



FRANCHISE DISCLOSURE DOCUMENT RECEIVED
MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC OVERSICHT
A Delaware limited liability company SAN FRANCISCO
466 Foothill Boulevard #356
La Cañada Flintridge, California 91011 2019 APR 22 AM 11:20
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Mediterranean Cuisine Franchising Company, LLC, a Delaware limited liability company, offers franchises for fast casual restaurants under the trade name "Daphne's" ("Daphne's Restaurants") that offer a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and non-alcoholic beverages for on-premises and off-premises consumption and catering events. We offer the rights for 3 different franchises in this Disclosure Document.

Single Restaurant Program Under the Single Restaurant Program, you will sign a Franchise Agreement to operate one Daphne's Restaurant. The total investment necessary to begin operation of one Daphne's Restaurant ranges from approximately \$282,500 to \$724,500. This includes \$30,000 that must be paid to us or our affiliate.

Area Development Program Under the Area Development Program, we will assign you a defined area within which you must develop and operate 2 or more Daphne's Restaurants. The total investment necessary to begin operations of the first Daphne's Restaurant under an Area Development Agreement ranges from approximately \$302,500 to \$749,500. This includes \$45,000 that must be paid to us or our affiliate.

Purchase Program Under the Purchase Program, you will purchase an existing and operating Daphne's Restaurant from our affiliate. The total investment necessary to begin operations of an operating Daphne's Restaurant ranges from approximately \$139,500 to \$623,500. This includes \$104,000 to \$536,000 that must be paid to us or our affiliate.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michael Nakhleh, Mediterranean Cuisine Franchising Company, LLC, 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011, Telephone (310) 924-6270, Email Michael@Daphnes.biz.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS APRIL 3, 2018/APRIL 19, 2019

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2018-2019 MCFC PDD
4/19/2019/4/18/2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed on ~~Exhibit K~~ Exhibit J for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY THIS FRANCHISE, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise

1. THE FRANCHISE AGREEMENT ~~AND~~ AREA DEVELOPMENT AGREEMENT ~~AND~~ ASSET PURCHASE AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND LITIGATION ONLY IN LOS ANGELES COUNTY, CALIFORNIA. OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO PARTICIPATE IN MEDIATION AND LITIGATION WITH US IN CALIFORNIA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT ~~AND~~ AREA DEVELOPMENT AGREEMENT ~~AND~~ ASSET PURCHASE AGREEMENT STATE THAT CALIFORNIA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT ~~AND~~ AREA DEVELOPMENT AGREEMENT ~~AND~~ ASSET PURCHASE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

4. FRANCHISOR IS A NEWLY FORMED ENTITY AS OF SEPTEMBER 28, 2017. THEREFORE, THERE IS NO OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER TO INVEST IN THE BUSINESS.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A FRANCHISE BROKER or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

See the Next Page for State Effective Dates

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following state having franchise registration and disclosure laws, with the following effective date

California May 8, 2018 _____

~~In all other states, the effective date of this Franchise Disclosure Document is the issuance date of April 3, 2018~~

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT
TABLE OF CONTENTS**

Item	Description of Contents	Page Number
ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE.	4
ITEM 3	LITIGATION	4
ITEM 4	BANKRUPTCY	5
ITEM 5	INITIAL FEES	5
ITEM 6	OTHER FEES	6
ITEM 7	ESTIMATED INITIAL INVESTMENT	11
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	17
ITEM 9	FRANCHISEE'S OBLIGATIONS	20
ITEM 10	FINANCING	22
ITEM 11	FRANCHISOR'S ASSISTANCE, MARKETING, COMPUTER SYSTEMS, AND TRAINING	23
ITEM 12	TERRITORY	33
ITEM 13	TRADEMARKS	36
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	37
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	38 38
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	40
ITEM 18	PUBLIC FIGURES	47
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	49
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	6564
ITEM 21	FINANCIAL STATEMENTS	6766
ITEM 22	CONTRACTS	6766
ITEM 23	RECEIPTS	6866

EXHIBITS

EXHIBIT A	FRANCHISE AGREEMENT
EXHIBIT B	AREA DEVELOPMENT AGREEMENT
EXHIBIT C	OPTION TO OBTAIN LEASE ASSIGNMENT
EXHIBIT D	ASSET PURCHASE AGREEMENT
EXHIBIT E EXHIBIT D	CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES
EXHIBIT F EXHIBIT E	NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT
	FOR EMPLOYEES OF FRANCHISEE
EXHIBIT G EXHIBIT F	GENERAL RELEASE
EXHIBIT H EXHIBIT G	STATE SPECIFIC ADDENDA
EXHIBIT I EXHIBIT H	FRANCHISE COMPLIANCE CERTIFICATE
EXHIBIT J EXHIBIT I	FINANCIAL STATEMENTS
EXHIBIT K EXHIBIT J	STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
EXHIBIT L EXHIBIT K	LIST OF FRANCHISEES RECEIPTS
EXHIBIT M EXHIBIT L	RECEIPTS

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

Mediterranean Cuisine Franchising Company, LLC, a Delaware limited liability company ("**Franchisor**"), was organized on September 28, 2017, and is the franchisor of Daphne's Restaurants. To simplify the language in this Disclosure Document, "**Franchisor**," "**we**" and "**us**" means Mediterranean Cuisine Franchising Company, LLC. "**You**" or "**Franchisee**" means the business entity, person or persons who sign the Franchise Agreement. The names and addresses of our agents for service of process appear in ~~Exhibit K~~ Exhibit J to this Disclosure Document.

Franchisor's Parents, Predecessors and Affiliates

Our parent, OV Restaurant Group, Inc., a California corporation ("**OV Restaurant Group**") was incorporated on May 18, 2015. Daphne's International, LLC, a California limited liability company that was organized on June 16, 1988, offered franchises for Daphne's Greek Café Restaurants for sale in California from December 2007 until September 2009. Following the Chapter 11 bankruptcy of Daphne's International, LLC in 2010, the assets of Daphne's International, LLC were acquired by Wreath Equity, LLC in 2011. The interests of Wreath Equity, LLC in operating Daphne's Greek Café Restaurants were acquired by Victory Park Capital Advisors in 2014. Our affiliate, Mediterranean Cuisine Operating Company, LLC, a Delaware limited liability company (the "**Operating Company**"), was organized on January 16, 2014 to own and operate Daphne's Greek Café Restaurants as an affiliate of Victory Park Capital Advisors. On September 8, 2017, OV Restaurant Group acquired all of the outstanding membership interests of the Operating Company from Mediterranean Cuisine Holding Company, LLC, a Delaware limited liability company and an affiliate of Victory Park Capital Advisors. As of December 31, 2018, the Operating Company owned and operated ~~23-5~~ 23-5 Daphne's Restaurants in California (collectively, the "**Affiliate-Owned Restaurants**") of the type being franchised under this Disclosure Document. Our affiliate, Daphne's, Inc., a Wyoming Corporation ("**Daphne's, Inc.**") was incorporated on November 15, 2017 and is the owner of the "**Daphne's Marks**", and has granted us a license to sub-license the Daphne's Marks to our franchisees.

In June 2017, our President, Michael Nakhleh, acquired Slater's 50/50 Franchise, LLC ("**Slater's 50/50**"), a Delaware limited liability company, which offers franchises for full service restaurants that offer freshly prepared proprietary hamburgers and sandwiches, shared plates, chicken wings, salads, side dishes, milkshakes and other beverages, proprietary sauces and desserts under the trade name "**Slater's 50/50 Burgers by Design**". As of December 31, 2018, there was 1 affiliated-operated Slater's 50/50 Restaurants, and 10 franchised Slater's 50/50 Restaurants. Slater's 50/50's principal business address is 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011. Slater's 50/50 does not offer franchises of the type being franchised under this Disclosure Document has not offered franchises in any other business.

Our affiliate, Patxi's Franchise, Corp., a Wyoming corporation (the "**Patxi's**"), was incorporated on September 24, 2018 by our President, Michael Nakhleh. Patxi's offers franchises for fast-casual restaurants ("**Patxi's Restaurants**") that offer pizzas, salads, flatbreads and a variety of other related food products and alcoholic and non-alcoholic beverages under the trade name "**Patxi's**". Patxi's has been offering franchises for Patxi's Restaurants since September 27, 2018. As of December 31, 2018, there were 17 affiliate-operated Patxi's Restaurants, and no franchised Patxi's Restaurants. The principal business address for Patxi's is 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011. Patxi's has not offered franchises in any other line of business.

Neither we nor the Operating Company or Daphne's, Inc. have ever offered franchises in ~~this any other~~ business or in any other line of business. We do not operate any Daphne's Restaurants. We have offered our franchises for sale since ~~the issuance date of this Disclosure Document~~ April 3, 2018, and neither we nor the Operating Company or Daphne's, Inc. conduct any other business activities. We do not do business under any other names. Our principal business address and the principal business address of OV Restaurant Group, the Operating Company, Daphne's, Inc. and Slater's 50/50 is 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011.

Daphne's System

We, the Operating Company and its predecessors have developed the Daphne's system (the "Daphne's System") for the operation of Daphne's Restaurants that offer a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and non-alcoholic beverages for on-premises and off-premises consumption and catering events under the trade names "Daphne's", "Daphne's California Greek" and other related trademarks, service Daphne's Marks, logos and commercial symbols (collectively, the "Daphne's Marks").

Daphne's California Greek Franchises

We offer 3 separate franchises in this Disclosure Document, although we may not necessarily grant you the opportunity to purchase under any of these programs.

Single Restaurant Program

Under this program, you will sign a Franchise Agreement (**Exhibit A**) to operate one Daphne's Restaurant (a "Franchised Restaurant") at a location that you choose and that we accept (a "Franchised Location").

Area Development Program

Under this program, we will assign you a defined area (the "Development Area") within which you, as an area developer ("Area Developer"), must develop and operate a minimum of 2 Franchised Restaurants within a specified period of time. The Development Area may be one city, one or more counties, or some other defined geographic area. We may not always afford you the opportunity to develop the number of Franchised Restaurants that you request. You will sign an Area Development Agreement (**Exhibit B**), that will describe your development area and your development schedule and obligations. You and we will determine the Development Area and the number of Franchised Restaurants that you will develop and operate on a case-by-case basis before you sign your Area Development Agreement. You must sign a separate Franchise Agreement for each Franchised Restaurant that you will open under the Area Development Agreement. The Franchise Agreement for your first Franchised Restaurant will be in the form attached as **Exhibit A** to this Disclosure Document and must be signed when you sign your Area Development Agreement. The Franchise Agreements you will sign for your additional Franchised Restaurants will be signed after we accept the site for each Franchised Restaurant and will be our then-current form of Franchise Agreement that we are then offering to new franchisees. These Franchise Agreements may contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as **Exhibit A**.

Purchase Program

Under this program, you, as buyer, will purchase an affiliate-owned and operating Daphne's Restaurant (an "Operating Restaurant") from the Operating Company. You will sign an Asset Purchase Agreement in substantially the form of ~~Exhibit D~~ to this Disclosure Document to acquire the assets of the Operating Restaurant (the "~~Asset Purchase Agreement~~") and will sign a Franchise Agreement to operate the Operating Restaurant when you purchase the assets of the Operating Restaurant. You will also sign an Addendum for Restaurant Purchase (Exhibit D to the Franchise Agreement) (the "**Purchase Addendum**") that will ~~will~~ may change certain terms of the Franchise Agreement that do not apply to an Operating Restaurant. The term "Daphne's Restaurant" will include an Operating Restaurant unless this Disclosure Document specifically states or the context requires otherwise.

Under all of our franchise programs, franchisees, area developers, or buyers may be individuals or entities who meet our then-current requirements for franchisees or area developers or buyers. These requirements may include the signing of personal guarantees in substantially the form attached as Exhibit C to the Franchise Agreement by some or all of the individuals holding an equity interest in the franchisee or area developer.

Renewals

If you are signing your Franchise Agreement for the renewal of an existing Franchise Agreement, some of the terms of your new Franchise Agreement may be modified or different from the terms of your existing Franchise Agreement. In addition, you, and each affiliate who has a currently effective Franchise Agreement with us, must sign a General Release (~~Exhibit G~~ Exhibit F), as a condition to entering into a new Franchise Agreement.

Competition

You will compete in the fast-casual food business with various established independent local restaurants and regional or national chain outlets specializing in the sale of Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes and other types of sandwiches, wraps and salads, both for take-out service and full service, as well as with other restaurants and take-out facilities selling all kinds of food or other specialty foods, including well-established national chain outlets and local businesses. Many restaurants specialize in Greek and Mediterranean food and competition in the restaurant business in general and the fast-casual food industry in particular is relatively non-seasonal and intense. In addition, competition for qualified management and supervisors, skilled labor and unskilled labor for the restaurant industry is significant, which may cause labor costs to be higher than average. The supply of suitable locations for restaurants is limited and is subject to increasing demand from other restaurant concepts and non-restaurant retailers.

Special Industry Regulation

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Franchised Restaurant, including those that (i) establish general standards, specifications and requirements for the construction, design and maintenance of restaurant premises, (ii) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants, employee practices concerning the storage, handling, cooking and preparation of food and beverages, restrictions on smoking, and availability of and requirements for public accommodations, including restrooms, (iii) set standards pertaining to employee health and safety, (iv) set standards and requirements for fire safety and general emergency preparedness, (v) govern the use of vending machines, and (vi) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Franchised Restaurant and should consider both their effect and cost of compliance.

In addition, you must comply with all local, state, and federal laws that apply to your Franchised Restaurant including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses. You must also comply with all menu and menu board labeling laws and rules requiring restaurant operators to disclose certain calorie or other nutritional information about the foods they sell, including, for example, the FDA's Nutrition Labeling of Standard Menu Items in Restaurants and Similar Food Establishments Rule. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. In California, local county health departments inspect restaurants and other retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities. Other states and cities may have laws similar to these California laws.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA. Certain health care laws additionally contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants.

The Payment Card Industry Data Security Standard ("PCI") requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accept, transmit or store any cardholder data.

You should consult with your attorney concerning these and other local laws and ordinances that may affect your Franchised Restaurant.

ITEM 2 BUSINESS EXPERIENCE

President

Michael Nakhleh

Mr. Nakhleh was named our President in September 2017. Mr. Nakhleh has served as the President of Slater's 50/50 since June 2017 and as the President of OV Restaurant Group since August 2015 in La Cañada Flintridge, California and Beverly Hills, California. Mr. Nakhleh was previously Chief Operating Officer of American Restaurant Group, Inc. from 2013 to 2015 in Los Altos, California, and Chief Operating Officer of Platinum Investments & Acquisitions Inc. and Palm Venture Capital, Inc. in Rancho Cucamonga, California from 2011 to 2013. Mr. Nakhleh has owned Ocean View Bar and Grill in Montrose, California since August 2015 and Dish Restaurant in La Cañada Flintridge, California since December 2013, and was the owner of Cafe Rose in Montrose, California from November 2015 to November 2016, Fatburger locations in Rancho Cucamonga, California and Granada Hills, California from May 2011 to May 2013, and a Sizzler location in Ventura, California from June 2012 to December 2014.

Chief Operating Officer**Ernie Romo**

Mr Romo was named our Chief Operating Officer in September 2017 Mr Romo has been Chief Operating Officer of Slater's 50/50 in La Cañada Flintridge, California and Anaheim, California since July 2014 Mr Romo was previously the General Manager of King's Fish House in Costa Mesa, California from 2006 to July 2016

Regional Manager/Head Trainer**Richard Mora**

Mr Mora was named a Regional Manager and our Head Trainer in September 2017 Mr Mora was a Regional Director of Victory Park Capital Advisors in San Diego, California from January 2010 to September 2017

Franchise Director**Asif Sheikh**

Mr Sheikh was named our Franchise Director in September 2018 Mr Sheikh has been Franchise Director of Slater's 50/50 in La Cañada Flintridge, California since September 2018 Mr Sheikh has been Franchise Director of Patxi's in La Cañada Flintridge, California since September 2018 Mr Sheikh was unemployed from February 2017 to August 2018 Mr Sheikh previously worked in Marketing and Development at Black Diamond Food, LLC in Calabasas, California from January 2012 to February 2017

**ITEM 3
LITIGATION**

Karma Capital, Inc Marc Gates and Trisha Gates vs Mediterranean Cuisine Operating Co, LLC, Michael Nakhleh, OV Restaurant Group, Inc, Mediterranean Cuisine Franchising Company, LLC, et al (Filed December 13, 2018 in the Superior Court of California for County of Los Angeles, No 18STCV08435 (the "State Action")) In May 2018, Plaintiffs signed Franchise Agreements and Guarantees to operate 8 Daphne's Restaurants they purchased from the Operating Company The State Action claims violation of the California Franchise Investment Law, negligent misrepresentation, fraudulent misrepresentation, breach of contract and of the covenant of good faith and fair dealing, negligence, civil conspiracy, intentional infliction of emotional distress, unfair business practices and civil extortion related to their purchase of the Restaurants and entering into the Franchise Agreements At the effective date of this Disclosure Document, Defendants had not filed a response in the State Action Defendants intend to deny all allegations We issued default notices for Plaintiffs' failures to make payments due to the Operating Company on 2 Promissory Notes from the restaurant purchase transaction and failures to pay rent to landlords Plaintiffs did not cure these defaults On February 12, 2019 we terminated the Franchise Agreements Due to Plaintiffs continuing to operate the restaurants using the Daphne's marks and system, we and Daphne's, Inc filed a Complaint for trademark and trade dress infringement and specific performance, entitled Mediterranean Cuisine Franchising Company, LLC and Daphne's, Inc vs Karma Capital, Inc, Marc Gates and Trisha Gates (Filed March 8, 2019 in U S District Court, Central District of California, No 2 19-CV-01288 FMO (KSX)) On April 4, 2019, Karma Capital, Inc filed a petition for bankruptcy in the United States Bankruptcy Court for the Southern District of California (No 19-01962-11)

No Other than these matters, no litigation is required to be disclosed in this Item

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item

ITEM 5 INITIAL FEES

Single Restaurant Program

You must pay us an initial franchise fee (the “Initial Franchise Fee”) of \$30,000 when you sign your Franchise Agreement (**Exhibit A**) for your Franchised Restaurant

Area Development Program

You must pay us a development fee (the “Development Fee”) of \$15,000 for each Franchised Restaurant you will develop, other than your first Franchised Restaurant, when you sign your Area Development Agreement (**Exhibit B**) for a minimum of 2 Franchised Restaurants. You must also pay us the \$30,000 Initial Franchise Fee and sign the Franchise Agreement for your first Franchised Restaurant when you sign the Area Development Agreement. When you sign a Franchise Agreement for each subsequent Franchised Restaurant you will develop, you must pay us an Initial Franchise Fee of \$15,000 for each of them, however, we will credit your Development Fee against the Initial Franchise Fee for each subsequent Franchised Restaurant (not to exceed a credit of \$5,000 for any single Franchised Restaurant).

