferred revenue	3,494	(6,180)
Accrued liabilities	107,967	(94,152)
Other liabilities	(28,191)	(86,832)
Net cash provided by (used in) operating activities	151,899	(1,576,942)
Cash flows from investing activities:		
Purchase of investments	(343,640)	-
Purchases of property and equipment	(216,251)	(542,949)
Disposal of property and equipment	278,205	270,824
Notes receivable - related parties	(750,320)	-
Net cash used in investing activities	(1,032,006)	(272,125)
Cash flows from financing activities:		
Principal payments on notes payable - unrelated parties	(328,016)	(130,869)
Proceeds from loans payable - related parties	-	50,000
Proceeds from Paycheck Protection Program	2,937,621	2,083,151
Principal payments on notes payable - related parties	(87,906)	(82,799)
Payments on loans payable - related parties	(50,000)	-
Net cash provided by financing activities	2,471,699	1,919,483
Change in cash	1,591,592	70,416
Cash, beginning of period	781,510	711,094
Cash, end of period	$ 2,373,102	$ 781,510
Supplemental disclosure of cash flow information:		
Interest paid	$ 504,530	$ 435,916
Taxes paid	$ 82,081	$ 2,319

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: NATURE OF BUSINESS

The Original Mels Investment Group, LLC, and Subsidiaries, (the "Company") purchase, develop, operate and franchise 1950's style diners. The Company currently operates eight diners in Northern California, and one diner in the Reno, Nevada area. Additionally, the Company receives royalties from certain non-corporate owned restaurants.

In 2014, The Original Mels, Inc., a California corporation ("Original Mels"), merged with and into The Original Mels Diners, Inc., a California corporation ("OMI"). Upon consummation of the merger, Original Mels ceased to exist and OMI was the surviving entity and became a wholly owned subsidiary of The Original Mels Investment Group, LLC ("TOMIG"). Each share of Original Mels was converted into one fully paid and nonassessable share of common stock of OMI. There are currently ten thousand shares of common stock of OMI outstanding, all owned by TOMIG.

In 2016, Original Mels Development Co., LLC ("OMDC"), was organized with TOMIG as its sole member. OMDC was organized for the purpose of developing, owning and operating additional diners in Rocklin, California and Fairfield, California.

In 2016, TOMIG established a new operating segment under the DBA ONE Foodservice Management and Investment Company ("ONE"). ONE was initially formed with the intent of attracting other restaurant chains as members. The targeted benefit is to leverage the purchasing power of the ONE members to achieve national account pricing from suppliers. Additionally, ONE receives a 1% rebate from US Foods and P&R Paper on all purchases made by ONE members.

In 2021, Original Mels RH Development Company, LLC (“OMRH”), was organized with OMDC as its sole member. OMRH was organized for the purpose of developing, owning and operating an additional diner in Placerville, California.

The Company conducts business on a fiscal year consisting of thirteen, four-week periods, for a total of 52 weeks ending on the Sunday nearest December 31.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of The Original Mels Investment Group, LLC, and it's wholly owned subsidiaries, The Original Mels Diners, Inc., Original Mels Development Co., LLC and Original Mels RH Development Company, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The business activity of the above entities is as follows:

The Original Mels Investment Group, LLC:
The Original Mels Investment Group, LLC, ("TOMIG") was organized to engage in the purchase, development, operation and franchising of 1950's style diners and investing in entities that do so. In 2016, TOMIG began the operating segment, ONE, to enhance the purchasing power of its members.

The Original Mels Diners, Inc.:
The Original Mels Diners, Inc. ("OMI") was incorporated in February 2015 and operates three diners. Additionally, the corporation receives royalties from certain non-corporate owned restaurants.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Original Mels Development Co., LLC:
Original Mels Development Co., LLC ("OMDC") was organized in 2016 to develop and operate one diner in Rocklin, California and purchased four additional diners in subsequent years. During 2020, OMDC closed one diner in Northern California. During 2021, OMDC closed two diners and invested in Buckhorn Rocklin LLC, a related party entity. OMDC has a 25% ownership interest in the Company.

Original Mels RH Development Company, LLC:
Original Mels RH Development Company, LLC ("OMRH") was organized in 2021 to develop and operate one diner in Placerville, California. Subsequent to year-end, the diner was closed in April 2022.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. In accordance with the *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification Topic* (ASC) 230, *Statement of Cash Flows*, the statement of cash flows presents the total change in cash, including restricted cash, during the period.

Receivables
Management believes that all royalties and advances receivable as of December 26, 2021 and December 27, 2020, are fully collectible. Accordingly, no allowance for uncollectible amounts is deemed necessary.

Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) basis. Inventory consists of perishable food products and durable goods. Spoilage resulting from unused perishables is not material to the consolidated financial statements and is included in cost of sales.

Property and Equipment
Property and equipment are stated at cost. The cost of building improvements, machinery and equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets that range from 3 to 18 years. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Investments
The investments in Buckhorn Rocklin LLC are accounted for using the equity method, which requires that the investments are recorded at cost and adjusted for the Company's share of income or loss and cash distributions. To the extent that equity losses are incurred when the Company's carrying value of the investment has reached a zero balance, any losses will be suspended to be used against future income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
The Company records revenue for store sales upon purchases by customers. Revenue is recorded net of sales returns, discounts and sales taxes. A deferred liability is recognized for gift cards that have been sold but not yet redeemed at their anticipated redemption value. The Company recognizes revenue and reduces the related deferred liability when the gift cards are redeemed. The Company records royalty revenue calculated as a percentage of monthly sales at participating locations. Royalty revenue is recognized upon receipt of monthly sales figures after the close of the period.

The Company recognizes revenue from contracts in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (FASB ASC 606), which was retrospectively adopted with no change to income or members' equity. The guidelines for recognizing and measuring revenue consist of identifying the contracted services, identifying and separating performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations, and recognizing revenue when (or as) each distinct performance obligation is satisfied. The completion of a franchise contract includes the following performance obligations: pre-opening assistance, post-opening assistance and marketing/advertising.