Purchase Program

You must pay us an Initial Franchise Fee of \$30,000 for an Operating Restaurant when you complete the asset purchase transaction and sign the Franchise Agreement. You must also pay us the purchase price for the assets of an Operating Restaurant, which will generally range from \$50,000 to \$450,000 and pre-paid rent and security deposits that will generally range from \$24,000 to \$56,000.

Refunds, Different Fees and Financing

The Initial Franchise Fee and Development Fee are fully earned by us when paid and are not refundable under any circumstances. We use the proceeds from Initial Franchise Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as (i) costs related to developing and improving our services, (ii) expenses of preparing and registering this Disclosure Document, (iii) legal fees, (iv) accounting fees, (v) costs of obtaining and screening franchisees, and (vi) general administrative expenses. Once paid, the purchase price for the assets of an Operating Restaurant are fully earned and are not refundable under any circumstances. We may reduce, finance, defer or waive the Initial Franchise Fee or Development Fee if and when we determine, it is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee or Development Fee. We may do so if and when we determine it is warranted by a unique or compelling situation.

ITEM 6 OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	Equal to 5% of “Gross Sales”	Wednesday of each week on the Gross Sales of your	“Gross Sales” includes all revenue from your operation of your

Name of Fee	Amount	Due Date	Remarks
		Franchised Restaurant during the immediately preceding week	Franchised Restaurant, including delivery and catering charges that are not included in the price of Authorized Products Gross Sales do not include bona fide refunds paid to customers, sales or use taxes actually paid to governmental authorities or the retail price of any coupons, gift certificates and vouchers when they are redeemed
Marketing Fund Fee ²	We do not currently require you to pay a Marketing Fund Fee If and when we establish a Marketing Fund, you must contribute 2% - 3% of Gross Sales as a Marketing Fund Fee as we specify	The tenth calendar day of each month on the Gross Sales of your Franchised Restaurant during the immediately preceding month	We may elect to establish a Marketing Fund in the future on 90 days' prior notice The Marketing Fund Fee will be in addition to your Local Marketing Expenditure
Local Marketing Expenditure	1% of Gross Sales	As incurred	You must spend an amount equal to 1% of Gross Sales on local promotion and marketing <u>This amount is not paid to us</u> If you fail to do so, you must pay the Marketing Fund the difference between the amount that you actually spent and 1% of your Gross Sales We have the right to adjust the amount of the Local Marketing Expenditure at any time during the term of your Franchise Agreement upon 90 days' prior written notice to you, not to exceed 2% of Gross Sales
Cooperative Marketing Fees	As determined by us and 50% or more of the participating Franchised Restaurants in the Cooperative Marketing Program, not to exceed 2% of Gross Sales	As we designate	You must contribute to the Cooperative if we establish a Cooperative Marketing Program in the Marketing Coverage Area where your Franchised Restaurant is located Your contributions will be credited against your local marketing expenditures

Name of Fee	Amount	Due Date	Remarks
Late Charge ²	1 5% per month (18% per year) plus \$200, but not exceeding the maximum legal rate, which is currently 10% in California, from the date payment was due until paid in full	Continues to accrue until paid	Payable if any check, draft, electronic or other payment is unpaid because of insufficient funds or if any sums due to us are not paid promptly when due
Administrative Reconciliation Fee	\$250 per occurrence	On demand	Payable if you believe that our estimate of your Royalty Fees due for any period exceed your actual Royalty Fees due and you request a reconciliation
Pre-Opening Additional Initial Training Fee	\$3,000 per additional trainee plus your out-of-pocket expenses, including transportation, food and lodging	On demand	We will provide an initial training program (the "Initial Training Program") for up to 2 supervisory or managerial employees. If you send more than 2 people to the Initial Training Program, you must pay this Pre-Opening Additional Initial Training Fee per additional trainee
Post-Opening Additional Initial Training Fee	\$5,000 for each of your employees who attends post-opening Additional Initial Training Programs, plus our out-of-pocket expenses, including transportation, food and lodging	On demand	If, following the opening date of your Franchised Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel, you must pay this Post-Opening Additional Initial Training Fee
Post-Opening Additional/Remedial Training Program Daily Fee	\$500 per day for each of our employees who provide post-opening Additional Training Programs, plus our out-of-pocket expenses, including transportation, food and lodging	On demand	We may require you and your general manager to attend additional and remedial training programs, at our discretion

Name of Fee	Amount	Due Date	Remarks
Post-Opening On-Site Assistance (Travel Expenses)	Varies If you delay or accelerate your scheduled date for on-site opening assistance, you are required to reimburse us for all costs and expenses we incur to change the travel arrangements for our representatives who were scheduled to provide on-site assistance	On demand	We will provide on-site training and assistance at your Franchised Restaurant for approximately 10 days before and 10 days after your Franchised Restaurant opens for business
Manual Replacement Fee	\$500	On demand	Payable if you misplace the Manuals or fail to return them to us upon demand
Inspection Fee	\$500 per re-inspection	On demand	Payable if we must revisit your Franchised Restaurant for an inspection after you have already been notified of any deficiency or unsatisfactory condition
Insurance	Amount of unpaid premiums and our out of pocket costs	On demand	Payable if you fail to maintain required insurance coverage and if we elect to obtain coverage for you
Transfer Fee (Franchise Agreement)	\$10,000	When your proposed transferee delivers an application to us to obtain an assignment of your rights under your Franchise Agreement	Payable if you transfer/assign your Franchise Agreement
Transfer Fee (Area Development Agreement)	\$10,000	When your proposed transferee delivers an application to us to obtain an assignment of your rights under your Area Development Agreement	Payable if you transfer/assign your Area Development Agreement
Renewal Fee (Franchise Agreement)	\$5,000	When you deliver a renewal notice to us for your Franchise Agreement	This renewal fee will be in lieu of the Initial Franchise Fee payable when you renew your Franchise Agreement
Renewal Fee (Area Development Agreement)	\$5,000	When you deliver a renewal notice to us for your Area Development Agreement	This renewal fee will be payable when you renew your Area Development Agreement

Name of Fee	Amount	Due Date	Remarks
Non-Cash Payment System	All costs associated with non-cash payment systems	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify
Liquidated Damages	An amount equal to twice the total Royalty Fees paid (or if unpaid, payable) by you during the 12 months before the termination date	Within 30 days following the date of termination	Payable if you default and we terminate your Franchise Agreement
Default Reimbursement	Our costs and expenses from your default	Within 5 days after you cure your default or on demand if not cured	Payable if you default under your Franchise Agreement
Reimbursement for Payments Made to Approved Suppliers	Varies	As incurred	If we receive notice from an Approved Supplier that you are over 60 days past due on any payment owed to the Approved Supplier, and you have not previously provided notice to the Approved Supplier disputing the overdue amount, we will have the right, but not the obligation, to make payment to the Approved Supplier on your behalf and to reimburse our self for the amount we paid by electronic funds transfer from your bank account
Audit ²	Cost of audit (estimated to be \$1,000 - \$5,000) <u>plus</u> 1 5% per month (18% per year), but not exceeding the maximum legal rate, which is currently 10% in California	On demand	Payable if an audit shows an understatement of 3% of Gross Sales or more
Interim Management Fee	To be determined	As incurred	Payable if you are in default under your Franchise Agreement and we elect to assume interim management of your Franchised Restaurant during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement
Gross-Up Fees	Varies with circumstances	On demand	To insure that we receive a full 5% of Gross Sales as a Royalty Fee that is due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us

Name of Fee	Amount	Due Date	Remarks
			Royalty Fees, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of your Franchise Agreement
Sanitation and Food Safety Audits	Cost of the inspection	On demand	We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits during the term of your Franchise Agreement
New Product and Supplier Testing Fees	Actual cost of inspection testing, \$1,000 must be paid as a deposit before facility inspection	As incurred	If you propose to purchase any goods or materials from a supplier that we have not previously approved, we have the right to require an inspection of the supplier's facilities and testing of samples we designate. You must pay us a fee equal to the actual cost of the inspection and testing
Annual Conference Fee	\$500	Upon demand at least 30 days before the date of the Annual Franchise Conference	You must pay us a Franchise Conference Fee to reimburse us for a portion of our direct costs to provide the Annual Franchise Conference, whether or not you attend the conference
Post-Termination Gross Revenue Fee	5% of all revenue derived from the operation of the Competitive Business	15 th day of each month on the Post Termination Gross Revenue of the Competitive Business during the preceding calendar month	Payable if you operate a Competitive Business after the expiration, termination or assignment of your Franchise Agreement in violation of the covenants in your Franchise Agreement
Relocation Fee	\$2,500	When we approve your request to relocate your Franchised Restaurant	You must obtain our consent to the relocation of your Franchised Restaurant
Relocation Assessment	An amount equal to the Royalty Fees you paid for your original Franchised Restaurant during the last preceding calendar year plus an additional 10%	On demand	If we consent to a relocation of your Franchised Restaurant, you secure the new Franchised Location and open your replacement Franchised Restaurant at the new Franchised Location within 12 months from the date we approve the new Franchised Location. If you fail to do so, we can

Name of Fee	Amount	Due Date	Remarks
			bill you for the Relocation Assessment as described in this chart
Private Offering Fee (Franchise Agreement and Area Development Agreement)	\$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses with reviewing the proposed offering	Before offering	Payable for each proposed private offering of securities, partnership or other ownership interests in Franchisee and is in addition to any Transfer Fee under any Franchise Agreement and/or Area Development Agreement

NOTES

1 All fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. You will authorize us to debit from your designated bank account any funds due to us for Royalty Fees, Marketing Fund Fees or other sums that you owe to us or our affiliates.

2 Interest begins from the date of the underpayment.

ITEM 7
ESTIMATED INITIAL INVESTMENT
SINGLE FRANCHISED RESTAURANT
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
BUILD-OUT COSTS					
Utility Deposits, Fees & Licenses ¹	\$2,000	\$10,000	Cash	As Incurred	City, County, State
Pre-Construction Cost (Architect, Plans, Permits) ²	\$5,000	\$20,000	As Arranged	As Incurred	Approved Suppliers
Leasehold/Construction ^{3 4}	\$50,000	\$200,000	As Arranged	As Incurred	Approved Suppliers
FURNITURE, FIXTURES, EQUIPMENT & SIGNAGE					
Exterior Signage	\$8,000	\$20,000	As Arranged	As Incurred	Approved Suppliers

Type Of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
POS System and Software, Back Office Computer, Printer and Related Hardware and Software, Sound System, televisions ⁵	\$15,000	\$20,000	As Arranged	As Incurred	Approved Suppliers
Equipment/Smallwares, Interior Signage, Graphics & Art	\$10,000	\$25,000	As Arranged	As Incurred	Approved Suppliers
OTHER					
Furniture and Fixtures	\$100,000	\$200,000	As Arranged	Before Opening	Approved Suppliers
Other Opening Inventory	\$5,000	\$22,000	As Arranged	Before Opening	Approved Suppliers
Grand Opening Marketing Plan ⁶	\$5,000	\$15,000	As Arranged	30 Days Before and 15 Days After Opening	Approved Suppliers
Franchised Location (3 Months' Rent and Security Deposit) ⁷	\$12,000	\$60,000	Cash	At Lease Signing	Landlord
Insurance – Liability & Workers compensation (initial deposit)	\$500	\$2,500	Cash	As Incurred	Insurance Carriers
Legal Fees/Organizational Expenses ⁸	\$5,000	\$10,000	Cash	As Incurred	Legal & State
Training Expenses (Travel and Living Expenses) ⁹	\$5,000	\$15,000	As Arranged	As Incurred	Airlines, Hotels, Restaurants
Initial Franchise Fee ¹⁰	\$30,000	\$30,000	Cash	At Signing	Us
ADDITIONAL FUNDS (3 months) ^{12 13}	\$30,000	\$75,000	Cash	As Incurred	Approved Suppliers, Landlord, Employees, Other
GRAND TOTAL¹³	\$282,500	\$724,500			

AREA DEVELOPMENT AGREEMENT
(2 FRANCHISED RESTAURANTS)

YOUR ESTIMATED INITIAL INVESTMENT

The following chart, as an example only, sets forth the total investment necessary to begin operations of the first of 2 Franchised Restaurants. We may not always afford you the opportunity to develop the number of Franchised Restaurants that you request. You and we will determine the Development Area and the number of Franchised Restaurants that you will develop and operate on a case-by-case basis before you sign your Area Development Agreement.

Type Of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
INITIAL INVESTMENT FOR THE 1 st FRANCHISED RESTAURANT					
Initial Investment to Open 1 st Franchised Restaurant ¹⁴	\$282,500	\$724,500	See Above	See Above	See Above
Development Fees ¹⁰	\$15,000	\$15,000	Cash	At Signing	Us
Additional Legal Fees ⁸	\$5,000	\$10,000	Cash	As Incurred	Legal & State
GRAND TOTAL ¹³	\$302,500	\$749,500			

PURCHASE PROGRAM

OPERATING RESTAURANT
YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
Purchase Price for Assets of Operating Restaurant ¹¹	\$50,000	\$450,000	Cash (non-refundable)	Upon Closing of Purchase	The Operating Company
Pre-Paid Rent & Security Deposit ¹¹	\$24,000	\$56,000	Cash (non-refundable)	Upon Closing of Purchase	The Operating Company
Insurance – Liability & Workers compensation (initial deposit)	\$500	\$2,500	Cash	Monthly Premium	Insurance Carriers
Initial Franchise Fee ¹⁰	\$30,000	\$30,000	Cash	At Signing	Us
Additional Legal Fees ⁸	\$5,000	\$10,000	Cash	As Incurred	Legal & State

Type Of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To
ADDITIONAL FUNDS (3 months) ^{12 13}	\$30,000	\$75,000	Cash	As Incurred	Approved Suppliers & Employees
Grand Total ¹³	\$139,500	\$623,500			

All fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. You authorize us to debit from your designated primary business checking or savings operating account all funds due and payable to us for Royalty Fees and other sums that you owe to us or our affiliates. We currently do not offer financing for any purpose, but reserve the right to do so in the future. We do not guarantee your note, lease or other obligations.

1 These estimates include equipment lease deposits, sales tax deposits or bonds, business licenses fees, sewer hookup charges, and utility deposits. These estimates exclude any special connection and/or tap fees and taxes based on projected sales. Your fees and expenses may vary.

2 These estimates include costs for space plan layout, exterior signage, design, architectural, kitchen, mechanical, electrical, plumbing and related drawings, engineering, testing, permit expeditor, and city permits and fees. You must use a licensed architect and designer whom we approve to design and construct your Franchised Restaurant. Your fees and expenses may vary.

3 These estimates are for the costs incurred for project and construction management and construction and remodeling a location for a Franchised Restaurant to conform to our current standards, including a general contractor's fee, contractor's insurance, materials and supplies, tools, labor and subcontractor fees, and other costs to construct leasehold improvements that conform to our standards. You must perform or have performed any construction, remodeling, or additions necessary to cause the premises to conform to applicable federal, state, county, city, local laws, ordinances, codes, rules and regulations and meet our requirements for the layout design, construction, fixturation, equipment and installation, and the trade dress appearance of a Franchised Restaurant. Construction and remodeling costs vary widely depending upon the location, design, the condition and configuration of existing services and facilities such as air conditioning, electrical and plumbing, lease terms, and the local real estate market. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Restaurant, in accordance with a ~~Security Agreement in a form substantially similar to the Security Agreement attached to the Asset Purchase Agreement (Exhibit D)~~ as Exhibit C your Franchise Agreement.

4 These estimates presume that you will receive a "vanilla shell" from your landlord for your Franchised Restaurant. For purposes of these estimates, a "vanilla shell" for a Franchised Restaurant includes leased premises of approximately 900 – 1,600 square feet with (1) one restroom built to local code specifications in a location designated by your landlord, but typically at the rear of the premises, (2) sheet-rocked, taped and painted walls, (3) concrete floor, broom clean, (4) suspended dropped t-bar ceiling, usually with a 2' x 4' grid, (5) 200-40 amp low voltage electrical service distributed to local code specifications, (6) fluorescent 4' x 2' lighting fixtures with usually one fixture per 150-200 square feet, (7) HVAC system distributed at one ton per 300-350 square feet depending upon local climate conditions and use, generally with a gas heating system and an electrical air conditioning system, (8) fire sprinklers per local code specifications distributed throughout the

premises designed for retail use, and (9) water, gas, cable and telephone service stubbed to the rear of the premises **If you do not receive a "vanilla shell" from your landlord, your leasehold construction costs may substantially exceed these estimates** These estimates **do not include** demolition expenses

5 These estimates are for the costs to purchase a computerized cash accounting and point of sale system ("POS System") including installation Your costs may vary You must use the same POS System and software as Affiliate-Owned Restaurants Affiliate-Owned Restaurants currently use the Aloha POS System We can change our designated POS System at any time

6 At least 60 days before the opening of your Franchised Restaurant, you must submit a grand opening required spending plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of your Franchised Restaurant You must obtain our written consent to the Grand Opening Plan before you implement it You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent You must, during the period beginning 30 days before the scheduled opening of your Franchised Restaurant and continuing for 15 days after your Franchised Restaurant opens for business, spend \$5,000 - \$15,000 to conduct grand opening marketing and promotion for your Franchised Restaurant

7 These estimates assume that the site of your Franchised Location will be a leased, unimproved, unfinished retail store-type site and provide for 3 months' rent and a security deposit equal to one month's rent A typical Daphne's Restaurant will be located in a densely populated suburban or urban area on a major thoroughfare or adjacent to or part of a suburban or urban shopping center or strip mall in leased spaces of approximately 800 - 1,600 square feet Monthly lease payments for Daphne's Restaurants usually range from \$3,000 to \$15,000 per month

8 This estimate includes legal review and negotiation of the lease for the Franchised Location and accounting assistance in setting up your books Additional Legal Fees in the Area Development chart above reflect additional legal costs you may incur as a result of signing an Area Development Agreement Additional legal fees in the Purchase Program chart above reflect additional legal fees you may incur as a result of purchasing an affiliate-owned restaurant

9 This estimate includes the cost of sending your Principal Owner and General Manager to attend our Initial Training Program in Mission Valley, California or Chula Vista, California at an Affiliate-Owned Restaurant You must arrange and pay for the transportation, meals and lodging for you and your supervisory or managerial personnel who attend our Initial Training Program We do not charge a tuition fee for the Initial Training Program, however, you will be responsible for any salaries, meals, lodging, other living expenses and transportation costs incurred by your supervisory or managerial personnel while attending the Initial Training Program This estimate does not include the pre-opening training salaries for your General Managers and employees at your Franchised Restaurant

10 The Initial Franchise Fee and the Development Fee are described in Item 5 of this Disclosure Document The Initial Franchise Fee and the Development Fee are not refundable When you sign the Area Development Agreement for a minimum of 2 Franchised Restaurants, you must pay us a Development Fee of \$15,000 for each Franchised Restaurant you will develop, other than your first Franchised Restaurant You must also pay us the \$30,000 Initial Franchise Fee for your first Franchised Restaurant when you sign the Area Development Agreement When you sign a Franchise Agreement for each subsequent Franchised Restaurant you will develop, you must pay us a \$15,000 Initial Franchise Fee for each of them, however, we will credit \$5,000 of your Development Fee against the Initial Franchise Fee for each subsequent Franchised Restaurant (not to

exceed a credit of \$5,000 for any single Franchised Restaurant) The estimates in these charts do not reflect the \$5,000 credit we will grant you against the Initial Franchise Fee when you sign your second and subsequent Franchise Agreement under an Area Development Agreement We generally do not provide financing for the Initial Franchise Fee or Development Fee We may do so if and when we determine it is warranted by a unique or compelling situation

11 The purchase price of an Operating Restaurant typically depends on the business's gross cash flow, the remaining term of the master lease and the value of the leasehold In the typical case, you will purchase all assets of the Restaurant owned by the Operating Company, including the goodwill of the business other than the goodwill associated with the various Daphne's Marks, reimburse the Operating Company for 3 months' pre-paid rent and a security deposit equal to one month's rent for the Daphne's Restaurant premises, and receive an assignment of all relevant commercial contracts and the Lease for the Franchised Location The Operating Company will generally retain all liabilities of the former business The purchase price and the purchase terms of the ~~Asset Purchase Agreement and its Exhibits~~ will vary considerably among Daphne's Restaurants, depending upon the gross cash flow for the existing business, the value of the leasehold, any unique characteristics regarding each transaction and Daphne's Restaurant, financing arrangements and other factors, and are negotiable Your rent payable under the Lease for the Franchised Location will generally increase over the term of the Lease

12 You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under your Franchise Agreement and to cover the risks and contingencies of your Franchised Restaurant for at least 3 months The estimates provided above include estimated employee wages, 3 months of inventory (including restaurant equipment, beverage ingredients and food products), facility expenses, opening cash, and other miscellaneous expenses incurred before opening and during the first 3 months of operations These estimates do not include finance charges, interest and related costs that you may incur if any portion of your initial investment or other recurring monthly operating expenses are financed These estimates are the minimum recommended amounts needed to cover operating expenses for 3 months However, we cannot guarantee that those amounts will be sufficient Additional working capital may be required if sales are low or fixed costs are high The disclosure laws require us to include this estimate of all costs and expenses to operate your Franchise during the "**initial phase**" of your business, which is defined as a 3 month period or longer period if "**reasonable for the industry**" We are not aware of any established longer "**reasonable period**" for the restaurant industry, so our disclosure covers a 3 month period We make no guarantee, and do not intend to imply, that 3 months is a "break even" point for you to recover your initial investment in your Franchised Restaurant We make no representation regarding how long it will take you to recover your initial investment or to become profitable

13 We relied on the Operating Company's experience in developing and opening the Affiliate-Owned Restaurants to determine these estimates You should review these estimates carefully with a business advisor before making any decision to purchase the franchise

14 The Initial Investment to Open 1st Franchised Restaurant is taken from the first chart in Item 7, entitled Estimated Initial Investment, Single Franchised Restaurant

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue

Approved Suppliers You may only use suppliers that we have accepted and approved ("**Approved Suppliers**") because they have demonstrated to us their ability to supply products and services for Daphne's Restaurants meeting our specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. We will provide you with the names of our Approved Suppliers and specifications, standards and restrictions on your purchase of products and services after you sign your Franchise Agreement. We may update our list of Approved Suppliers from time to time. All "**Branded Products**", "**Proprietary Products**" and "**Non-Proprietary Products**" we designate for use and sale at your Franchised Restaurant must be purchased from Approved Suppliers. "**Branded Products**" are products that bear any of the Daphne's Marks, including products that are prepared, sold and/or manufactured in strict accordance with, our methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items. We and our affiliates may be, but are not obligated to become, Approved Suppliers of certain Branded Products, Proprietary Products and Non-Proprietary Products and may in the future, act as the sole Approved Suppliers of certain Branded Products, Proprietary Products and Non-Proprietary Products. Neither we, nor our affiliates, are the only Approved Suppliers of any products at this time. ~~We have no franchisees as of the issuance date of this Disclosure Document, so~~ As of December 31, 2018, we have not derived any revenue from required franchisee purchases or leases, but may do so in the future. Required purchases from Approved Suppliers or purchases according to our specifications, and leases, are estimated to make up 36% to 38% of your start-up expenses and 15% to 40% of your ongoing expenses. None of our officers own an interest in any of our suppliers.

Authorized Products You must serve and sell all and only the products we authorize ("**Authorized Products**") at your Franchised Restaurant. We may provide you with our proprietary ingredients, beverages, branded products, food products, packaging and products that are produced or manufactured according to our trade secrets, proprietary recipes, specifications and/or formulas (collectively, the "**Proprietary Products**") You must buy Proprietary Products only from us, our affiliates or our Approved Suppliers. We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Proprietary Products to you or any third party. You must purchase, use, and maintain in stock a sufficient amount of Authorized Products and Proprietary Products to operate your Franchised Restaurant.

Non-Proprietary Products We may designate certain non-proprietary food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Proprietary Products, that you may or must use or sell at your Franchised Restaurant ("**Non-Proprietary Products**") You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You must purchase Non-Proprietary Products from Approved Suppliers. Each supplier we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality, freshness and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of Daphne's System. We may limit items to a particular brand or brands set by us.

Fixtures, Furnishings and Equipment. You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a POS System), decor, and signs as we direct. You may not install on or about your Franchised Restaurant any furnishings, interior or exterior decor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing. You must purchase these items from Approved Suppliers. You must use an architect and designer that we approve to design and construct your Franchised Restaurant.

Computer Equipment. You must purchase, lease or license all computer hardware and software we designate for your Franchised Restaurant at your expense. You must maintain and update all computer hardware and software as we require.

Recommended Suppliers. If you wish to purchase any items from a supplier other than us or an Approved Supplier, you must obtain our approval. You must identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require you to deliver a sample of their product. Our specifications and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our Daphne's Marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the supplier's facilities and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we reasonably designate for testing. You must pay us a fee not to exceed the actual cost of the inspection testing. In addition to product testing, a facility audit may be required, and you must pay us, in advance, a deposit of up to \$1,000, before we begin any inspection. You will be responsible for any additional costs and expenses associated with the inspection of the facility. We will use our good faith efforts to notify you of our decision within 60 days after we receive your request for approval and all requested back-up information. You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier's approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you. ~~We have no franchisees as of the issuance date of this Disclosure Document so we derived no revenue from franchisee's purchases or leases of required products/services from us and our approved or designated suppliers.~~

Rebates. We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered. You will not be entitled to receive any portion of these rebates. We do not currently receive rebates based on purchases by franchisees. In addition, we may negotiate certain arrangements, including price terms, for the purchase of certain items, such as logoed paper products and cups for the benefit of our franchisees. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. There are currently no purchasing or distribution cooperatives for the System. For the fiscal year ended December 31, 2018, our affiliate Daphne's, Inc. derived revenues of \$208,000, representing approximately 3% of its total income of approximately \$6,580,000 in the form of rebates from suppliers as a result of required purchases by franchisees. ~~We have no franchisees as of the issuance date of this Disclosure Document so we have not received any rebates from any Approved Suppliers, but may do so in the future.~~

Insurance. You must obtain and maintain throughout the term of your Franchise Agreement the types and

amounts of insurance required by us and you must provide us with proof of coverage and Certificates of Insurance for all policies of insurance. You must obtain worker's compensation insurance with limits in compliance with your state law and employer's liability insurance with \$1,000,000 combined single limit coverage, as well as any other insurance that may be required by statute or rule of the state in which your Franchised Restaurant is located or operated. Additionally, you must obtain (i) comprehensive general liability insurance and product liability insurance with limits of \$1,000,000 combined single limit coverage including the following broad form contractual liability and personal injury coverage (employee and contractual inclusion deleted) insuring us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property damage relating to your Franchised Restaurant business, provided that the required amounts may be modified periodically by us to reflect inflation or future experience with claims, (ii) automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000, (iii) loss of income insurance (in an amount sufficient to cover the continuing license fee and other fees due under the Franchise Agreement for a period of at least 12 months), (iv) rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or merchants' association under the lease, if any, during any period of business interruption or inability to operate your Franchised Restaurant) or any greater amounts of insurance as required by the Lease for the Franchised Location, (v) employment practices liability insurance, (vi) employee non-owned automobile insurance with limits of \$1,000,000, (vii) cyber-liability insurance with limits of \$50,000, and (viii) additional insurance and types of coverage as required by the terms of any Lease for the Franchised Location, including an umbrella policy with limits of \$2,000,000 to \$4,000,000. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse us for our costs related to the purchase of insurance.

Credit Cards You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with selling Authorized Products, you are required to maintain the security of cardholder data and adhere to the Then-current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

Gift Cards, Loyalty, CRM, Social Media Software, Online and Mobile Ordering Programs You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that have been issued by us that are accepted at all Daphne's Restaurants. You must participate in all gift certificate and/or gift card administration programs as we may designate from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions we direct. You must fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by us. You must not issue coupons or discounts of any type for use at your Franchised Restaurant except as approved by us in writing. In addition, you must purchase, enroll in or subscribe to, as applicable, all CRM, social media analytics and online and mobile ordering software or programs that we designate. We may change the designated suppliers of these or similar services in our discretion. You must change, purchase or subscribe to the additional programs or software, as applicable, after we give you notice to do so.

Music and Music Selection

You must use a provider of music for your Franchised Restaurant and must play only the music and music selections that we approve. You must install the equipment necessary to receive and play approved music.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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	ARTICLES AND SECTION(S) IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
a Site selection and acquisition/lease	Article 5 of the Franchise Agreement, Sections 5.1 - 5.2 of the Area Development Agreement	Items 8, 11 and 16
b Pre-opening purchases/leases	Article 5 and Section 7.8 of the Franchise Agreement, Sections 5.1 - 5.3 of the Area Development Agreement	Item 5 and 16
c Site development and other pre-opening requirements	Sections 5.3 and 5.4 of the Franchise Agreement, Sections 2, 6.1 - 6.2 and Exhibit A of the Area Development Agreement	Items 7, 11 and 16
d Initial and ongoing training	Sections 6.1 - 6.3, 7.2 - 7.5 of the Franchise Agreement	Items 6 and 11
e Opening	Section 5.4 of the Franchise Agreement	Item 11
f Fees	Sections 3.3, 7.4, 7.5 and 7.27 and Articles 4 and 10 of the Franchise Agreement, Sections 3.4 and 9.4.7, Article 4 and Exhibit of the Area Development Agreement, Sections 3 (a), (b), (c) and (f) of the Asset Purchase Agreement,	Items 5 and 6
g Compliance with standards and policies/Manuals	Article 11 and Section 15.11-10 of the Franchise Agreement, Articles 6 and 16 of the Area Development Agreement	Item 11
h Trademarks and proprietary information	Section 7.6 and Article 9 of the Franchise Agreement, Articles 7 and 8 of the Area Development Agreement	Items 11, 13, and 14
i Restrictions on products/services offered	Article 8 of the Franchise Agreement, Section 6.2 of the Area Development Agreement	Items 8 and 16
j Warranty and customer service requirements	Section 7.20 of the Franchise Agreement	Not Applicable
k Territorial development and sales quotas	Sections 2.1, 2.4, 2.5, 2.6 and 6.1 of the Area Development Agreement	Item 12

OBLIGATION	ARTICLES AND SECTION(S) IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
l Ongoing product/service purchases	Articles 6 ,7 and 8 and Section 10 5 of the Franchise Agreement	Item 16
m Maintenance, appearance and remodeling requirements	Sections 5 5, 7 22 and 7 25 of the Franchise Agreement, Article 15 of the Asset Purchase Agreement	Items 7 and 16
n Insurance	Article 13 of the Franchise Agreement	Item 16
o Marketing	Article 10 of the Franchise Agreement	Items 6, 11 and 13
p Indemnification	Sections 9 4, 16 7 and 18 4 of the Franchise Agreement, Section 14 4 of the Area Development Agreement	Items 6, 12 and 17
q Owner's participation/ management / staffing	Section 7 12 of the Franchise Agreement	Item 15
r Records and reports	Article 12 of the Franchise Agreement	Item 6
s Inspections and audits	Sections 7 7 and 12 3 of the Franchise Agreement	Item 6
t Transfer	Article 14 of the Franchise Agreement, Articles 9 and 10 of the Area Development Agreement	Items 6 and 17
u Renewal	Sections 3 2-3 6 of the Franchise Agreement, Sections 3 2-3 6 of the Area Development Agreement	Items 6 and 17
v Post-termination obligations	Article 17 of the Franchise Agreement, Article 12 of the Area Development Agreement	Items 6 and 17
w Non-competition covenants	Section 15 2 -15 4, 15 7, 15 8 and 15 11-9 of the Franchise Agreement, Article 13 of the Area Development Agreement	Item 17
x Dispute resolution	Article 19 of the Franchise Agreement, Article 15 of the Area Development Agreement, Article 18 of the Asset Purchase Agreement	Item 17
y Taxes & Permits	Sections 4 6 and 5 3 of the Franchise Agreement	Items 1 and 7
z Computer hardware and software	Sections 7 8, 10 7-10 9 and 11 6 of the Franchise Agreement	Items 11 and 16
aa Security Interest	Sections 4 8 and 14 2 1 of the Franchise Agreement	Item 10
bb Liquidated Damages	Section 15 6 of the Franchise Agreement	Item 6

ITEM 10 FINANCING

The Operating Company may, but is not required to, finance a portion of the purchase price for an Operating Restaurant that it believes is appropriate under the circumstances if you purchase an Operating Restaurant from the Operating Company under our current Asset Purchase Agreement (~~Exhibit D~~) and applicable attachments. The Operating Company's financing generally will be based upon a 5 year amortization, all due and payable within 60 months, with interest at a variable interest adjusted every 6 months after the closing date of your purchase of the Restaurant at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus 1%, or 10% per annum. You must sign a Secured Promissory promissory nNote (in a form substantially similar to the Secured Promissory Note attached as Exhibit B to the Asset Purchase Agreement) in the Operating Company' favor in the amount financed (the "**Purchase Note**"). Monthly payments will vary depending upon interest rates, term of note, down payment, etc. You may prepay the promissory note with no prepayment penalty. You waive all rights of presentment, protest and demand, notice of protest, demand, dishonor and nonpayment of the promissory note, notice of acceleration, notice of intent to accelerate, and any and all other similar notices, except the notice of default to be given if you don't make your payments under the promissory note. You are not barred from asserting a defense against us, but if any legal action is brought to enforce or collect the promissory note, the prevailing party will be entitled to reasonable attorney s fees and costs, including any and all costs of collection, in addition to any other relief to which that party may be entitled.