As the initial franchise fee and ongoing royalty fees provide primarily the same benefit (license to intellectual property), the payments are not considered distinct and are recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalty and other fees are recognized periodically, as the fees become earned and are receivable from the franchisee. Recognizing revenue as performance obligations are satisfied utilizes the output method of accounting.

The Company does not have obligations for returns, refunds, or warranties. Judgments that could significantly affect the determination of the amount and timing of revenue from contracts are stipulated in the individual contracts. No revenue will be recognized in situations where it is probable that a significant reversal will occur.

Goodwill
The Company has accounted for its business acquisitions under the purchase method, resulting in the acquired assets being stepped-up to their fair market value at the date of purchase. The excess of the purchase cost over the fair value of the net assets acquired is reported as goodwill.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill impairment in the amount of $150,000 was recorded during the periods ended December 26, 2021 and December 27, 2020.

Debt Issuance Costs
The Company records debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the consolidated statement of income and members' equity.

Advertising
The Company expenses advertising costs as they are incurred. Advertising expense for the periods ended December 26, 2021 and December 27, 2020, was $2,047 and $30,736, respectively.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

TOMIG has been organized as a limited liability company in the State of California. For federal and state income tax purposes, TOMIG is treated as a partnership and all items of income and expense flow through to the individual members. TOMIG is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMDC has been organized as a single-member limited liability company in the State of California with TOMIG serving as its sole member. For federal and state income tax purposes, OMDC is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMDC is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMRH has been organized as a single-member limited liability company in the State of California with OMDC serving as its sole member. For federal and state income tax purposes, OMRH is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMRH is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMI is a C corporation which incurs corporate income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are related primarily to temporary differences between the basis of certain assets and liabilities for financial and income tax reporting. The resulting deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets, net of allowances based on the likelihood of realization, are also recognized for operating losses and deductions carried forward that are available to offset future taxable income.
OMI's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Fair Value Measurements

The Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)
The Company has adopted the provisions of FASB ASC 825 as revised by ASU 2016-01, Financial Instruments–Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 enhances the reporting model for financial instruments by providing financial statement users with more decision-useful information.

Management's Use of Estimates
The presentation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through October 3, 2022, the date that the consolidated financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in various commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents exceeded federally insured limits at December 26, 2021 and December 27, 2020 by $2,197,554 and $431,546, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 26, 2021 and December 27, 2020:

	2021	2020
Building improvements	$ 1,353,956	$ 1,794,267
Machinery and equipment	1,745,360	1,896,948
Furniture and fixtures	823,414	708,869
Subtotal	3,922,730	4,400,084
Less accumulated depreciation	(1,792,283)	(1,272,773)
Total property and equipment, net	$ 2,130,447	$ 3,127,311

Total depreciation expense for the periods ended December 26, 2021 and December 27, 2020 was $496,886 and $546,864, respectively.

NOTE 5: CAPITALIZED TRADEMARK COSTS

Trademarks, as of December 26, 2021 and December 27, 2020, consist of the following:

	2021	2020
Trademark	$ 6,206	$ 6,206
Less accumulated amortization	(2,829)	(2,414)
Total trademark, net	$ 3,377	$ 3,792

Capitalized trademark costs are amortized over their legal lives. Total amortization expense was $415 and $414 for the periods ended December 26, 2021 and December 27, 2020, respectively. Estimated aggregate amortization expense for each of the next five periods and thereafter is approximated as follows:

Period Ending December:	
2022	$ 414
2023	414
2024	414
2025	414
2026	414
Thereafter	1,307
Total	$ 3,377

NOTE 6: NOTES PAYABLE

Notes payable to related parties as of December 26, 2021 and December 27, 2020, is summarized as follows:

	2021	2020
Note payable to related parties Note payable of $1,250,000 payable to a former member with monthly principal and interest payments of $6,869, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until the maturity date of February 1, 2023. Note is secured by a member's membership interest.	$ 522,704	$ 572,149
Note payable to related parties Note payable of $980,000 payable to a former member with monthly principal and interest payments of $5,343, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until February 1, 2023. Note is secured by a member's membership interest.	406,591	445,052
Total notes payable to related parties	929,295	1,017,201
Less current portion	93,328	87,906
Total long-term portion payable to related parties	$ 835,967	$ 929,295

NOTE 6: NOTES PAYABLE (CONTINUED)

The following is a summary of principal maturities of the notes payable to related parties for the next two periods:

Period Ending December:	
2022	$ 93,328
2023	835,967
Total	$ 929,295

Notes payable to unrelated parties as of December 26, 2021 and December 27, 2020, are summarized as follows:

	2021	2020
Note Payable to Mechanics Bank Note payable of $9,000,000 obtained in December 2019 with interest at a rate of 5%. Monthly principal and interest payments to begin January 20, 2020, in the amount of $95,459 until maturity on December 13, 2024. Note is secured by all company assets, shares and membership interests.	$ 8,485,895	$ 8,835,521
Less unamortized debt issuance costs	(82,830)	(110,440)
Notes payable to unrelated parties, less unamortized debt issuance costs	8,403,065	8,725,081
Less current portion	(732,213)	(714,071)
Total long-term portion payable to unrelated parties	$ 7,670,852	$ 8,011,010

The following is a summary of principal maturities of notes payable to unrelated parties during the next three periods:

Period Ending December:	
2022	$ 732,213
2023	770,207
2024	6,983,475
Total	$ 8,485,895

NOTE 6: NOTES PAYABLE (CONTINUED)

There are restrictive covenants on indebtedness. The Company was in compliance with such restrictive covenants or had obtained consent of the lender as of December 26, 2021 and December 27, 2020.