~~Payment of the Purchase Note will be secured by a security interest that you will grant the Operating Company in the purchased assets in accordance with a Security Agreement in a form substantially similar to the Security Agreement attached as Exhibit C to the Asset Purchase Agreement (the "**Security Agreement**") that you and the Operating Company will sign on the closing date. The Operating Company will file notice of its security interest with a UCC-1 financing statement. If you are a corporation, limited liability company, limited partnership or other business entity, the Operating Company may require your shareholders, members and limited partners to guarantee all of your obligations to the Operating Company under the Purchase Note and Security Agreement under a Guarantee attached as Exhibit D to the Asset Purchase Agreement. If you default on any payment of principal or interest for more than 10 days, the Purchase Note will immediately become due at the option of the Operating Company. Failure to make the payments required by the Purchase Note may result in termination of your Franchise Agreement, and possibly any other agreement between you and us, the Operating Company or our affiliates, and the Operating Company' repossession of the Franchised Unit and the Franchised Location. If the Operating Company is required to pursue collection of the Purchase Note, the Operating Company may require you to pay its legal fees and expenses.~~

~~You may prepay the Purchase Note with no prepayment penalty. You waive all rights of presentment, protest and demand, notice of protest, demand, dishonor and nonpayment of the Purchase Note, notice of acceleration, notice of intent to accelerate, and any and all other similar notices, except the notice of default to be given if you don't make your payments under the Purchase Note. You are not barred from asserting a defense against us, but if any legal action is brought to enforce or collect the Purchase Note, the prevailing party will be entitled to reasonable attorney s fees and costs, including any and all costs of collection, in addition to any other relief to which that party may be entitled.~~

With this exception, we do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation. We will not assign or discount your promissory note Purchase Notes to a third party.

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

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

Before Opening

We have the following obligations to you before you open your Franchised Restaurant for business

1 **Site Selection** We will provide you with our site criteria that include the factors we consider in accepting Franchised Locations, such as general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You may not construe any assistance we may provide, or our acceptance, as a guarantee or other assurance that the proposed site will be successful. Upon locating a proposed site, you must submit in writing certain information we request (**Franchise Agreement, Section 5.1**). You must identify the site for your Franchised Location within 90 days after you sign your Franchise Agreement and obtain a fully executed Lease for the site no later than 180 days after you sign your Franchise Agreement (**Franchise Agreement, Section 5.1**). You must open your Franchised Restaurant within one year after you sign your Franchise Agreement. We will not unreasonably withhold our consent to your request for additional time to open your Franchised Restaurant (**Franchise Agreement, Section 5.4**). If you and we fail to agree on a site within the required time limit, we can terminate your Franchise Agreement (**Franchise Agreement, Section 16.2.15**).

2 **Site Design** We will provide you with a copy of our specifications for the decor and layout of a Franchised Restaurant and the required fixtures, equipment, furnishings, decor, trade dress and signs. You are responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans. You must use a licensed architect and designer whom we approve to design and construct your Franchised Restaurant. You are responsible for the cost of construction and remodeling of your Franchised Restaurant (**Franchise Agreement, Section 5.3**).

3 **Manuals** You must operate your Franchised Restaurant in strict compliance with the standard procedures, policies, rules and regulations contained in our manuals ("Manuals"). After you sign your Franchise Agreement, we will loan you one or more manuals to use during the term of your Franchise Agreement which may include audio, video, compact disks, computer software, other electronic media and/or written materials. At our option, we may post some or all of the Manuals on a restricted website, intranet, or extranet to which you will have on-line access. The Manuals consist of approximately 200 pages and contain our standard operational procedures, policies, rules and regulations with which you must comply. We may, from time to time, update or change the Manuals in our sole discretion (**Franchise Agreement, Section 6.5**). You will be given the opportunity to review the Manuals before you sign your Franchise Agreement. You must operate your Franchised Restaurant in compliance with the terms of your Franchise Agreement and the Manuals. You alone will exercise day-to-day control over all operations, activities and elements of your Franchised Restaurant, including over your employees. Under no circumstance will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of Daphne's System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Restaurant, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your Franchised Restaurant consistent with our policies (**Franchise Agreement, Section 7.1**).

4 **Pre-Opening Initial Training Program** We will provide our Initial Training Program at our corporate office and at an Affiliate-Owned Restaurant for your Principal Owner and your General Manager or other supervisory or managerial personnel (**Franchise Agreement, Section 6.1**)

5 **Approved Suppliers** We will designate our Approved Suppliers for you after you sign your Franchise Agreement. All Branded Products, Proprietary Products and Non-Proprietary Products that we designate for use and sale at your Franchised Restaurant must be purchased from Approved Suppliers (**Franchise Agreement, Section 8.1**)

Post-Opening Obligations

We have the following obligations to you during the operation of your Franchised Restaurant

1 **Post-Opening On-Site Opening Assistance** We will provide on-site training and assistance for 3 days before and 3 days after your first Franchised Restaurant opens for business to the public (**Franchise Agreement, Section 6.3**). We do not provide on-site opening assistance you or your affiliates if you already own or operate a Franchised Restaurant when you sign your Franchise Agreement or if you sign a renewal Franchise Agreement.

2 **Consultation** We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, (ii) the individuals to whom you will offer and sell your products and services, and (iii) the suppliers from whom you obtain any products or services used in or at the Franchised Restaurant for which we have not established Approved Suppliers (**Franchise Agreement, Section 6.6**)

3 **Post-Opening Additional Training Programs** We may provide additional and remedial training programs for new or replacement supervisory or managerial personnel ("Additional Training Programs") (**Franchise Agreement, Section 6.3**)

4 **Post-Opening Additional Initial Training Programs** We may provide additional Initial Training Programs for your supervisory and managerial personnel (**Franchise Agreement, Section 6.2**)

5 **Products** We will designate Branded Products, Proprietary Products and Non-Proprietary Products that you may or must stock and promote (**Franchise Agreement, Sections 8.1**)

6 **Inspections** We may examine your Franchised Restaurant to confer with your supervisory or managerial employees, inspect and check operations, food, beverages, furnishings, interior and exterior décor, supplies, fixtures and equipment, and determine whether your Franchised Restaurant is being operated in accordance with your Franchise Agreement, Daphne's System and the Manuals (**Franchise Agreement, Sections 6.7**)

7 **Pricing Guidelines** We may provide pricing guidelines for Authorized Products, subject to applicable law (**Franchise Agreement, Section 7.11**)

8 **Manuals** We will continue to provide you with access to our Manuals during the term of your Franchise Agreement which may include audio, video, compact disks, computer software, other electronic

media and/or written materials. We may, from time to time, update or change the Manuals in our sole discretion. You will be given the opportunity to view the Manuals before you sign the Franchise Agreement (**Franchise Agreement, Section 6.5**)

9 **Daphne's Marks and Daphne's System** We will permit you to use the Daphne's Marks and Daphne's System during the term of your Franchise Agreement (**Franchise Agreement, Section 2.1**)

10 **Confidential Information** We will provide you with access to our confidential information during the term of your Franchise Agreement (**Franchise Agreement, Section 11.1**)

11 **Toll Free Telephone Number** We may now or in the future establish a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Manuals or otherwise in writing (**Franchise Agreement, Section 6.9**)

Length of Time to Open Your Franchised Restaurant

You must identify a site for your Franchised Restaurant within 90 days after you sign your Franchise Agreement, deliver a fully executed copy of the Lease to us within 180 days after you sign your Franchise Agreement, and you must open your Franchised Restaurant for business within one year after signing your Franchise Agreement, unless we agree otherwise (**Franchise Agreement, Sections 5.1 and 5.4**). A Franchised Restaurant usually opens for business within 12 months after you sign your Franchise Agreement. Factors that may affect the length of time between signing of a Franchise Agreement and opening for business include the time necessary to identify a location that we will accept, obtain any financing you need, obtain required permits and governmental agency approvals, fulfill local ordinance requirements, complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs, and complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

You may open a Franchised Restaurant under the Area Development Agreement only by signing a Franchise Agreement after you obtain a Franchised Location. As noted above, we estimate the length of time between signing a Franchise Agreement and the opening of your Franchised Restaurant to be 12 months, though the length of time you take may vary.

Site Selection/Lease/Purchase of Real Estate

You are solely responsible for selection of the proposed site of your Franchised Restaurant, which will be subject to our review and acceptance. After you sign your Franchise Agreement, you must identify one or more sites that meet our then current standards and specifications and submit the site to us for approval. We will notify you in writing whether the site is accepted or rejected within about 30 days after we receive all of the information we require to evaluate the site. You must submit your proposed lease to us to allow us at least 15 days to confirm that the required provisions in **Section 5.2** of the Franchise Agreement have been included in the lease and/or that you and your landlord have executed an Option to Obtain Lease Assignment (**Exhibit C**) in the form we specify, and you must provide us with a fully signed copy of any lease you sign following our acceptance (**Franchise Agreement, Section 5.2**). You must submit all demographic and other information regarding the proposed site and neighboring areas that we may require. If you are purchasing the site for your Franchised Restaurant, you must submit the purchase contract to us for acceptance at least 15 days before you

sign it and provide us with a fully signed copy within 15 days of the closing of the purchase transaction. We may, without obligation, assist you in locating a proposed site, only after you sign your Franchise Agreement and pay the Initial Franchise Fee. If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Franchised Restaurant promptly after you sign your Franchise Agreement. Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site within about 30 days (or 15 days after you provide any supplemental information we request). If you and we fail to agree on a site within the required time limit, we can terminate your Franchise Agreement. **(Franchise Agreement, Section 16.2.15)**

Your lease must not (i) obligate us in any manner, or (ii) contain any provision inconsistent with your Franchise Agreement. You and your Landlord must enter into our Option to Obtain Lease Assignment or your lease must provide for the following: (i) the Lease may not be amended, assigned or sublet without our prior written consent, (ii) we have the right (but not the obligation) to succeed to your rights under the Lease if you fail to exercise any option to renew, and/or extend the term of the Lease, (iii) if you default under the Lease, the Landlord must notify us in writing at least 15 days prior to the termination or non-renewal of the Lease, (iv) we have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to you and the Landlord, (v) you have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to us, or any franchisee or licensee approved by us, and (vi) we have the right to enter the Franchised Location to remove all of the Daphne's Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Daphne's Restaurant if you fail to do so. **(Franchise Agreement, Sections 5.12 and 5.2)** If you are purchasing the Franchised Location, you must submit the contract for purchase and sale to us for approval at least 15 days before you sign it, and provide a fully signed copy of the contract to us within 15 days following closing.

You may not open your Franchised Restaurant at the Franchised Location for business until you have received our written authorization, which may be subject to our satisfactory inspection of your Franchised Restaurant at the Franchised Location. **(Franchise Agreement, Section 5.4)**

You may not relocate your Franchised Restaurant to any other location without our prior written consent. You must pay us a Relocation Fee when you request our consent to a relocation of your Franchised Restaurant. If we consent to a relocation of your Franchised Restaurant, you will have 12 months from the date of our approval of the new Franchised Location to secure the new Franchised Location and to open and operate your Franchised Restaurant at the new Franchised Location. If you fail to secure a new Franchised Location within 12 months of the date we approve the new Franchised Location, we may extend the time for you to do so, however, we will then have the right to estimate and bill you, as a relocation assessment, for Royalty Fees for the time period following the 12 month period based upon the Royalty Fees we received for your original Franchised Restaurant during the identical periods of the last preceding calendar year plus an additional 10% of such amount or, if your Franchised Restaurant was not in operation during the identical period of the last preceding year, based upon the average Royalty Fees you paid during the number of months your original Franchised Restaurant was in operation plus an additional 10% of that amount. **(Franchise Agreement, Section 5.5)**

POS System, Computer Hardware and Software, Sound System

You must purchase, use and maintain the POS System we specify, a network router, all related software, a back office computer and printer, including all related hardware and software, cameras and a DVR, televisions and a

sound system, each as specified in the Manuals or otherwise by us in writing. Currently, we require you to use the Aloha POS System. Your POS System must be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data and for ordering and maintaining the POS System. We will have independent access to your POS System. The POS System must be electronically linked to us, and you must allow us to poll the POS System on a daily or other basis at the times and in the manner established by us, with or without notice, and to retrieve transaction information including sales, sales mix, usage, and other operations data that we deem appropriate. We may require that you update, upgrade or replace the POS System, including hardware and/or software, upon 90 days' written notice, and if we do so, there are no contractual obligations limitations on the frequency and cost of the obligation, however, you will not be required to completely replace the POS System any more frequently than once every 3 years. Neither we nor an affiliate are obligated to provide on-going repairs, upgrades or updates to your POS System. The POS System must include the required technology to permit you to accept online orders of Authorized Products and services at your Franchised Restaurant and to accept and process Daphne's California Greek gift cards sold in other Daphne's Restaurants. In addition, you must maintain and update all computer hardware and software as required by us. It will cost you approximately \$15,000 to \$20,000 to buy the POS System and related software for your Franchised Restaurant. Monthly maintenance costs to the POS System range from \$300 to \$600 per month. You must upgrade the POS System if and when we instruct you to do so. (**Franchise Agreement, Section 7.8**)

Internet

We have registered the Internet domain name www.Daphnes.biz and have established a site using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner, any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contains the Daphne's Marks, or any other words, symbols or terms confusingly similar to the Daphne's Marks without our express prior written consent. We may include on our Internet Website interior pages that identify all Daphne's Restaurants, including your Franchised Restaurant. (**Franchise Agreement Sections 10.7 and 10.8, Area Development Agreement, Section 7.3**)

We have the sole right to market on the Internet and use the Daphne's Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, marketing, cobranding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Daphne's Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Daphne's Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Daphne's Marks or any marketing, is subject to the terms and conditions of your Franchise Agreement and any other rules, requirements or policies that we may identify. (**Franchise Agreement Sections 2.3 and 10.7**)

Social Media

In order to maintain a consistent image and message and to protect the Daphne's Marks and Daphne's System, you must not participate or market through the use of social technology, social media such as Facebook, Instagram, My-Space, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed ("**Social Media Platforms**") using the Daphne's Marks, or in connection with the your Franchised Restaurant, without our prior written consent. If you separately register any Social Media Platform account (a "**Social Media Account**") containing the Daphne's Marks or related to your Franchised Restaurant, whether with our prior consent or not, (i) you must promptly notify us and provide us with all necessary

information related to the Social Media Account we require or demand, without compensation to you, and (ii) the Social Media account will become our property, without compensation to you. We will be the sole owner of all related intellectual property rights in all Social Media Accounts and all content posted on Social Media Accounts (**Franchise Agreement, Section 10 9**)

WiFi Service

You must provide free WiFi service at your Franchised Restaurant for use by your customers in compliance with our requirements for bandwidth included in the Manuals or other directives from us. We will control the WiFi gateway and all emails collected will be our property, with no restrictions on our use or distribution of email addresses (**Franchise Agreement, Section 10 7**)

Intranet

We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the privilege, but not the right, to use the Intranet, subject to your compliance with our policies (**Franchise Agreement Section 7 23**)

Marketing Fund Fees

We do not currently require you to make any contribution to a marketing fund. We may elect to establish a marketing fund (the "**Marketing Fund**") to promote the Daphne's Marks and all Daphne's Restaurants upon 90 days' prior notice to you. If and when the Marketing Fund is established, you must contribute to the Marketing Fund the amount of Marketing Fund Fees that we specify, which will range from 2% to 3% of Gross Sales. Company-owned and affiliate-owned Daphne's Restaurants, including any Daphne's Restaurants owned by the Operating Company, may, but are not required to, contribute to the Marketing Fund. If they do, they may not be required to contribute in the same percentage as you and may stop contributing at any time without notice to you (**Franchise Agreement, Section 10 1**)

Once established, the Marketing Fund will be administered by us and will be used to meet the costs of conducting marketing and promotional activities. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, website development/operation for portal, Internet, Intranet and URL services and for 800 or similar numbers (**Franchise Agreement, Section 10 1**). The Marketing Fund is intended to maximize general public recognition and acceptance of the Daphne's Marks for the benefit of Daphne's System. The administrator will not be obligated, in administering the Marketing Fund, to make expenditures for you in your Protected Area that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from the marketing or promotion conducted under the Marketing Fund (**Franchise Agreement, Section 10 1 2**). Your Marketing Fund Fees will be held in an account separate from our other funds. Your Marketing Fund Fees will not be used to defray any expenses of ours or the administrator's, except for the reasonable costs and overhead,

if any, as each may incur, such as the costs of personnel for creating and implementing promotional and marketing programs. Any unused monies in the Marketing Fund at the end of any year will be used in the next fiscal year. Our printed materials and Website may also contain references stating that "Franchises Are Available" and/or that "Each Daphne's California Greek Franchise Is Independently Owned and Operated" to promote the sale of franchises for Daphne's Restaurants. With this exception, no portion of the Marketing Fund will be used to solicit or to sell Daphne's California Greek franchises to prospective franchisees (**Franchise Agreement, Section 10.1.3**). ~~No more than once a year, we~~ We will prepare an annual ~~unaudited~~ accounting of the expenditures of the Marketing Fund and upon request distribute the accounting to Daphne's Franchisees. The annual accounting will state the total amount of money collected and spent by the Marketing Fund during the previous year and will list, by general category, the manner in which we spent the money. The report will not be separately audited which will be provided to you upon your written request (**Franchise Agreement, Section 10.1.1**).

Local Marketing Expenditures

In addition to any Marketing Fund Fees you are required to pay to us, you must spend an amount equal to 1% of the Gross Sales of your Franchised Restaurant on local promotion and marketing (the "**Local Marketing Expenditure**") All marketing must meet our specifications in our Manuals. You must submit to us before use, samples of all local marketing materials, and descriptions of all local marketing programs, not prepared or previously approved by us, for our approval. You may not use any marketing material or program or use Daphne's California Greek logo or Daphne's Marks in any public manner without our prior written approval. On the 10th day of each month, you must provide us with copies of all invoices, statements, canceled checks or other forms of payment that you issued during the preceding month that evidence your expenditure and payment of 1% of your Gross Sales on local marketing. If you fail to do so, or if you fail to spend at least 1% of your Gross Sales on local marketing during any month, you must immediately pay the Marketing Fund the difference between the amount that you actually spent on local marketing and 1% of your Gross Sales. We reserve the right to adjust the amount of the Local Marketing Expenditure at any time during the Term upon 90 days' prior written notice to an amount not to exceed 2% of Gross Sales (**Franchise Agreement, Section 10.2 and Exhibit A**).

Cooperative Marketing Programs

We may, in the future, establish programs for co-operative marketing ("**Cooperative Marketing Programs**") to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional marketing media. If we create a Cooperative Marketing Program for the a defined coverage area (a "**Marketing Coverage Area**") in which your Franchised Restaurant is located, you (and, if we or an affiliate own a Daphne's Restaurant in the Marketing Coverage Area, then we and/or our affiliate), must become a subscriber and member of the Cooperative Marketing Program and must participate in the Cooperative Marketing Program in the manner we prescribe. The size and content of a Marketing Coverage Area will be binding upon you and all other similarly situated Daphne's California Greek franchisees. Each participating Daphne's California Greek franchisee will be entitled to one vote for each Franchised Restaurant located within the Marketing Coverage Area as we may determine (**Franchise Agreement, Section 10.3**).

You and all other members of the Marketing Coverage Area whose Franchise Agreements require their participation in the Cooperative Marketing Program, will contribute to the Cooperative Marketing Program the amounts that are determined by us and 50% or more of the participating Daphne's Restaurants in the Cooperative Marketing Program (not to exceed 2% of the Gross Revenue of each participating Daphne's

Restaurant located in the Marketing Coverage Area Your contributions to a Cooperative Marketing Program will be credited against your required Local Marketing Expenditure (Franchise Agreement, Section 10 3 1)

We will administer the Cooperative Marketing Program and determine the policies of the Cooperative Marketing Program and the use of the available funds for media time, production of media materials, radio, television, newspapers or local marketing materials such as flyers or posters, or for any other type of advertising or marketing use We reserve the right to establish general standards concerning the operation of the Cooperative Marketing Program, advertising agencies retained by the Cooperative Marketing Program, and marketing conducted by the Cooperative Marketing Program Any disputes (other than pricing) arising among or between you, other Daphne's California Greek franchisees, and/or the Cooperative Marketing Program will be resolved by us and our decision will be final and binding on all parties (Franchise Agreement, Section 10 3 2)

Grand Opening Marketing and Promotion

At least 60 days before the opening of your Franchised Restaurant, you must submit a Grand Opening Promotional Plan to us which outlines your proposal for grand opening marketing and promotion of your Franchised Restaurant You must obtain our written consent to the Grand Opening Plan before you implement it You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent You must, during the period beginning 30 days before the scheduled opening of your Franchised Restaurant and continuing for 15 days after your Franchised Restaurant opens for business, spend \$5,000 - \$15,000 to conduct grand opening marketing and promotion for your Franchised Restaurant Within 60 days after your opening date, you must provide us with copies of all invoices, statements, canceled checks or other forms of payment that you have issued which evidence your expenditure and payment for the Grand Opening Plan (Franchise Agreement, Section 10 4 and Exhibit A)

Promotional Campaigns

We may conduct promotional campaigns on a national or regional basis to promote products or marketing themes You must participate in all promotional campaigns which we may establish for the region in which your Franchised Restaurant is located (Franchise Agreement, Section 10 5)

Advisory Council

We may establish an Advisory Council for Daphne's California Greek franchisees to work with us and to consult with us on potential improvements to Daphne's System, the products offered by Daphne's Restaurants, advertising conducted by the Marketing Fund and any other matters that we deem appropriate If an Advisory Council is formed, it will act solely in an advisory capacity, will not have decision making authority, and will be comprised of our representatives and Daphne's California Greek franchisees who may be chosen by us or elected by other Daphne's California Greek franchisees All Daphne's California Greek franchisees who serve on an Advisory Council must pay their own transportation costs, food, lodging and similar expenses to attend Advisory Council meetings We will have the right to form, change, merge or dissolve any Advisory Council at any time, in our discretion (Franchise Agreement, Section 10 6)

Pre-Opening Initial Training Program

We will provide an Initial Training Program in Daphne's System and methods of operation at our training

facilities in our corporate office or Affiliate-Owned Restaurants located in Mission Valley, California, Chula Vista, California and/or in your Franchised Location, for up to 2 supervisory or managerial personnel selected by you who must include the Principal Owner and General Manager. If you send more than 2 people to the Initial Training Program, you must pay our then-current Pre-Opening Additional Initial Training Fee per additional trainee. The Initial Training Program will consist of approximately 6 - 7 weeks of training prior to the opening date of your Franchised Restaurant and must be completed before your Franchised Restaurant opens for business. You must attend and complete the Initial Training Program to our satisfaction. If your Franchised Restaurant is the first Daphne's Restaurant you will operate, we will provide training, instructors, a training manual, and other materials at no charge to you. You must pay all travel, living, compensation, and other expenses you incur to attend the Initial Training Program. We will not provide the Initial Training Program if you or your affiliates own another Franchised Restaurant or your Franchise Agreement is renewal Franchise Agreement (Franchise Agreement, Sections 6.1 and Section 7.2). Our Initial Training Program is described below.

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Welcome/Culture & Values	2	0	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Review Training Agenda & Operating Forms	2	2	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Menu Description (overview) & Basic Culinary Education	2	35	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Review Operation Manuals, Review Recipes & Procedures	2	8	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
General Administration	2	35	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Hiring & Scheduling	2	2	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
POS Training/ Cashier Skills	2	35	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Safety & Sanitation	2	2	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Kitchen Equipment Basic	1	4	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Inventory (Purchasing/Receiving)	2	8	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Opening/Closing Procedure	2	8	Mission Valley/ Chula Vista, CA and your Franchised Restaurant
Total	21	139	

The primary instructional material for the Initial Training Program will be the Manuals. There will be no additional charge for training material. The Initial Training Program will be provided by Richard Mora, who

has ~~21-22~~ years of experience in operating Daphne's Restaurants and Ernie Romo, who has been with us since September 2017 and has ~~11-12~~ years of experience in the subject matters he teaches Training will be conducted as often as necessary to ensure that our franchisees complete training before their Franchised Restaurant opens for business

Your Principal Owner and General Manager or other supervisory or managerial personnel, must faithfully attend all phases of the Initial Training Program and complete it to our satisfaction, as certified by us in writing Your or their failure to successfully complete any aspect of the Initial Training Program, as we determine in our sole discretion, constitutes grounds for termination of your Franchise Agreement (**Franchise Agreement, Section 7.2**) We may allow you to retake the Initial Training Program in our sole discretion You must pay expenses of travel, lodging, meals and wages incurred by you and your employees while attending any of our training programs

Post-Opening On-Site Assistance

For your first Franchised Restaurant, we will provide on-site training and assistance to your supervisory or managerial staff for 10 days before and 10 days after your Franchised Restaurant opens for business We will not provide any on-site assistance for your second and subsequent Franchised Restaurants We will select the representatives providing the on-site training and we may vary the length of time that on-site training is provided (**Franchise Agreement, Section 6.4**) You must notify us at least 30 days in advance of the scheduled date (the "Turnover Date") that (i) all construction and remodeling of the Franchised Location will be completed, (ii) Franchisee will have all permits necessary to open the Franchised Restaurant, and (iii) the Franchised Restaurant will be ready for turn-over to you by the general contractor, to allow us to schedule a date for our on-site opening assistance for your first Franchised Restaurant We will provide you with a turnover checklist approximately 14 days before the scheduled Turnover Date and will schedule a conference call with you approximately 8 days before the scheduled Turnover Date to confirm the Turnover Date so that we can book travel arrangements for our representatives who will provide the on-site opening assistance Approximately 3 days before the scheduled Turnover Date, we will schedule a final conference call with you to confirm the Turnover Date and the date on which our representatives will arrive at your Franchised Restaurant If, after the final conference call, the Turnover Date is delayed or accelerated by more than 2 days from the date specified during the conference call, you must reimburse us for any and all costs and expenses we incur to change the travel arrangements for our representatives who were scheduled to provide post-opening on-site opening assistance (**Franchise Agreement, Section 7.3**)

Post-Opening Additional Initial Training Programs

If, following the opening date of your Franchised Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel and we agree to do so, you must pay us our then-current Post-Opening Additional Initial Training Fee for each of your employees that attends the Post-Opening Additional Initial Training Programs to defray our direct costs to provide the additional Post-Opening Additional Initial Training Programs You must also pay all transportation costs, food, lodging and similar expenses incurred in connection with your employees' attendance at the Post-Opening Additional Initial Training Programs (**Franchise Agreement, Section 7.4**)

Post-Opening Additional Training Programs

In our discretion, following the opening of your Franchised Restaurant, we may provide you or your Principal Owner and each General Manager or other supervisory or managerial personnel with Post-Opening Additional Training Programs You must pay us our then-current Post-Opening Additional Training Program

Daily Fee for each of our employees that provides the Post-Opening Additional Training Programs to defray our direct costs of providing the Post-Opening Additional Training Programs (currently \$500 per day for each of our employees) In addition, you must pay all transportation costs, food, lodging and similar expenses incurred in connection with your attendance at the Post-Opening Additional Training Programs (Franchise Agreement, Section 6.3 and Section 7.5)
Annual Franchise Conference

We may hold an Annual Franchise Conference for all Daphne's California Greek franchisees each year Your Principal Owner and General Managers must attend the Annual Franchise Conference You must pay us a \$500 Franchise Conference Fee to reimburse us for a portion of the direct costs to provide the Annual Franchise Conference upon demand at 30 days before the date of the Annual Franchise Conference, whether or not you attend the Annual Franchise Conference (Franchise Agreement, Section 7.28)

ITEM 12 TERRITORY

Franchise Agreement

You will be permitted to operate your Franchised Restaurant at a specific location that we accept, as described in your Franchise Agreement You will not receive an exclusive territory You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control Our acceptance of your Franchised Location will be based upon a variety of factors which may include the viability of the Then-current location and demographics including, number of households, household income, vehicular traffic, and number of Daphne's Restaurants near the proposed new location You may face competition from other Daphne's Restaurants that we or our affiliates franchise or own

You will be granted a protected territory ("**Protected Area**") within a 2 - 5 mile radius from your Franchised Restaurant as described in the Franchise Agreement Your Protected Area will be determined by us and designated before you sign your Franchise Agreement Factors that we consider in determining the size of your Protected Area include the demographics, population size, age and income levels, neighboring and adjacent retail tenants, road visibility, traffic patterns and proximity of other Daphne's Restaurants or competitors serving the same market area Provided you are not in default under your Franchise Agreement, we will not own, operate, sell or issue a franchise to another franchisee in your Protected Area There are no other radius restrictions or minimum population requirements that limit where we can franchise or operate another Daphne's Restaurant

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Franchised Restaurants outside of your Protected Area, regardless of its proximity to the Franchised Restaurant, (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, other than a "**Competitive Business**", under Daphne's Marks and systems different from the Daphne's Marks and Daphne's System at any location regardless of their proximity to your Franchised Restaurant, (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Branded Products at any location within or outside of the Protected Area regardless of its proximity to the Franchised Restaurant, through the Internet, mail order catalogs, direct mail marketing and through other distribution methods, (iv) market on the Internet and use the Daphne's Marks on the Internet, including all use of Websites, domain names, URLs, directory addresses, email addresses, metatags, linking, marketing, co-branding and other arrangements, and in all other forms of electronic media, (v) acquire, own and operate and

to grant licenses and franchises to third parties to develop, own and operate, other restaurants or food service businesses at any location within or outside of the Protected Area regardless of their proximity to the Franchised Restaurant, (vi) develop, own or operate and to grant licenses or franchises to third parties to develop, own or operate Daphne's Restaurants at "**Non-Traditional Venues**" within and outside of the Protected Area regardless of their proximity to the Franchised Restaurant, (vii) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Daphne's Restaurants and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, (viii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Daphne's Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses, and (ix) engage in all other activities that the Franchise Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above.

"**Competitive Business**" means any restaurant business that prepares, offers and sells Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes as its primary menu items and any business that looks like, copies, imitates, or operates with similar trade dress or decor to a Daphne's Restaurant. "**Non-Traditional Venues**" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as office buildings, business complexes, arenas, stadiums and entertainment venues, recreational facilities, beaches, parks, airports, train stations, travel plazas, toll road facilities and other transportation terminals, educational, medical, governmental and other types of institutional facilities, sites in retail locations (for example, a kiosk within a grocery store), cafeterias and casinos, food delivery fulfillment centers and any site for which the lessor, owner or operator limits the operation of its beverages and/or food service facilities to a master concessionaire or contract food service provider.

You may not advertise or solicit business outside of your Protected Area. Under your Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated or on your penetration of the market potential. You do not have the right to acquire additional franchises, options, rights of first refusal or similar rights to acquire additional franchises within the Protected Area or any contiguous territories, although you may apply for the right to operate additional Franchised Restaurants under separate Franchise Agreements.

You may not relocate your Franchised Restaurant to any other location during the term of the Franchise Agreement without our prior written consent. Our consent, which will not be unreasonably withheld, will be conditioned on the occurrence of one or more of the following circumstances: (i) the population or demographics in your Protected Area have changed substantially since the opening date of your Franchised Restaurant, (ii) your Franchised Restaurant has suffered irreparable damage or destruction and cannot be repaired within 60 days, or (iii) any other condition leading you and us to believe that continued operation of your Franchised Restaurant at the Franchised Location will not be profitable. You must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for your Franchised Restaurant, and you must pay us a Relocation Fee when you request our consent to a relocation of your Franchised Restaurant.

Area Development Agreement

You will not be granted an exclusive territory, however, under the Area Development Agreement, we grant you the right to develop and operate 2 or more Franchised Restaurants at venues in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states, or some other defined area. The Development Area will be specified on **Exhibit A** to the Area Development Agreement. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Daphne's Restaurant in your Development Area.

We will determine or approve the location of each Franchised Restaurant under the Franchise Agreement at the time each Franchise Agreement is signed, and our then-current standards for approving sites and determining Protected Areas will apply. 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 expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Daphne's Restaurants outside the Development Area, regardless of their proximity to the Development Area, (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including food business, other than a Competitive Business, under Daphne's Marks and systems different from the Daphne's Marks and Daphne's System within and outside the Development Area, (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods, (iv) market on the Internet and use the Daphne's Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, (v) acquire, open and operate and grant licenses and franchises to third parties to develop, open and operate, other restaurants or food service businesses at any location within or outside of the Development Area regardless of their proximity to the Development Area, (vi) open or operate and to franchise or license others to open or operate Daphne's Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Franchised Restaurants developed or under development by Area Developer, (vii) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Daphne's Restaurants or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, (viii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Daphne's Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses, and (ix) engage in all other activities that the Area Development Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above.