NOTE 7: INCOME TAXES

The provision for income taxes for the periods ended December 26, 2021 and December 27, 2020, are as follows:

	2021	2020
Federal income tax benefit (expense):		
Current	$ (48,818)	$ -
Deferred	10,900	53,500
Net federal income tax benefit (expense)	(37,918)	53,500
State income tax benefit (expense):		
Current	(33,263)	(2,400)
Deferred	22,200	26,500
Net state income tax benefit (expense)	(11,063)	24,100
Provision for income tax benefit (expense)	$ (48,981)	$ 77,600

The deferred tax assets and liabilities as of December 26, 2021 and 2020 are as follows:

	2021	2020
Non-current deferred tax liability (asset):		
Compensated absences	$ (14,500)	$ (24,800)
Fixed assets	165,000	208,400
Total non-current deferred tax liability	$ 150,500	$ 183,600

The provision for income taxes differs from the expense that would result from applying the federal and state statutory rates to income before income taxes because of certain permanent differences, including nondeductible expenses, future changes in enacted tax rates and items flowing through to individual members of TOMIG, OMRH and OMDC.

NOTE 8: OPERATING LEASES

The Company leases real and personal property under non-cancelable operating leases. While all of the agreements provide for minimum lease payments, one provides for rental payments contingent upon prescribed sales volumes. Most of the leases contain renewal options. The total lease expense for the periods ended December 26, 2021 and December 27, 2020 was $1,263,959 and $1,325,923, respectively.

NOTE 8: OPERATING LEASES (CONTINUED)

The following is a schedule of future minimum lease payments required under the leases:

Period Ending December:	
2022	$ 645,152
2023	576785
2024	586,910
2025	586,910
2026	511,310
Thereafter	498,740
Total	$ 3,405,807

Minimum lease payments in the schedule exclude contingent rentals, month-to-month rentals and rentals under renewal options which, as of December 26, 2021, are not reasonably assured of being exercised. Subsequent to year-end, the lease with Shingle Springs Tribal Gaming Authority was terminated in April 2022.

NOTE 9: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company was granted loans from Mechanics Bank in the amount of $2,083,151 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans bear interest at 1% per annum and matures in April 2022. The note and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. As of December 27, 2020, the total amount of $2,083,151 was reported as a current liability on the consolidated balance sheets. As of December 26, 2021, the total amount of $2,083,151 is included in other income on the consolidated statements of income and members' equity.

In January and February 2021, the Company was granted loans from Mechanics Bank in the amount of $2,937,621 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans bear interest at 1% per annum and matures in 2023. The note and accrued interest are forgivable after 24 to 60 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. As of December 26, 2021, the total amount of $2,937,621 is reported as a current liability on the consolidated balance sheets.

NOTE 10: RELATED PARTY TRANSACTIONS

During 2019, the Company redeemed certain membership interests. The Company has two notes payable to the former members in the amounts of $2,230,000. Terms are as stated in Note 6. As of December 26, 2021 and December 27, 2020, the notes payable totaled $929,295 and $1,017,201, respectively, and are reported as notes payable – related parties.

During 2017, certain members of the Company made short-term unsecured non-interest-bearing loans to the Company. At December 26, 2021 and December 27, 2020, the balance outstanding of these loans was $55,757 and $105,757, respectively, and are reported as loans payable - related parties.

The Company has advances receivable from certain members of TOMIG, in the amount of $57,500 at December 26, 2021 and December 27, 2020. This amount is included in advances receivable - related parties.

NOTE 10: RELATED PARTY TRANSACTIONS (CONTINUED)

The Company has an amount receivable from a related party of certain members of TOMIG in the amount of $60,000 at December 26, 2021 and December 27, 2020. This amount is included in advances receivable - related parties.

The Company has a note receivable from a related party of certain members of TOMIG, in the amount of $180,000 at December 26, 2021. This amount is included in notes receivable - related parties.

The Company invested in Buckhorn Rocklin LLC, a related party Company, during the current period. The Company owns a twenty-five percent interest in the related party Company and is reflected as investments on the consolidated balance sheets.

December 27, 2020, balance	$ -
Initial investment	257,704
Advances classified as additional investment	85,936
Current year loss	(192,529)
December 26, 2021, balance	$ 151,111

As of December 26, 2021, the Company had advanced amounts totaling $656,256 to Buckhorn Rocklin LLC, of which $570,320 is included in advances receivable – related parties and $85,936 included as an increase to the investment. Subsequent to year-end, the advances receivable at December 26, 2021, and additional advances made in the subsequent year, were converted to a note receivable in the amount of $1,116,855.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a nonrecurring basis at December 26, 2021 and December 27, 2020 are as follows:

	Level 1	Level 2	Level 3	2021 Total
Goodwill	$ -	$ -	$ 8,332,432	$ 8,332,432

	Level 1	Level 2	Level 3	2020 Total
Goodwill	$ -	$ -	$ 8,482,432	$ 8,482,432

During 2020 and 2021, goodwill was impaired in the amount of $150,000 each period due to the closure of a diner.

NOTE 12: COMMITMENTS & CONTINGENCIES

During the course of business, the Company is involved in certain activities that may result in contingent liabilities including transactions to sell franchises. The potential of such transactions to result in contingency liabilities is unknown. The Company considers all such contingent liabilities to be unlikely.

NOTE 13: RISKS AND UNCERTAINTIES

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a nonrecurring basis at December 25, 2022 and December 26, 2021, are as follows:

	Level 1	Level 2	Level 3	2022 Total
Goodwill	$ -	$ -	$ 8,332,432	$ 8,332,432

	Level 1	Level 2	Level 3	2021 Total
Goodwill	$ -	$ -	$ 8,332,432	$ 8,332,432

During 2021, goodwill was impaired in the amount of $150,000 due to the closure of a diner.

NOTE 12: COMMITMENTS AND CONTINGENCIES

During the course of business, the Company is involved in certain activities that may result in contingent liabilities including transactions to sell franchises. The potential of such transactions to result in contingency liabilities is unknown. The Company considers all such contingent liabilities to be unlikely.