Upon the termination or expiration of the Area Development Agreement, (i) you will have no further right to develop additional Franchised Restaurants in the Development Area and no further rights or obligations under the Area Development Agreement, (ii) you will have the right to continue to own and operate all Franchised Restaurants you opened prior to the expiration date under Franchise Agreements with us that remain in full force and effect on the expiration date, and (iii) we may, but are not required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Daphne's Restaurants at any location within or outside of the Development Area, without restriction, subject only to the territorial rights that are granted to you under your Franchise Agreements for your Franchised Restaurants in the Development Area.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement signed by you under the Area Development Agreement, or a material breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Franchised Restaurants in the Development Area. The termination of your right to develop Franchised Restaurants in your Development Area, however, will not terminate any rights granted under your Franchise Agreements then in effect between you and us, absent a breach of your Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional Franchised Restaurants anywhere, without restriction, including in your Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

You are not granted any options, rights of first refusal or similar rights to acquire additional franchises within the Development Area. If you wish to further develop Franchised Restaurants in the Development Area, you must notify us in writing within 180 days before the expiration of your Area Development Agreement. If we believe that the renewal development obligation proposed by you is acceptable, we will deliver our then-current Area Development Agreement to you. If the proposed additional development obligation is not acceptable to us, we will agree to negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If you do not exercise your right to sign a new Area Development Agreement, we may own, operate, franchise or license others to operate additional Daphne's Restaurants in your Development Area subject only to the territorial rights reserved to you in the individual Franchise Agreements.

General

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned facilities which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

ITEM 13 TRADEMARKS

As a franchisee, you are licensed to use and display the Daphne's Marks during the term of your Franchise Agreement and only for the operation of your Franchised Restaurant and the sale of Authorized Products. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliate. ~~The Operating Company~~ Our affiliate, Daphne's, Inc., is the owner of the following registered marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
Daphne's (Character Mark)	4,283,009	January 29, 2013

	4,046,943	October 25, 2011
Daphne's California Greek Express (Character Mark)	4,367,041	July 16, 2013
Daphne's California Greek (Character Mark)	4,036,341	October 4, 2011
Flavor With Benefits (Character Mark)	4,146,165	May 22, 2012

Neither we nor Daphne's, Inc. have current registrations of the following marks on any Register of the USPTO

<u>Mark</u>	<u>Serial Number</u>	<u>Filing Date</u>
	N/A	N/A
<u>Daphne's California Greek (Character Mark)</u>	N/A	N/A
<u>Flavor With Benefits (Character Mark)</u>	N/A	N/A

Since neither we nor Daphne's, Inc. has a current federal registration for the trademarks in the table immediately above, these marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

~~The Operating Company~~ Daphne's, Inc. has granted us an exclusive and perpetual license to use the Daphne's Marks. The license does not limit our right to use or license the use of any of the trademarks in any manner material to the franchise. No other agreements are currently in effect which limit our use of the trademarks in any manner material to the franchise. The exclusive license may only be terminated for cause by Daphne's, Inc. ~~The Operating Company~~, but we do not anticipate any issue with your use of the Daphne's Marks because Daphne's, Inc. ~~The Operating Company~~ members are principals of ours. If the license is terminated, you may have to switch to a different trademark, which may increase your expenses. There are no currently effective material determinations of the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the Daphne's Marks. Daphne's, Inc. ~~The Operating Company~~ intends to file all required affidavits when they become due, as prescribed by law.

You must use the Daphne's Marks without any suffix or prefix attached to it to identify your Franchised Restaurant. You are prohibited from using our trade name, trademarks, or service marks as part of any corporate name or using the Daphne's Marks with any prefix, suffix, or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement and do all other things necessary to

prevent the use of the Daphne's Marks by you from diminishing or destroying the legal protection to which they are entitled

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or the Daphne's Marks that comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or the Daphne's Marks but we are not obligated by the Franchise Agreement to do so. We have the sole right to control any litigation involving our trade name or the Daphne's Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using lawyers of our own choosing, and you must cooperate fully in defending any claim, and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in your Franchise Agreement not to contest, directly or indirectly, our ownership, right, title, or interest in the Daphne's Marks, or contest our sole right to register, use, or license others to use those names and the Daphne's Marks.

We may add to, delete, or modify any or all of the Daphne's Marks. You must modify or discontinue the use of the Daphne's Marks, at your expense, if we modify or discontinue it. We will not compensate you if we modify or discontinue use of the Daphne's Marks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any rights in or to any patents. There are no pending patent or copyright applications that are material to the franchise. We have no registered copyrights, but we claim copyright protection for the Manuals and all marketing material that may be distributed by us. We will loan you one copy of the Manuals for confidential use in your Franchised Restaurant. You may not disclose, publish, sell, show, or reproduce the Manuals and you must return the Manuals to us intact upon termination or expiration of your Franchise Agreement or Area Development Agreement.

We regard our recipes and all the information contained in the Manuals, as proprietary and confidential information owned by us. You agree, as part of your Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, recipes, processes, methods, procedures, formulae, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign agreements containing non-disclosure and non-competition provisions in substantially the form of ~~Exhibit F~~ Exhibit E. None of the provisions in the Confidentiality and Non-Disclosure Agreement are intended to prohibit or restrict any activity which prohibition or restriction violates your employees' rights to engage in protected concerted activity under the National Labor Relations Act.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

All ideas, concepts, techniques or materials you create while you are a Daphne's franchisee, whether or not protectable intellectual property, must be promptly disclosed to us and will become our exclusive property and a part of Daphne's franchise system as a work made for hire for us without compensation to you

All data pertaining to your Franchised Restaurant and all data you create or collect in connection with your operation of the Franchised Restaurant, including, data pertaining to, or otherwise concerning, the Franchised Restaurant's customers, or that you otherwise collect including data uploaded to, or downloaded from your computer system is Daphne's data and is our sole property. We have the right to review and use the Daphne's data in any manner that we deem appropriate without any compensation to you. You just provide us with copies and/or originals of the Daphne's data within 5 days after our request for the Daphne's data at no cost to us and at any time during the term of your Franchise Agreement and upon the expiration and/or termination of your Franchise Agreement. We license the use of the Daphne's data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Franchised Restaurant. You must maintain the Daphne's data as secret and confidential must not make any of the Daphne's data available to any unauthorized person without our prior written consent of and then only in the manner we permit

The goodwill associated with all phone and fax numbers, email addresses, domain names, social media and other Internet addresses used in operation of your Franchised Restaurant is an asset that belongs to us. Upon cancellation, termination or expiration of your Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You must sign the instruments we request to confirm the assignments and transfers to us

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

You must designate a Principal Owner acceptable to us who will be responsible for the operational decisions of your Franchised Restaurant. Your Principal Owner must devote his or her full time to your Franchised Restaurant only in a management capacity and not as a staff member behind the service counter and must own at least 50% interest in your equity and voting rights (unless you are a publicly held entity or a wholly-owned subsidiary of a publicly-held entity) when you sign your Franchise Agreement. Under certain circumstances we may waive or reduce the requirement that your Principal Owner must have a 50% interest in your equity and voting rights. You must also designate a General Manager who will be the individual responsible for your Franchised Restaurant in the absence of the Principal Owner. Your General Manager does not have to own an equity interest in you or the franchise. Your Franchised Restaurant must, at all times, be directly supervised by the Principal Owner or a General Manager or other supervisory or managerial personnel who have successfully completed our Initial Training Program. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your other employees and ensure that your Franchised Restaurant is at all times under the direct control of the Principal Owner or a General Manager and other employees fully trained by you. We may require each of your owners, General Managers and other supervisory and managerial personnel who will have access to any confidential information to sign a Confidentiality and Non-Disclosure Agreement in substantially the form of ~~Exhibit F~~ Exhibit E. None of the provisions in the Confidentiality and Non-Disclosure Agreement are intended to prohibit or restrict any activity which prohibition or restriction violates your employees' rights to engage in protected concerted activity under the National Labor Relations Act

If you are an entity, all present and future owners of the equity or your voting rights, including spouses (and family members who live in the same household, excluding minor children) must execute a written Guarantee

in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our affiliate. Upon each transfer or assignment of your interest in your Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written Guarantee in a form we prescribe.

All employees you hire or employ at your Franchised Restaurant will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisory or managerial personnel for qualification to perform certain functions at your Franchised Restaurant does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to your Franchised Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all, and only, those products and services that we approve. We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on our right to make changes. You may not operate any co-branding system without our prior written consent, which may be withheld unless we recognize the co-branding chain as an approved co-brand for operation within Daphne's Restaurants. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another franchisor that is featured or incorporated within the Franchised Location or is adjacent to the Franchised Location and is operated in a manner likely to cause the public to perceive that it is related to your Franchised Restaurant.

We may, on occasion, require you to test market products and/or services at your Franchised Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Franchised Restaurant without our prior written consent.

You cannot sell Authorized Products on the Internet.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and Area Development Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
a Length of the term of the franchise	Sections <u>1 and 3</u> 1	10 years
b Renewal or extension of the term	Sections <u>1 and 3</u> 2	Successive 5 year terms. Your renewal rights may be exercised only if all conditions precedent set forth in <u>Article 3</u> of your Franchise Agreement are satisfied prior to the expiration date of your Franchise Agreement.
c Requirements for Franchisee to renew or extend	Sections 3 2 – 3 4	You must notify us you wish to renew no less than 12 months prior to the expiration date of your Franchise Agreement, have complied with your obligations during the term of your Franchise Agreement, at our request, renovate or modernize your Franchised Restaurant to comply with our then-current standards for a new Daphne's Restaurant, sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your original Franchise Agreement, satisfy our then-current training requirements, pay a renewal fee, sign a general release and provide us with a Guarantee signed by all equity owners of the franchisee and their spouses (if the franchisee is an entity). The royalty and other payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees.
d Termination by Franchisee	Not Applicable	Not Applicable
e Termination by Franchisor without cause	Not Applicable	Not Applicable
f Termination by Franchisor with cause	Sections 16 1 – 16 3 and 16 5	We can terminate the Franchise Agreement if you materially default under your Franchise Agreement, any other individual Franchise Agreement, any Area Development Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us.

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
g "Cause" defined – curable defaults	Section 16 3	You have 5 days to cure non-payment of fees and 10 days to cure non-compliance with laws and defaults not listed in Section 16 2
h "Cause" defined non-curable defaults	Sections 16 1 and 16 2	Non curable defaults include bankruptcy, foreclosure, and insolvency, abandonment, unapproved transfers, repeated defaults, even if cured, misrepresentations in acquiring your license, health or safety violations, trademark misuse, conviction of a felony, failure, for a period of 10 days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of your Franchised Restaurant, knowingly maintaining false books or records or submitting false reports or knowingly underreporting gross sales, materially misusing the Daphne's Marks, making an unauthorized use of the trade secrets or confidential information, failing to purchase appropriate inventory, failure to meet the site selection requirements, enter a Lease or open your Franchised Restaurant within the applicable time periods provided for in the Franchise Agreement, purchasing products from suppliers other than Approved Suppliers, selling any food products other than Authorized Products at your Franchised Restaurant, use of abusive language when communicating with us, our staff or with customers, denigration of Daphne's System or us or our management in an unflattering light on the Internet or otherwise, and a breach of your obligations under the Franchise Agreement or any other agreement between you and us that is not capable of being cured by you
i Franchisee's obligations on termination/nonrenewal	Sections 17 1 - 17 4, 17 6 - 17 8	You must cease use of the Daphne's Marks, de-identify your Franchised Restaurant, pay all amounts due to us, and return the Manuals You must pay us the sum of 2 multiplied by the total Royalty Fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination to account for the actual damages that we will suffer as a result of the termination of the Franchise Agreement during the period that we estimate will expire while we search for a replacement franchise We may, at our option, assume all telephone numbers for your Franchised Restaurant You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or e-mail addresses or assumed, fictitious or corporate names that contain the Daphne's Marks See also "r" below
j Assignment of contract by Franchisor	Section 14 1	No restriction on our right to assign

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
k "Transfer" by Franchisee - definition	Section 14 2	Includes transfer of the Franchise Agreement or change in ownership of the business entity that owns it
l Franchisor's approval of transfer by Franchisee	Section 14 2	Transfers require our prior written consent, which will not be unreasonably withheld
m Conditions for Franchisor's approval of transfer	Sections 14 2, 14 4	The proposed transferee must qualify, successfully complete our initial training program, sign our then-current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement), provide us with a Guarantee signed by all equity owners of the proposed franchisee and their spouses (if the proposed franchisee is an entity) and you must be in good standing, sign a general release, sign a Guarantee of the transferee's obligations under the new Franchise Agreement in our favor and pay the transfer fee See also "r" below If the Franchise Agreement has been signed under an Area Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee
n Franchisor's right of first refusal to acquire Franchisee's business	Section 14 3	We can match any offer for your business
o Franchisor's option to purchase Franchisee's business	Section 17 5	When your Franchise Agreement expires or is terminated, we have the option to purchase some or all of the assets of your Franchised Restaurant and some or all of your assets related to your Franchised Restaurant
p Death or disability of Franchisee	Section 14 5	Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
q Non-competition covenants during the term of the franchise	Section 15 2	You are prohibited from (i) diverting any present or prospective Daphne's customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Daphne's Marks and Daphne's System, <u>or</u> (ii) employing or seeking to employ any person who is or has been within the preceding 90 days employed by us or our affiliate as a supervisorial or managerial employee, or otherwise inducing the person to leave his or her employment, or (iii) owning or having any interest in a "Competitive Business"
r Non-competition covenants after the franchise is terminated or expires	Section 15 3	For 2 years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a Competitive Business located at the Franchised Location or within 5 miles of the Franchised Location or any other Daphne's Restaurant. If you violate the post-term covenant not to compete, you must pay us, throughout the 2 year period following the termination, transfer, or expiration of your Franchise Agreement, 5% of the gross revenue of any business that provides similar services or products.
s Modification of the agreement	Sections 6 5, 21 5	The Franchise Agreement can be modified or amended only by written agreement of all of the parties. The Manuals are subject to change at any time. You must comply with any changes made to the Manuals.
t Integration/ merger clause	Section 21 5	Only the terms of the Franchise Agreement and its attachments are binding (subject to applicable state law). No other representations or promises will be binding. Any representations or promises outside of this Disclosure Document and other agreements may not be enforceable. Nothing in the Franchise Agreement or any Exhibit H <u>Exhibit Hs</u> intended to disclaim any representation made in this Disclosure Document.
u Dispute resolution by mediation	Section 19 1	<u>Subject to state law, we</u> We must first attempt to resolve all disputes by mediation in Los Angeles County, California, except for certain matters that may be brought in court.
v Choice of forum	Section 19 2	All proceedings will be held in Los Angeles County, California, subject to applicable state law. See the State Specific Addenda (Exhibit H <u>Exhibit G</u>) attached to this Disclosure Document.
w Choice of law	Section 19 2	California, subject to the exception provided in Section 19 2 of the Franchise Agreement and applicable state law. See the State Specific Addenda (Exhibit H <u>Exhibit G</u>) attached to this Disclosure Document.