~~THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES~~

~~CONSOLIDATED FINANCIAL STATEMENTS~~
~~December 27, 2020 and December 31, 2019~~

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Members
The Original Mels Investment Group, LLC and Subsidiaries
Placerville, California

We have audited the accompanying consolidated financial statements of The Original Mels Investment Group, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 27, 2020 and December 31, 2019, and the related consolidated statements of income and members' equity and cash flows for the periods then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Original Mels Investment Group, LLC and Subsidiaries as of December 27, 2020 and December 31, 2019, and the results of their operations and their cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

October 15, 2021
Roseville, California

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 27, 2020 and December 31, 2019

ASSETS

	2020	2019
Current assets:		
Cash	$ 781,510	$ 711,094
Royalties receivable	223,844	132,478
Advances receivable - related parties	117,500	117,500
Inventory	103,696	146,622
Deposits	55,335	78,559
Prepaid expenses	56,271	41,944
Total current assets	1,338,156	1,228,197
Property and equipment, net	3,127,311	3,907,647
Other assets	970,591	-
Trademark, net	3,792	4,206
Goodwill	8,482,432	8,632,432
Total assets	$ 13,922,282	$ 13,772,482

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	$ 781,216	$ 1,233,332
Income tax payable	81	38,560
Deferred revenue	96,578	102,758
Accrued liabilities	260,274	354,426
Loans payable - related parties	105,757	55,757
Other liabilities	28,191	115,023
Paycheck Protection Program	2,083,151	-
Current portion of notes payable - related parties	87,906	82,799
Current portion of notes payable - unrelated parties	714,071	741,229
Total current liabilities	4,157,225	2,723,884
Long-term liabilities:		
Deferred tax liability	183,600	263,600
Notes payable - related parties, net of current portion	929,295	1,017,201
Notes payable - unrelated parties, net of current portion	8,017,010	8,120,721
Total long-term liabilities	9,129,905	9,401,522
Total liabilities	13,287,130	12,125,406
Members' equity:	635,152	1,647,076
Total liabilities and members' equity	$ 13,922,282	$ 13,772,482

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Periods Ended December 27, 2020 and December 31, 2019

	2020	2019
Sales	$ 13,733,145	$ 15,871,250
Cost of sales	(8,414,448)	(10,563,528)
Gross profit on sales	5,318,697	5,307,722
Royalty revenue	484,830	1,000,913
Operating expenses	(5,697,472)	(5,256,063)
Net operating income (loss)	106,055	1,052,572
Other income (expense):		
Interest expense	(550,939)	(388,356)
Startup costs	-	(5,193)
Loss on disposal of fixed assets	(505,597)	-
Impairment of goodwill	(150,000)	-
Other income	10,957	271,182
Income (loss) before income taxes	(1,089,524)	930,205
Provision for income tax benefit (expense)	77,600	(155,509)
Net income (loss)	(1,011,924)	774,696
Members' equity, beginning of year	1,647,076	3,452,380
Redemption of members' interests	-	(2,580,000)
Members' equity, end of year	$ 635,152	$ 1,647,076

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended December 27, 2020 and December 31, 2019

	2020	2019
Cash flows from operating activities:		
Net income (loss)	$ (1,011,924)	$ 774,696
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	547,278	406,978
Gain on sale of assets	505,597	(250,584)
Deferred tax expense (benefit)	(80,000)	(50,200)
Change in operating assets and liabilities:		
Royalties receivable	(91,366)	(41,442)
Advances receivable - related parties	-	1,033
Inventory	42,926	(31,203)
Deposits	23,224	(35,531)
Prepaid expenses	(14,327)	(5,212)
Other assets	(970,591)	-
Accounts payable	(452,116)	(141,102)
Income taxes payable	(38,479)	31,472
Deferred revenue	(6,180)	32,708
Accrued liabilities	(94,152)	24,497
Other liabilities	(86,832)	115,023
Net cash provided by (used in) operating activities	(1,726,942)	831,133
Cash flows from investing activities:		
Purchases of property and equipment	(542,949)	(797,571)
Disposal of property and equipment	270,824	350,000
Purchase of intangible assets	150,000	(1,900,000)
Net cash used in investing activities	(122,125)	(2,347,571)
Cash flows from financing activities:		
Principal payments on notes payable - unrelated parties	(130,869)	(5,091,399)
Proceeds from loans payable - unrelated parties	-	9,000,000
Proceeds from loans payable - related parties	50,000	2,580,000
Proceeds from Paycheck Protection Program	2,083,151	-
Principal payments on notes payable - related parties	(82,799)	(2,001,351)
Payments on loans payable - related parties	-	(75,000)
Redemption of members' interests	-	(2,580,000)
Net cash provided by financing activities	1,919,483	1,832,250
Change in cash	70,416	315,812
Cash, beginning of period	711,094	395,282
Cash, end of period	$ 781,510	$ 711,094
Supplemental disclosure of cash flow information:		
Interest paid	$ 435,916	$ 388,356
Taxes paid	$ 2,319	$ 157,502

The accompanying notes are an integral part of these consolidated financial statements.

THE ORIGINAL MELS INVESTMENT GROUP, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 27, 2020 and December 31, 2019

NOTE 1: NATURE OF BUSINESS

The Original Mels Investment Group, LLC, and Subsidiaries, (the "Company") purchase, develop, operate and franchise 1950's style diners. The Company currently operates eight diners in Northern California, and one diner in the Reno, Nevada area. Additionally, the Company receives royalties from certain non-corporate owned restaurants.

In 2014, The Original Mels, Inc., a California corporation ("Original Mels"), merged with and into The Original Mels Diners, Inc., a California corporation ("OMI"). Upon consummation of the merger, Original Mels ceased to exist and OMI was the surviving entity and became a wholly owned subsidiary of The Original Mels Investment Group, LLC ("TOMIC"). Each share of Original Mels was converted into one fully paid and nonassessable share of common stock of OMI. There are currently ten thousand shares of common stock of OMI outstanding, all owned by TOMIC.

In 2016 Original Mels Development Co., LLC ("OMDC"), was organized with TOMIC as its sole member. OMDC was organized for the purpose of developing, owning and operating additional diners in Rocklin, California and Fairfield, California. During 2019, TOMIC purchased three additional diners in Northern California.

In 2016, TOMIC established a new operating segment under the DBA ONE Foodservice Management and Investment Company ("ONE"). ONE was initially formed with the intent of attracting other restaurant chains as members. The targeted benefit is to leverage the purchasing power of the ONE members to achieve national account pricing from suppliers. Additionally, ONE receives a 1% rebate from US Foods and P&R Paper on all purchases made by ONE members.

The Company conducts business on a fiscal year consisting of thirteen, four-week periods, for a total of 52 weeks ending on the Sunday nearest December 31.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of The Original Mels Investment Group, LLC, and it's wholly owned subsidiaries, The Original Mels Diners, Inc., and Original Mels Development Co., LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The business activity of the above entities is as follows:

The Original Mels Investment Group, LLC:
The Original Mels Investment Group, LLC, ("TOMIC") was organized in January 2014, to engage in the purchase, development, operation and franchising of 1950's style diners and investing in entities that do so. In 2016, TOMIC began the operating segment, ONE, to enhance the purchasing power of its members.

The Original Mels Diners, Inc.:
The Original Mels Diners, Inc. ("OMI") was incorporated in February 2015 and operates four diners. Additionally, the corporation receives royalties from certain non-corporate owned restaurants. During 2020, OMI closed one diner in Northern California.

Original Mels Development Co., LLC:
Original Mels Development Co., LLC ("OMDC") was organized in 2016 to develop and operate one diner in Rocklin, California. During 2018, OMDC developed and opened a new diner in Fairfield, California. During 2019, OMDC purchased three diners in Northern California. During 2020, OMDC closed one diner in Northern California.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. In accordance with the *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification Topic* (ASC) 230, *Statement of Cash Flows*, the statement of cash flows presents the total change in cash, including restricted cash, during the year.

Receivables
Management believes that all royalties and advances receivable as of December 27, 2020 and December 31, 2019, are fully collectible. Accordingly, no allowance for uncollectible amounts is deemed necessary.

Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first in, first out (FIFO) basis. Inventory consists of perishable food products and durable goods. Spoilage resulting from unused perishables is not material to the consolidated financial statements and is included in cost of sales.

Property and Equipment
Property and equipment are stated at cost. The cost of building improvements, machinery and equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets that range from 3 to 18 years. Maintenance and repairs which do not extend the useful life of the respective assets are expensed as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Revenue Recognition
The Company records revenue for store sales upon purchases by customers. Revenue is recorded net of sales returns, discounts and sales taxes. A deferred liability is recognized for gift cards that have been sold but not yet redeemed at their anticipated redemption value. The Company recognizes revenue and reduces the related deferred liability when the gift cards are redeemed. The Company records royalty revenue calculated as a percentage of monthly sales at participating locations. Royalty revenue is recognized upon receipt of monthly sales figures after the close of the period.

The Company recognizes revenue from contracts in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (FASB ASC 606), which was retrospectively adopted with no change to income or members' equity. The guidelines for recognizing and measuring revenue consist of identifying the contracted services, identifying and separating performance obligations in the contract, determining the transaction price, allocating the transaction price to the separate performance obligations, and recognizing revenue when (or as) each distinct performance obligation is satisfied. The completion of a franchise contract includes the following performance obligations: pre-opening assistance, post-opening assistance and marketing/advertising.

As the initial franchise fee and ongoing royalty fees provide primarily the same benefit (license to intellectual property), the payments are not considered distinct and are recognized, with an appropriate provision for estimated uncollectible amounts, when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Royalty and other fees are recognized periodically, as the fees become earned and are receivable from the franchisee. Recognizing revenue as performance obligations are satisfied utilizes the output method of accounting.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)
The Company does not have obligations for returns, refunds, or warranties. Judgments that could significantly affect the determination of the amount and timing of revenue from contracts are stipulated in the individual contracts. No revenue will be recognized in situations where it is probable that a significant reversal will occur.

Goodwill
The Company has accounted for its business acquisitions under the purchase method, resulting in the acquired assets being stepped-up to their fair market value at the date of purchase. The excess of the purchase cost over the fair value of the net assets acquired is reported as goodwill.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Goodwill impairment in the amount of $150,000 was recorded during the period ended December 27, 2020. There was no impairment of goodwill recorded during the period ended December 31, 2019.

Debt Issuance Costs
The Company records debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the consolidated statement of income and members' equity.

Advertising
The Company expenses advertising costs as they are incurred. Advertising expense for the periods ended December 27, 2020 and December 31, 2019, was $30,736 and $55,504, respectively.

Income Taxes
TOMIG has been organized as a limited liability company in the State of California. For federal and state income tax purposes, TOMIG is treated as a partnership and all items of income and expense flow through to the individual members. TOMIG is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMDC has been organized as a single-member limited liability company in the State of California with TOMIG serving as its sole member. For federal and state income tax purposes, OMDC is treated as a disregarded entity and all items of income and expense are reported on the tax return of its sole member. OMDC is, however, subject to a California minimum state franchise tax and a graduated tax on gross receipts.

OMI is a C corporation which incurs corporate income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are related primarily to temporary differences between the basis of certain assets and liabilities for financial and income tax reporting. The resulting deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets, net of allowances based on the likelihood of realization, are also recognized for operating losses and deductions carried forward that are available to offset future taxable income.
OMI's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements
The Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

The Company has adopted the provisions of FASB ASC 825 as revised by ASU 2016-01, Financial Instruments–Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 enhances the reporting model for financial instruments by providing financial statement users with more decision-useful information.

Management's Use of Estimates
The presentation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts in the 2019 financial statements have been reclassified, with no effect to change in members' equity, to conform to the 2020 financial statement presentation.