AREA DEVELOPMENT AGREEMENT

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
a Length of the term of the Area Development	Section 3 1	5 years or the date you sign the Franchise Agreement for the last Franchised Restaurant necessary to satisfy your development obligations, whichever is earlier
b Renewal or extension of the term	Section 3 2	5 years Your renewal rights may be exercised only if all conditions precedent set forth in <u>Article 3</u> of your Area Development Agreement are satisfied prior to the expiration date of your Area Development Agreement
c Requirements for Area Developer to renew or extend	Sections 3 2 – 3 4	You must notify us you wish to renew no fewer than 180 days prior to the expiration date of your Area Development Agreement, sign our then-current Area Development Agreement, which will contain your additional development obligations during the renewal term, you must sign a general release, you may be asked to sign a Franchise Agreement that contains terms and conditions materially different from those in your previous agreements, you must have fulfilled all of your obligations under the Area Development Agreement, you must demonstrate your financial ability to implement and complete your renewal development obligations, you must pay the renewal fee
d Termination by Area Developer	Not Applicable	Not Applicable
e Termination by Franchisor without cause	Not Applicable	Not Applicable
f Termination by Franchisor with "cause"	Section 11 5	We can terminate the Area Development Agreement if you default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us
g "Cause" defined - curable defaults	Section 11 3	You have 30 days to cure defaults under your Area Development Agreement, and in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement between you and us, the notice and cure provisions of the Franchise Agreement or other agreement will control
h "Cause" defined –non-curable defaults	Sections 11 1 and 11 2	Non-curable defaults include bankruptcy, insolvency, unapproved transfers, failure to meet your development obligations, any breach of the covenants not to compete set forth in Section 13, repeated defaults, even if cured, unapproved transfers, termination of any of your Franchise Agreements, conviction of a felony, disclosure of confidential information, and a breach of your obligations under the Area Development Agreement or any other agreement between you and us that is not capable of being cured by you

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
i Area Developer's obligation on termination/non-renewal	Section 12 1	You will have no further right to develop or operate additional Franchised Restaurants which are not, at the time of termination, the subject of a then validly existing Franchise Agreement between you and us You may continue to own and operate all Franchised Restaurants under then validly existing Franchise Agreements
j Assignment of contract by Franchisor	Section 9 1	No restrictions on our right to assign
k "Transfer" by Area Developer – defined	Section 9 2	Includes transfer of the agreement or changes in ownership of the business entity which owns it No shares of an Area Developer that is a business entity may be offered for sale through the public offering of securities Shares may be offered by private offering with our prior written consent
l Franchisor's approval of transfer by Area Developer	Section 9 2	Transfers require our prior written consent, which will not be unreasonably withheld
m Conditions for Franchisor's approval of transfer	Sections 9 2 1 and 9 4	Except as described below, you may not transfer any Franchise Agreement signed under the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all of the Franchise Agreements signed under the Area Development Agreement to the same assignee The proposed buyer must sign our then-current form of Franchise Agreement for each of your Franchised Restaurants then developed or under development The proposed transferee must qualify as a franchisee and sign our then-current Area Development Agreement and provide us with a Guarantee signed by all equity owners of the proposed franchisee and their spouses (if the proposed transferee is an entity) and you must be in good standing, sign a general release, sign a Guarantee of the transferee's obligations under new Area Development Agreement and pay the transfer fee See also "r" below
n Franchisor's right of first refusal to acquire Area Developer's business	Section 9 3	We may match any offer to purchase your business
o Franchisor's option to purchase Area Developer's business	Not Applicable	Not Applicable
p Death or disability of Area Developer	Section 9 5	Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
q Non-competition covenants during the term of the franchise	Section 13 2	You are prohibited from (i) diverting any present or prospective Daphne's customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Daphne's Marks and Daphne's System, or (ii) employing or seeking to employ any person who is or has been within the preceding 90 days employed by us or our affiliate as a supervisory or managerial employee, or otherwise inducing the person to leave his or her employment, or (iii) owning or having any interest in a Competitive Business
r Non-competition covenants after the franchise is terminated or expires	Section 13 3	For 2 years following the expiration or termination of your Area Development Agreement, you cannot own or have any interest in a Competitive Business at any of your Franchised Locations or within a 5 mile radius of any of your Franchised Locations or of any other Daphne's Restaurant
s Modification of the Area Development Agreement	Section 18 5	The Area Development Agreement can be modified or amended only by written agreement of all of the parties
t Integration/merger clause	Section 18 5	Only the terms of the Area Development Agreement and its attachments are binding (subject to applicable state law) No other representations or promises will be binding Any representations or promises outside of this Disclosure Document and other agreements may not be enforceable Nothing in the Area Development Agreement or any related Exhibit H <u>Exhibit Hs</u> intended to disclaim any representation made in this Disclosure Document
u Dispute resolution by mediation	Section 15 1	Subject to State law, we We must first attempt to resolve all disputes by mediation in Los Angeles County, California, except for certain matters that may be brought in court
v Choice of forum	Section 15 2	All proceedings will be held in Los Angeles County, California, subject to applicable state law See the State Specific Addenda (Exhibit H <u>Exhibit G</u>) attached to this Disclosure Document
w Choice of law	Section 15 2	California, subject to the exception provided in Section 15 2 of the Area Development Agreement and applicable state law See the State Specific Addenda (Exhibit H <u>Exhibit G</u>) attached to this Disclosure Document

ASSET PURCHASE AGREEMENT

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D)	SUMMARY
a Length of the term of the agreement	Not Applicable	Not Applicable
b Renewal or extension of the term	Not Applicable	Not Applicable
c Requirements for Franchisee to renew or extend	Not Applicable	Not Applicable
d Termination by Franchisee	Not Applicable	Not Applicable
e Termination by Franchisor without cause	Not Applicable	Not Applicable
f Termination by Franchisor with cause	Article 14	We may terminate the Asset Purchase Agreement at any time before to the Closing Date (i) if you breach any representation, warranty, covenant or agreement in the Asset Purchase Agreement and fail to cure within 5 days after written notice is given to you (except that no cure period will be provided for a breach which by its nature cannot be cured), (ii) if you fail to complete the Initial Training Program within 2 months after you sign the Asset Purchase Agreement, (iii) if you do not complete the Initial Training Program to our satisfaction, or (iv) if you do not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or the Franchise Agreement
g "Cause" defined curable defaults	Article 14	Breach of representation, warranty, covenant or agreement in the Asset Purchase Agreement must be cured within 5 days after written notice is given to you (except that no cure period will be provided for a breach which by its nature cannot be cured)
h "Cause" defined non curable defaults	Article 14	If we determine during the Initial Training Program that you not acceptable to become a franchisee of for any reason, in our sole and absolute discretion, the Asset Purchase Agreement will automatically terminate

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D)	SUMMARY
i Franchisee's obligations on termination/ nonrenewal	Not Applicable	Not Applicable
j Assignment of contract by Franchisor	Section 19(e)	There are no limits on our assignment rights
k "Transfer" by Franchisee—definition	Section 19(e)	You may not assign your rights under the Asset Purchase Agreement
l Franchisor's approval of transfer by franchisee	Section 19(e)	You may not assign your rights under the Asset Purchase Agreement
m Conditions for our approval of transfer	Not Applicable	Not Applicable
n Franchisor's right of first refusal to acquire Franchisee's business	Not Applicable	Not Applicable
o Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p Death or disability of Franchisee	Not Applicable	Not Applicable
q Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s Modification of the agreement	Section 19(e)	Must be in writing signed by both parties
t Integration/merger clause	Section 19(e)	Only the terms of the Asset Purchase Agreement and its attachments are binding. Nothing in the Asset Purchase Agreement or in any related Exhibit is intended to disclaim the representations made to you in this Disclosure Document.
u Dispute resolution by mediation	Sections 18(a), 18(b) and 18(c)	<u>Subject to state law, w</u> We must first attempt to resolve all disputes by mediation in Los Angeles County, California

PROVISION	SECTION IN ASSET PURCHASE AGREEMENT (EXHIBIT D)	SUMMARY
v—Choice of forum	Section 18(a)	All proceedings will be held in Los Angeles County, California, subject to applicable state law. See the State Specific Addenda (<u>Exhibit H</u>) attached to this disclosure document.
w—Choice of law	Section 18(b)	California, subject to the exception provided in Section 18(d) and applicable state law. See the State Specific Addenda (<u>Exhibit H</u>) attached to this disclosure document.

ITEM 18 PUBLIC FIGURES

No compensation or other benefit is given or promised to a public figure for the use of a public figure in the name or symbol of Daphne's Restaurants or the endorsement or recommendation of Daphne's Restaurants by a public figure in advertisements.

You do not have the right to use the name of any public figure in promotional efforts or marketing without our prior written approval. No public figures are involved in the actual management or control of Mediterranean Cuisine Franchising Company, LLC.

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 Affiliate-Owned 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 of a particular location or under particular circumstances.

Before signing any documents or making any investment, you must make your own independent investigation regarding the purchase of a Daphne's Restaurant franchise, including independent market and industry reviews and comparisons and talking to current and former Daphne's Restaurant franchisees. You must consult with your own independent advisors, such as attorneys and accountants, to assist in determining the suitability of this investment for you.

The financial performance representations that appear in Tables 1 and 2, 3, 4, and 5 below do not include operating expenses that were not included in the calculation of Cost of Goods Sold or Other Operating Expenses that must be deducted from Net Sales to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Daphne's Restaurant. Franchisees or former franchisees may be one source of this information. We did not have any franchisees as of the issuance date of this Disclosure Document that have operated a Daphne's Restaurant for at least 12 months.

Your individual financial results may differ substantially from the results stated in this financial performance representation. Written substantiation for the financial performance representations made in this Item 19 will be made available to you upon reasonable request.

Some Daphne's Restaurants have earned these amounts. Your individual results may differ. There is no assurance you will earn as much.

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ANNUAL GROSS SALES, DISCOUNTS AND NET SALES
AT 3 AFFILIATE-OWNED DAPHNE'S RESTAURANTS
DURING THE PERIOD JANUARY 1, 2018 THROUGH DECEMBER 31, 2018
(SEE NOTES 1 – 9)

TABLE 1

<u>Affiliate-Owned Daphne's Restaurants (Note 1)</u>	<u>Annual Gross Sales (Note 3)</u>	<u>Annual Discounts</u>	<u>%</u>	<u>Annual Net Sales</u>	<u>%</u>
<u>Mission Valley</u>	<u>477,378</u>	<u>(17,196)</u>	<u>(4)</u>	<u>427,485</u>	<u>9</u>
<u>West Hollywood</u>	<u>1,105,048</u>	<u>(25,986)</u>	<u>(2.6)</u>	<u>986,893</u>	<u>8.9</u>
<u>Pasadena</u>	<u>1,034,469</u>	<u>(46,493)</u>	<u>(5.1)</u>	<u>903,205</u>	<u>8.7</u>
<u>AVERAGE</u>	<u>872,298</u>	<u>(29,892)</u>	<u>(3.9)</u>	<u>772,528</u>	<u>8.7</u>
<u>MEDIAN</u>	<u>1,034,469</u>	<u>(25,986)</u>	<u>(4)</u>	<u>903,205</u>	<u>8.7</u>
<u>HIGH / LOW</u>	<u>1,105,048/ 477,378</u>	<u>(46,493)/ (17,196)</u>	<u>(5.1)/ (2.6)</u>	<u>986,893/ 427,485</u>	<u>9/ 8.7</u>

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**IMPUTED ANNUAL ROYALTY EXPENSE FOR FRANCHISEES CALCULATED AT 5% OF ANNUAL NET
SALES AT 3 AFFILIATE-OWNED DAPHNE'S RESTAURANTS
DURING THE PERIOD JANUARY 1, 2018 THROUGH DECEMBER 31, 2018**

TABLE 2

<u>Affiliate-Owned Restaurant</u> <u>(Note 8)</u>	<u>Imputed Annual Royalty Expense For</u> <u>Franchisees Calculated At 5% Of Annual</u> <u>Net Sales</u> <u>(Note 8)</u>	<u>IMPUTED LOCAL</u> <u>ADVERTISEMENT EXPENSE FOR</u> <u>FRANCHISEES CALCULATED AT</u> <u>1% OF GROSS SALES</u>
<u>Mission Valley</u>	<u>\$21,374</u>	<u>\$4,275</u>
<u>West Hollywood</u>	<u>\$49,345</u>	<u>\$9,869</u>
<u>Pasadena</u>	<u>\$45,160</u>	<u>\$9,032</u>

**ANNUAL GROSS SALES, DISCOUNTS AND NET SALES AND
ANNUAL COST OF GOODS SOLD, GROSS PROFIT, OTHER OPERATING EXPENSES AND EARNINGS BEFORE INTEREST,
TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) AS A PERCENTAGE OF ANNUAL NET SALES
AT 23 AFFILIATE OWNED DAPHNE'S RESTAURANTS
DURING THE PERIOD DECEMBER 28, 2016 THROUGH DECEMBER 31, 2017
(SEE NOTES 1-8, 17, 18)**

TABLE 1

Affiliate-Owned Daphne's Restaurants (Note 1)	Annual Gross Sales (Notes 3 and 10)	Annual Discounts	%	Annual Net Sales	Annual Cost of Goods Sold as a % of Annual Net Sales (Notes 4 and 10)	%	Annual Gross Profit as a % of Annual Net Sales (Notes 5 and 10)	%	Annual Other Operating Expenses as a % of Annual Net Sales (Notes 6 and 10)	%	Annual EBITDA as a % of Annual Net Sales (Notes 7 and 10)	%
Poway	705,113	(38,284)	(5.7)	666,829	200,116	30.0	466,713	70.0	458,001	68.7	8712	1.3
Redondo Beach	766,827	(32,068)	(4.1)	734,759	209,381	28.5	525,378	71.5	439,617	59.8	85,761	11.7
Torrance	758,798	(33,868)	(4.7)	724,930	215,753	29.8	509,177	70.2	483,777	66.7	25,400	3.5
Mira Mesa	721,630	(37,400)	(5.5)	684,230	195,699	28.6	488,531	71.4	433,632	63.4	54,899	8.0
La Jolla	858,501	(28,880)	(3.5)	829,621	228,447	27.5	601,174	72.5	492,130	59.3	109,044	13.1
Newport Beach	833,701	(29,226)	(3.6)	804,475	237,496	29.5	566,979	70.5	509,838	63.4	57,141	7.1
Roseville Sierra	689,958	(25,911)	(3.9)	664,047	208,094	31.3	455,953	68.7	465,202	70.1	(9,249)	(1.4)
Santee	780,787	(43,201)	(5.9)	737,586	212,045	28.7	525,541	71.3	426,370	57.8	99,171	13.4
Roseville Fairway	832,244	(46,014)	(5.9)	786,230	237,408	30.2	548,822	69.8	437,870	55.7	110,952	14.1
Carlsbad	721,697	(35,518)	(5.2)	686,179	203,413	29.6	482,766	70.4	443,631	64.7	39,135	5.7
Mission Valley	890,527	(40,885)	(4.8)	849,642	243,027	28.6	606,615	71.4	511,253	62.9	118,141	13.9
Torrey Hills	700,314	(33,404)	(5.0)	666,910	192,516	28.9	474,424	71.1	460,547	69.1	13,877	2.1
Chula Vista	967,403	(48,672)	(5.3)	918,731	258,981	28.2	659,750	71.8	469,630	51.1	190,120	20.7
Temecula	807,768	(39,581)	(5.2)	768,187	231,948	30.2	536,239	69.8	471,297	61.7	61,942	8.1
Irvine Jamboree	905,065	(42,817)	(5.0)	862,248	252,170	29.2	610,078	70.8	543,428	63.0	66,650	7.7
Newbury Park	767,274	(55,478)	(7.8)	711,796	209,640	29.5	502,156	70.5	439,412	61.7	62,744	8.8
Woodland Hills	871,991	(69,318)	(8.6)	802,673	238,581	29.6	564,092	70.4	512,214	63.6	54,875	6.8
Ontario	822,339	(31,236)	(3.9)	791,103	231,097	29.2	560,006	70.8	463,285	58.6	96,721	12.2

Affiliate-Owned Daphne's Restaurants (Note 1)	Annual Gross Sales (Notes 3 and 10)	Annual Discounts	%	Annual Net Sales	Annual Cost of Goods Sold as a % of Annual Net Sales (Notes 4 and 10)	%	Annual Gross Profit as a % of Annual Net Sales (Notes 5 and 10)	%	Annual Other Operating Expenses as a % of Annual Net Sales (Notes 6 and 10)	%	Annual EBITDA as a % of Annual Net Sales (Notes 7 and 10)	%
West Hollywood	1,000,032	(26,327)	(2.7)	973,705	278,291	28.6	695,414	71.4	589,211	60.5	106,173	10.9
Pasadena	879,154	(43,952)	(5.3)	835,202	248,362	29.7	586,840	70.3	496,197	59.4	90,643	10.9
Simi Valley	636,418	(28,213)	(4.6)	608,205	177,818	29.2	430,387	70.8	410,017	67.4	20,340	3.3
Lake Forest	568,360	(25,897)	(4.8)	542,463	157,138	29.0	385,323	71.0	385,239	71.0	86	0.0
Tustin	794,469	(33,012)	(4.3)	761,457	223,578	29.4	537,879	70.6	569,348	74.8	(31,469)	(4.1)
TOTAL	18,283,400	(869,162)	(5.0)	17,414,238	5,091,002	29.2	12,323,236	70.8	10,891,425	62.5	1,431,811	8.2

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**IMPUTED ANNUAL ROYALTY EXPENSE FOR FRANCHISEES CALCULATED AT 5% OF ANNUAL NET
SALES AT 23 AFFILIATE OWNED DAPHNE'S RESTAURANTS
DURING THE PERIOD DECEMBER 28, 2016 THROUGH DECEMBER 31, 2017**

TABLE 2

AFFILIATE OWNED RESTAURANT (NOTE 8)	IMPUTED ANNUAL ROYALTY EXPENSE FOR FRANCHISEES CALCULATED AT 5% OF ANNUAL NET SALES (NOTE 8)
Poway	\$30,780.90
Redondo Beach	\$37,817.45
Torrance	\$38,586.00
Mira Mesa	\$34,389.70
La Jolla	\$46,059.90
Newport Beach	\$39,370.55
Roseville Sierra	\$31,398.05
Santee	\$35,327.70
Roseville Fairway	\$35,269.20
Carlsbad	\$32,884.35
Mission Valley	\$40,695.25
Torrey Hills	\$34,270.15
Chula Vista	\$44,619.30
Temecula	\$38,650.20
Irvine Jamboree	\$43,816.10
Newbury Park	\$32,357.45
Woodland Hills	\$38,102.50
Ontario	\$40,334.80
West Hollywood	\$48,471.05
Pasadena	\$11,903.60
Simi Valley	\$29,684.05
Lake Forest	\$24,300.00
Tustin	\$38,832.40

**ANNUAL GROSS SALES, DISCOUNTS AND NET SALES AND
ANNUAL COST OF GOODS SOLD, GROSS PROFIT, OTHER OPERATING EXPENSES AND EARNINGS BEFORE INTEREST,
TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) AS A PERCENTAGE OF ANNUAL NET SALES
AT 22 AFFILIATE OWNED DAPHNE'S RESTAURANTS
DURING THE PERIOD DECEMBER 28, 2015 THROUGH DECEMBER 25, 2016
(SEE NOTES 9-18)**