Subsequent Events
Events and transactions have been evaluated for potential recognition or disclosure through October 15, 2021, the date that the consolidated financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts in various commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per financial institution. Cash and cash equivalents exceeded federally insured limits at December 27, 2020 and December 31, 2019 by $431,546 and $483,130, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 27, 2020 and December 31, 2019:

	2020	2019
Building improvements	$ 1,794,261	$ 2,100,900
Machinery and equipment	1,896,948	2,442,544
Furniture and fixtures	708,869	767,518
Subtotal	4,400,084	5,310,962
Less accumulated depreciation	(1,272,773)	(1,403,315)
Total property and equipment, net	$ 3,127,311	$ 3,907,647

Total depreciation expense for the periods ended December 27, 2020 and December 31, 2019 was $546,864 and $406,564, respectively.

NOTE 5: CAPITALIZED TRADEMARK COSTS

Capitalized trademark costs are amortized over their legal lives. Total amortization expense was $414 for each of the periods ended December 27, 2020 and December 31, 2019.

Trademarks, as of December 27, 2020 and December 31, 2019, consist of the following:

	2020	2019
Trademark	$ 6,206	$ 6,206
Less accumulated amortization	(2,414)	(2,000)
Total trademark, net	$ 3,792	$ 4,206

Estimated aggregate amortization expense for each of the next five periods and thereafter is approximated as follows:

Period Ending December:	
2021	$ 414
2022	414
2023	414
2024	414
2025	414
Thereafter	1,722
Total	$ 3,792

NOTE 6: NOTES PAYABLE

Note payable to related parties as of December 27, 2020 and December 31, 2019, is summarized as follows:

	2020	2019
Note payable to related parties Note payable of $1,250,000 payable to a former member with monthly principal and interest payments of $15,007, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until the maturity date of February 1, 2023. Note is secured by a member's membership interest.	$ 572,149	$ 618,721
Note payable to related parties Note payable of $1,330,000 payable to a former member with monthly principal and interest payments of $11,766, interest rate of 6%. Principal and accrued interest commenced on March 1, 2019, and continue every month thereafter until February 1, 2023. Note is secured by a member's membership interest.	445,052	481,279
Total notes payable to related parties	1,017,201	1,100,000
Less current portion	87,906	82,799
Total long-term portion payable to related parties	$ 929,295	$ 1,017,201

The following is a summary of principal maturities of the note payable to related parties during the next three periods:

Period Ending December:	
2021	$ 87,906
2022	93,328
2023	835,966
Total	$ 1,017,200

Notes payable to unrelated parties as of December 27, 2020 and December 31, 2019, are summarized as follows:

	2020	2019
Note Payable to Mechanics Bank Note payable of $9,000,000 obtained in December 2019 with interest at a rate of 5%. Monthly principal and interest payments to begin January 20, 2020, in the amount of $95,459 until maturity on December 13, 2024. Note is secured by all company assets, shares and membership interests.	$ 8,835,521	$ 9,000,000

NOTE 6: NOTES PAYABLE (CONTINUED)

Development Line of Credit Loan to Mechanics Bank Development Line of Credit Loan of $300,000 obtained in December 2019 with interest at a rate of 5.75%. This loan will mature on December 13, 2024. The Line of Credit Loan is secured by all company assets, shares and membership interests.	-	-
Total notes payable to unrelated parties	8,835,521	9,000,000
Less unamortized debt issuance costs	(110,440)	(138,050)
Notes payable to unrelated parties, less unamortized debt issuance costs	8,725,081	8,861,950
Less current portion	(714,071)	(741,229)
Total long-term portion payable to unrelated parties	$ 8,011,010	$ 8,120,721

The following is a summary of principal maturities of notes payable to unrelated parties during the next four periods and thereafter:

Period Ending December:	
2021	$ 714,071
2022	751,124
2023	790,099
2024	6,580,227
Total	$ 8,835,521

There are restrictive covenants on indebtedness. The Company was in compliance with such restrictive covenants or had obtained consent of the lender as of December 27, 2020 and December 31, 2019.

NOTE 7: INCOME TAXES

The provision for income taxes for the periods ended December 27, 2020 and December 31, 2019, are as follows:

	2020	2019
Federal income tax benefit (expense):		
Current	$ -	$ (136,655)
Deferred	53,500	33,600
Net federal income tax benefit (expense)	53,500	(103,055)
State income tax benefit (expense):		
Current	(2,400)	(69,054)
Deferred	26,500	16,600
Net state income tax benefit (expense)	24,100	(52,454)
Provision for income tax benefit (expense)	$ 77,600	$ (155,509)

NOTE 7: INCOME TAXES (CONTINUED)

The deferred tax assets and liabilities as of December 27, 2020 and 2019 are as follows:

	2020	2019
Non-current deferred tax liability (asset):		
Compensated absences	$ (24,800)	$ (7,600)
Fixed assets	208,400	271,200
Total non-current deferred tax liability	$ 183,600	$ 263,600

The provision for income taxes differs from the expense that would result from applying the federal and state statutory rates to income before income taxes because of certain permanent differences, including nondeductible expenses, future changes in enacted tax rates and items flowing through to individual members of TOMIC and OMDC.

NOTE 8: OPERATING LEASES

The Company leases real and personal property under non-cancelable operating leases. While all of the agreements provide for minimum lease payments, one provides for rental payments contingent upon prescribed sales volumes. Most of the leases contain renewal options. The total lease expense for the periods ended December 27, 2020 and December 31, 2019 was $1,325,923 and $1,301,831, respectively.

The following is a schedule of future minimum lease payments required under the leases:

Period Ending December:	
2021	$ 769,685
2022	717,820
2023	732,785
2024	742,910
2025	754,910
Thereafter	1,682,050
Total	$ 5,400,160

Minimum lease payments in the schedule exclude contingent rentals, month-to-month rentals and rentals under renewal options which, as of December 27, 2020, are not reasonably assured of being exercised.

NOTE 9: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Company was granted a loan from Mechanics Bank in the amount of $2,083,151 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan bears interest at 1% per annum and matures in April 2022. The note and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. As of December 27, 2020, the total amount of $2,083,151 remains payable and is included in liabilities on the consolidated balance sheet.

NOTE 10: RELATED PARTY TRANSACTIONS

During 2019, the Company redeemed certain membership interests. The Company has two note payables to the former members in the amounts of $2,580,000. Terms are as stated in Note 6. As of December 27, 2020 and December 31, 2019, the notes payable totaled $1,017,201 and $1,100,000, respectively, and are reported as notes payable – related parties.

During 2017, certain members of the Company made short-term unsecured non-interest-bearing loans to the Company. At December 27, 2020 and December 31, 2019, the balance outstanding of these loans was $105,757 and $55,757, respectively. This amount is reported as loans payable – related parties.

The Company has advances receivable from certain members of TOMIG, in the amount of $57,500 at December 27, 2020 and December 31, 2019. This amount is included in advances receivable – related parties.

The Company has an amount receivable from a related party of certain members of TOMIG in the amount of $60,000 at December 27, 2020 and December 31, 2019. This amount is included in advances receivable – related parties.

The Company sold a diner that was previously operated by the Company in the Sacramento, California area to a related party in January 2019.

NOTE 11: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a nonrecurring basis at December 27, 2020 and December 31, 2019 are as follows:

	Level 1	Level 2	Level 3	2020 Total
Goodwill	$ -	$ -	$ 8,482,432	$ 8,482,432

	Level 1	Level 2	Level 3	2019 Total
Goodwill	$ -	$ -	$ 8,632,432	$ 8,632,432

During 2019, due to the purchase of three new diners, goodwill was increased by $1,900,000. During 2020, goodwill was impaired in the amount of $150,000 due to the closure of a diner.

NOTE 12: COMMITMENTS & CONTINGENCIES

During the course of business, the Company is involved in certain activities that may result in contingent liabilities including transactions to sell franchises. The potential of such transactions to result in contingency liabilities is unknown. The Company considers all such contingent liabilities to be unlikely.

NOTE 13: RISKS AND UNCERTAINTIES

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

EXHIBIT F-1
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

CURRENT FRANCHISEES

California

Utsav Pokharel and Manish Shrestha
Auroral Enterprising
4827 Lone Tree Way
Antioch, CA 94531

Tony & Shelly Metteer
1730 Grass Valley Hwy
Auburn, CA. 95603
530-823-6357

Mike Yakel
13399 Folsom Blvd.
Folsom, CA 95630
(916) 985-7337

~~1116 East Stanley Blvd~~
~~Livermore, CA 94550~~
~~925-371-6357~~

Mike & David Abu-Ghaben
1441 Fitzgerald Dr.
Pinole, CA. 94547
925-935-6457

Mike & David Abu-Ghaben
232 Main Street
Placerville, CA. 95667
530-626-8072

Utsav Pokharel and Manish Shrestha
Auroral Enterprising
2057 Arena Blvd.
Sacramento, CA. 95834
916-928-1420

Mike & David Abu-Ghaben
565 Howe Ave.
Sacramento, CA. 95825
916-641-7500

DRSV San Leandro Inc.
15011 Hesperian Blvd.
San Leandro, CA 94578
510-878-1144

~~Mike and David Abu-Ghaben, Steve Ward~~
~~2986 West Grant Line Road~~
~~Tracy, CA. 95304~~
~~209-836-6071~~

Mike & David Abu-Ghaben
171 Nut Tree Pkwy
Vacaville, CA. 95687
707-451-4811

~~Mike & David Abu-Ghaben~~
~~1396 N. Main St.~~
~~Walnut Creek, CA. 94596~~
~~510-935-6457~~

Nevada

~~Don Yakel, Steve Ward~~
~~189 Damonte Ranch Parkway~~
~~Reno, NV. 89521~~
~~775-852-4357~~

~~Don Yakel~~Mike & David Abu-Ghaben, Steve Ward
2100 Garson Road
Verdi, NV. 89439
775-347-7350

EXHIBIT F-2
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

COMPANY UNITS

~~The Original Mels~~
~~4827 Lone Tree Way~~
~~Antioch, CA 94531~~
~~925-754-1841~~

~~The Original Mels~~
~~2523 Sand Creek Road, Ste. 100~~
~~Brentwood, CA 94513~~
~~(925) 240-6357~~

~~The Original Mels~~
~~4391 Treat Blvd.~~
~~Concord, CA 94521~~
~~925-691-9000~~

The Original Mels
1501 Travis Blvd, Suite 2
Fairfield, CA 94533
707-425-4452

~~The Original Mels~~
~~5430 Crossings Dr.~~
~~Rocklin, CA 95677~~
~~(916) 652-6357~~

The Original Mels
6708 Lonetree Blvd.
Rocklin, CA 95765
(916) 772-6357

The Original Mels
1804 Douglas Blvd.
Roseville, CA 95661
(916) 783-6357

The Original Mels
3000 J Street
Sacramento, CA. 95816
916-444-6357

~~The Original Mels~~
~~345 N. Arlington Ave.~~
~~Reno, NV 89501~~
~~(775) 337-6357~~

EXHIBIT F-3
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

FORMER FRANCHISEES

~~ND Management, Inc.~~
~~4827 Lone Tree Way~~
~~Antioch, CA 94531~~
~~408 387 9647~~

~~ND Management, Inc.~~
~~4391 Treat Blvd.~~
~~Concord, CA 94521~~
~~408 387 9647~~

~~DN Partnership, Inc.~~
~~3000 J Street~~
~~Sacramento, CA. 95816~~
~~408 387 9647~~

No franchisees left the system in the last fiscal year.

EXHIBIT G
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

LIST OF STATE FRANCHISE ADMININISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA ~~Commissioner of Business Oversight~~ Franchise Division Department of ~~Business Oversight~~Financial Protection and Innovation ~~320 West Fourth~~One Sansome Street, Suite ~~750~~600 ~~Los Angeles, California 90013-2344~~ San Francisco, CA 94101-4428 www.dfpi.ca.gov (~~213~~415) ~~876-7500~~972-8565 ~~Toll free:~~ (866) 275-2677	MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373–7117
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296–4026
ILLINOIS Office of the Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782–4465	NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416–8211
INDIANA Secretary of State Franchise Section 302 West Washington, Room E–111 Indianapolis, Indiana 46204 (317) 232–6681	NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202–2020 (410) 576–6360	RHODE ISLAND Securities Division Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, RI 02920 (401) 277–3048

SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501–2017 (605) 773–4013	WASHINGTON Department of Financial Institutions General Administration Building Securities Division – 3rd Floor West 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902–8760
VIRGINIA Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371–9051	WISCONSIN Office of the Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261–9555

EXHIBIT H
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

LIST OF AGENTS FOR SERVICE OF PROCESS

Franchise Division
Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94101-4428
www.dfpi.ca.gov
(415) 972-8565/ (866) 275-2677

Florida Department of Agricultural & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314-6700
(850) 922-2966

~~California Business Oversight Commissioner~~
~~Department of Business Oversight~~
~~320 West 4th Street, Suite 750~~
~~Los Angeles, California 90013-2344~~
~~(231) 576-7500 / Toll Free: 1-866-275-2677~~

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Office of Illinois Attorney General
Franchise Division
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Indiana Securities Division (Administrator)
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Indiana Secretary of State (Agent for Service)
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Office of Kentucky Attorney General
Consumer Protection Division
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204
(502) 696-5389

Office of Maryland Attorney General (Administrator)
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Maryland Securities Commissioner (Agent for Service)
200 St. Paul Place
Baltimore, Maryland 21202-2020

Michigan Attorney General's Office
Consumer Protection Division, Franchise Unit
P.O. Box 30213
Lansing, Michigan 48909
(517) 373-7117

Minnesota Department of Commerce
85 - 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-6328

Nebraska Department of Banking and Finance
Bureau of Securities/Financial Institutions Division
Commerce Court
1230 "O" Street, Suite 400
Lincoln, Nebraska 68508

New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271
(212) 416-8211

North Dakota Securities Department
600 East Boulevard Avenue
Capitol Building, 5th Floor
Bismarck, North Dakota 58505
(701) 328-2910

Oregon Department of Consumer and Business Services
Division of Finance and Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301
(503) 378-4387

South Dakota Department of Labor and Regulation
Division of Securities
445 East Capitol
Pierre, South Dakota 57501-3185
(605) 773-4823

State of Utah
Division of Consumer Protection
160 East 300 South, SM Box 146704
Salt Lake City, Utah 84144-6704
(801) 530-6601

Washington Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
(360) 902-8760

Rhode Island Department of Business Regulation
Securities Division
1511 Pontiac Avenue
John O. Pastore Complex- Building 69-1
Cranston, Rhode Island 02920
(401) 462-9585

Statutory Document Section
Texas Secretary of State
P.O. Box 12887
Austin, Texas 78711-2877
(512) 463-5705

State Corporation Commission (Administrator)
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

Wisconsin Department of Financial Institutions
Division of Securities
P. O. Box 1768
Madison, Wisconsin 53701-1768
(608) 266-8557

EXHIBIT I
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

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THE ORIGINAL MELS OPERATIONS MANUAL

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EXHIBIT J
STATE EFFECTIVE DATES

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	Pending

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 K
TO THE ORIGINAL MELS
DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT
(YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If The Original Mels Investment Group LLC dba The Original Mels Diners Franchising Co. offers you a franchise, we must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If The Original Mels Investment Group LLC dba The Original Mels Diners Franchising Co. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise: Dana Huie, 3222 Royal Drive, Suite B, Cameron Park, California 95682, (916) 458-8135 and the following:

Name	Name
Address	Address
Address	Address
Phone	Phone

Issuance Date: ~~October 5~~May 28, ~~2020~~2024	FTC
Effectiveness Date: (Pending)	California

Our agents for service of process are listed in Exhibit H of the Disclosure Document.

EXHIBITS

Exhibit A	Franchise Agreement	Exhibit F-2	Company Units
Exhibit B	Area Development Agreement	Exhibit F-3	Former Franchisees
Exhibit C-1	Confidentiality and Noncompetition Agreement	Exhibit G	List of State Franchise Administrators
		Exhibit H	List of Agents for Service of Process
Exhibit C-2	Guaranty of Franchise Agreement	Exhibit I	Operations Manual Table of Contents
Exhibit D	State Addenda	Exhibit J	State Effective Dates
Exhibit E	Financial Statements	Exhibit K	Receipts
Exhibit F-1	Current Franchisees		

Date: _____ Signature: _____ Printed Name:_____

Date: _____ Signature: _____ Printed Name:_____

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT
(OUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

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If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of:

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If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

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The name, principal address and telephone number of each franchise seller offering the franchise: Dana Huie, 3222 Royal Drive, Suite B, Cameron Park, California 95682, (916) 458-8135 and the following:

Name	Name
Address	Address
Address	Address
Phone	Phone

Issuance Date: ~~October 5~~May 28, ~~2020~~2024	FTC
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Exhibit C-2	Guaranty of Franchise Agreement	Exhibit I	Operations Manual Table of Contents
Exhibit D	State Addenda	Exhibit J	State Effective Dates
Exhibit E	Financial Statements	Exhibit K	Receipts
Exhibit F-1	Current Franchisees		

Date: _____ Signature: _____ Printed Name:_____

Date: _____ Signature: _____ Printed Name:_____

Please sign this copy of the receipt, date your signature, and return it to:

The Original Mels Investment Group
3222 Royal Drive, Suite B
Cameron Park, California 95682
916-458-8135