TABLE 3

Affiliate-Owned Daphne's Restaurants (Note 1)	Annual Gross Sales (Notes 3 and 10)	Annual Discounts	%	Annual Net Sales	Annual Cost of Goods Sold as a % of Annual Net Sales (Notes 4 and 10)	%	Annual Gross Profit as a % of Annual Net Sales (Notes 5 and 10)	%	Annual Other Operating Expenses as a % of Annual Net Sales (Notes 6 and 10)	%	Annual EBITDA as a % of Annual Net Sales (Notes 7 and 10)	%
Poway	651,656	(36,038)	(5.9)	615,618	178,801	29	436,817	71	436,620	70.9	197	-1
Redondo Beach	787,181	(30,833)	(4.1)	756,349	217,199	28.8	538,850	71.2	451,235	59.6	87,615	11.6
Torrance	820,012	(48,292)	(6.3)	771,720	226,331	29.3	545,389	70.7	480,669	62.2	64,721	8.4
Mira Mesa	727,301	(39,508)	(5.7)	687,794	197,321	28.7	490,472	71.3	423,108	61.5	67,363	9.8
La Jolla	955,295	(34,097)	(3.7)	921,198	253,890	27.6	667,299	72.4	525,544	57.1	141,756	15.4
Newport Beach	821,723	(34,313)	(4.4)	787,411	229,873	29.2	557,537	70.8	527,468	66.9	30,069	2.8
Roseville-Sierra	654,273	(26,312)	(4.2)	627,961	184,380	29.4	443,580	70.6	420,615	67.1	22,966	3.7
Santee	761,002	(54,449)	(7.7)	706,554	211,087	29.9	495,466	70.1	441,259	62.6	54,208	7.7
Roseville-Fairway	750,225	(41,841)	(6.4)	705,384	210,600	29.9	494,784	70.1	392,636	55.7	102,148	14.5
Carlsbad	705,746	(48,059)	(7.3)	657,687	201,123	30.6	456,564	69.4	455,753	69.3	811	-1
Mission Valley	862,870	(48,965)	(6.0)	813,905	235,932	29	577,973	71	511,253	62.9	66,729	8.2
Torrey Hills	728,599	(43,196)	(6.3)	685,403	201,400	29.4	484,003	70.6	490,220	71.6	(6,217)	(-9)
Chula Vista	942,045	(49,659)	(5.6)	892,386	256,382	28.7	636,004	71.3	475,397	53.3	160,607	18
Temecula	818,302	(45,298)	(5.9)	773,004	237,172	30.7	535,832	69.3	486,422	63	49,410	6.4
Irvine-Jamboree	937,676	(61,354)	(7.0)	876,322	258,767	29.5	617,555	70.5	543,830	62	73,725	8.4
Newbury Park	699,912	(52,763)	(8.2)	647,149	191,584	29.6	455,565	70.4	424,712	65.5	30,854	4.8
Woodland Hills	838,253	(76,203)	(10)	762,050	226,118	29.7	535,932	70.3	504,812	66.3	31,121	4.1

Affiliate-Owned Daphne's Restaurants (Note 1)	Annual Gross Sales (Notes 3 and 10)	Annual Discounts	%	Annual Net Sales	Annual Cost of Goods Sold as a % of Annual Net Sales (Notes 4 and 10)	%	Annual Gross Profit as a % of Annual Net Sales (Notes 5 and 10)	%	Annual Other Operating Expenses as a % of Annual Net Sales (Notes 6 and 10)	%	Annual EBITDA as a % of Annual Net Sales (Notes 7 and 10)	%
Ontario	847,212	(40,517)	(5.0)	806,696	225,980	28	580,716	72	468,730	58	111,985	13.9
West Hollywood	1,014,415	(44,993)	(4.6)	969,421	266,199	27.5	703,223	72.5	617,352	63.6	85,870	8.9
Pasadena	888,767	(50,695)	(6.0)	838,072	248,324	29.6	589,748	70.4	505,986	60.1	83,766	10
Simi Valley	625,833	(32,151)	(5.4)	593,681	170,939	28.8	422,742	71.2	412,090	69.4	10,651	1.8
Lake Forest	511,265	(25,286)	(5.2)	486,000	139,849	28.8	346,151	71.2	382,570	78.7	(26,418)	(7.5)
TOTAL	17,349,585	(967,822)	(5.9)	16,381,763	4,769,561	29.1	11,612,202	70.9	10,378,265	63.3	1,233,937	7.5

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**IMPUTED ANNUAL ROYALTY EXPENSE FOR FRANCHISEES CALCULATED AT 5% OF ANNUAL NET
SALES AT 22 AFFILIATE OWNED DAPHNE'S RESTAURANTS
DURING THE PERIOD DECEMBER 28, 2015 THROUGH DECEMBER 25, 2016**

TABLE 4

AFFILIATE OWNED RESTAURANT (NOTE 16)	IMPUTED ANNUAL ROYALTY EXPENSE FOR FRANCHISEES CALCULATED AT 5% OF ANNUAL NET SALES (NOTE 16)
Poway	\$30,780.90
Redondo Beach	\$37,817.45
Torrance	\$38,586.00
Mira Mesa	\$34,389.70
La Jolla	\$46,059.90
Newport Beach	\$39,370.55
Roseville Sierra	\$31,398.05
Santee	\$35,327.70
Roseville Fairway	\$35,269.20
Carlsbad	\$32,884.35
Mission Valley	\$40,695.25
Torrey Hills	\$34,270.15
Chula Vista	\$44,619.30
Temecula	\$38,650.20
Irvine Jamboree	\$43,816.10
Newbury Park	\$32,357.45
Woodland Hills	\$38,102.50
Ontario	\$40,334.80
West Hollywood	\$48,471.05
Pasadena	\$41,903.60
San Valley	\$29,684.05
Lake Forest	\$24,300.00
Tustin	\$38,832.40
Irvine Alton	\$32,710.15

NOTE 1

Table 1 includes actual historical unaudited information we have accumulated for 3 Affiliate-Owned Daphne's Restaurants that were owned and operated by the Operating Company on December 31, 2018. All 3 Affiliate-Owned Daphne's Restaurants included in Table 1 are located in Los Angeles and San Diego Counties, California. All of these Affiliate-Owned Daphne's Restaurants are operations similar to the franchise offered in this Disclosure Document. All information is unaudited.

The figures in Table 1 are taken from reports submitted to us by the Operating Company on the Annual Gross Sales (as defined in Note 3), Annual Discounts (as defined in Note 3) and Annual Net Sales (as defined in Note 3).

On December 31, 2018, there were a total of 3 Affiliate-Owned Daphne's Restaurants owned and operated by the Operating Company and 20 Affiliate-Owned Daphne's Restaurants sold to Daphne's Franchisees. The 20 franchised Daphne's Restaurants are not included in this Item 19, because none were operated by Daphne's Franchisees for at least 12 months as of December 31, 2018. All 3 Affiliate-Owned Daphne's Restaurants are included in Table 1, which is 100% of the Affiliate-Owned Daphne's Restaurants in operation on December 31, 2018.

Percentages (%) to the immediate right of each category represent that category's value as a percentage of Annual Net Sales.

NOTE 2

All 3 Affiliate-Owned Daphne's Restaurants included in Table 1 were open and operating for more than 4 years as of December 31, 2018.

NOTE 3

The Annual Gross Sales of each Affiliate-Owned Daphne's Restaurant included in Table 1 appears in the second column. For purposes of Table 1, Annual Gross Sales means the aggregate of the total of all revenues derived from sales of any nature or kind whatsoever from each Daphne's Restaurant included in Table 1, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Daphne's Restaurants although filled elsewhere. Annual Gross Sales includes the full value of meals our franchisee provided to their employees as incident to their employment (less the value of any discounts against Annual Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. Annual Gross Sales excludes the amount of bona fide refunds paid to customers and the amount of sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

For purposes of Table 1, Annual Discounts means coupons, rewards program discounts, and food for employees.

For purposes of Table 1, Annual Net Sales means Annual Gross Sales less Annual Discounts.

NOTE 8

Based upon the Annual Net Sales of the Affiliate-Owned Restaurants, we have included Table 2 to include imputed Annual Royalty Fees that a franchisee would incur at 5% of Annual Net Sales, which the Affiliate-Owned Restaurants did not incur. A franchise would not have incurred Marketing Fund Fees as of December 31, 2018 because the

Marketing Fund was not established in 2018. We did not have any franchisees who have operated a Daphne's Restaurant for at least 12 months as of December 31, 2018 and have no reasonable basis to conclude that there will be material financial and operational differences between Affiliate-Owned Restaurants and operational franchised outlets, other than the Annual Royalty Fees that a franchisee would incur.

NOTE 1

~~Table 1-3 includes actual historical unaudited information we have accumulated for 23 Affiliate-Owned Daphne's Restaurants that were owned and operated by the Operating Company on December 31, 2017. All 23 Affiliate-Owned Daphne's Restaurants included in Table 1-3 are located in Los Angeles, Orange, San Diego and Placer Counties, California. All of these Affiliate-Owned Daphne's Restaurants are operations similar to the franchise offered in this Disclosure Document. All information is unaudited.~~

~~The figures in Table 1-3 are taken from reports submitted to us by the Operating Company on the Annual Gross Sales (as defined in Note 3), Annual Discounts (as defined in Note 3), Annual Net Sales (as defined in Note 3), Annual Cost of Goods Sold (as defined in Note 4), Annual Gross Profit (as defined in Note 5), Annual Other Operating Expenses (as defined in Note 6), and Annual EBITDA (as defined in Note 7).~~

~~On December 31, 2017, there were a total of 23 Affiliate-Owned Daphne's Restaurants owned and operated by the Operating Company. All 23 Affiliate-Owned Daphne's Restaurants are included in Table 1-3, which is 100% of the Affiliate-Owned Daphne's Restaurants in operation on December 31, 2017.~~

~~Percentages (%) to the immediate right of each category represent that category's value as a percentage of Annual Net Sales.~~

NOTE 210

~~All 23 Affiliate-Owned Daphne's Restaurants included in Table 1-3 were open and operating for more than 4 years as of December 31, 2017.~~

NOTE 311

~~The Annual Gross Sales of each Affiliate-Owned Daphne's Restaurant included in Table 1-3 appears in the second column. For purposes of Table 1-3, Annual Gross Sales means the aggregate of the total of all revenues derived from sales of any nature or kind whatsoever from each Daphne's Restaurant included in Table 1-3, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Daphne's Restaurants although filled elsewhere. Annual Gross Sales includes the full value of meals our franchisee provided to their employees as incident to their employment (less the value of any discounts against Annual Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. Annual Gross Sales excludes the amount of bona fide refunds paid to customers and the amount of sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.~~

~~For purposes of Table 1-3, Annual Discounts means coupons, rewards program discounts, and food for employees.~~

~~For purposes of Table 13, Annual Net Sales means Annual Gross Sales less Annual Discounts~~

NOTE 4

~~The Annual Cost of Goods Sold as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 13 appears in the seventh column. For purposes of Table 13, Annual Cost of Goods Sold means the Operating Company's expenses for food, beverages and paper goods.~~

NOTE 5

~~The Annual Gross Profit as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 13 appears in the eighth column. For purposes of Table 13, Annual Gross Profit means Annual Gross Sales less Annual Cost of Goods Sold.~~

NOTE 6

~~The Annual Other Operating Expenses as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 13 appears in the ninth column. For purposes of Table 13, Annual Other Operating Expenses means the Operating Company's expenses for all other expenses related to the operation of the Daphne's Restaurants (other than expenses for food, beverages and paper goods), including labor and rent.~~

NOTE 7

~~The Annual EBITDA as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 13 appears in the twelfth column. For purposes of Table 13, Annual EBITDA means the Operating Company's net earnings before interest expenses, taxes, depreciation and amortization are subtracted.~~

NOTE 8

~~Based upon the Annual Net Sales of the Affiliate Owned Restaurants, we have included Table 2.4 to include imputed Annual Royalty Fees that a franchisee would incur at 5% of Annual Net Sales, which the Affiliate Owned Restaurants did not incur. A franchise would not have incurred Marketing Fund Fees as of December 31, 2017 because the Marketing Fund was not established in 2017. We did not have any franchisees as of December 31, 2017 and have no reasonable basis to conclude that there will be material financial and operational differences between Affiliate Owned Restaurants and operational franchised outlets, other than the Annual Royalty Fees that a franchisee would incur.~~

NOTE 9

~~Table 3.5 includes actual historical unaudited information we have accumulated for 22 Affiliate Owned Daphne's Restaurants that were owned and operated by the Operating Company on December 25, 2016. All 22 Affiliate Owned Daphne's Restaurants included in Table 3 are located in Los Angeles, Orange, San Diego and Placer Counties, California. All of these Affiliate Owned Daphne's Restaurants are operations similar to the franchise offered in this Disclosure Document. All information is unaudited.~~

~~The figures in Table 3.5 are taken from reports submitted to us by the Operating Company on the Annual Gross Sales (as defined in Note 11), Annual Discounts (as defined in Note 11), Annual Net Sales (as defined in Note 11), Annual Cost of Goods Sold (as defined in Note 12), Annual Gross Profit (as defined in Note 13), Annual Other Operating~~

~~Expenses (as defined in Note 14), and Annual EBITDA (as defined in Note 15)~~

~~On December 25, 2016, there were a total of 24 Affiliate Owned Daphne's Restaurants owned and operated by the Operating Company. 22 out of 24 Affiliate Owned Daphne's Restaurants are included in Table 35, which is 91.6% of the 24 Affiliate Owned Daphne's Restaurants in operation on December 25, 2016. 2 out of 24 Affiliate Owned Daphne's Restaurants (Tustin and Irvine Alton) were not included in Table 3 because we do not have reliable information for all categories disclosed in Table 3.~~

~~Percentages (%) to the immediate right of each category represent that category's value as a percentage of Annual Net Sales.~~

NOTE 1018

~~All 22 Affiliate Owned Daphne's Restaurants included in Table 3 5 as well as the Tustin and Irvine Alton Daphne's Restaurants were open and operating for more than 4 years as of December 25, 2016.~~

NOTE 1119

~~The Annual Gross Sales of each Affiliate Owned Daphne's Restaurant included in Table 3 5 appears in the second column. The Annual Gross Sales of the Affiliate Owned Daphne's Restaurants in Tustin and Irvine Alton during the period December 28, 2015 to December 25, 2016 were \$776,648 and \$654,203, respectively. For purposes of Table 35, Annual Gross Sales means the aggregate of the total of all revenues derived from sales of any nature or kind whatsoever from each Daphne's Restaurant included in Table 35, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Daphne's Restaurants although filled elsewhere. Annual Gross Sales includes the full value of meals our franchisee provided to their employees as incident to their employment (less the value of any discounts against Annual Gross Sales given during the month in which the meals were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. Annual Gross Sales excludes the amount of bona fide refunds paid to customers and the amount of sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.~~

~~For purposes of Table 35, Annual Discounts means coupons, rewards program discounts, and food for employees.~~

~~For purposes of Table 35, Annual Net Sales means Annual Gross Sales less Annual Discounts.~~

NOTE 1220

~~The Annual Cost of Goods Sold as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 3 5 appears in the seventh column. For purposes of Table 35, Annual Cost of Goods Sold means the Operating Company's expenses for food, beverages and paper goods.~~

NOTE 1321

~~The Annual Gross Profit as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 3 5 appears in the eighth column. For purposes of Table 35, Annual Gross Profit means Annual Gross Sales less Annual Cost of Goods Sold.~~

NOTE 1422

~~The Annual Other Operating Expenses as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 3 5 appears in the ninth column. For purposes of Table 3 5, Annual Other Operating Expenses means the Operating Company's expenses for all other expenses related to the operation of the Daphne's Restaurants (other than expenses for food, beverages and paper goods), including labor and rent.~~

NOTE 1523

~~The Annual EBITDA as a Percentage of Annual Net Sales of each Affiliate Owned Daphne's Restaurant included in Table 3 5 appears in the twelfth column. For purposes of Table 3 5, Annual EBITDA means the Operating Company's net earnings before interest expenses, taxes, depreciation and amortization are subtracted.~~

NOTE 16

~~Based upon the Annual Net Sales of the Affiliate Owned Restaurants, we have included Table 4 6 to include imputed Annual Royalty Fees that a franchisee would incur at 5% of Annual Net Sales, which the Affiliate Owned Restaurants did not incur. A franchise would not have incurred Marketing Fund Fees as of December 25, 2016 because the Marketing Fund was not established in 2016. We did not have any franchisees as of December 31, 2017 2016 and have no reasonable basis to conclude that there will be material financial and operational differences between Affiliate Owned Restaurants and operational franchised outlets, other than the Annual Royalty Fees that a franchisee would incur.~~

NOTE 17

~~Your individual operating results will be affected by a multitude of factors, including general economic conditions, regional market variations, the demographics of an area, lifestyles of customers in your market area, the location of your Daphne's Restaurant, other market characteristics, the extent, duration and effectiveness of your marketing and promotional efforts, fluctuations in the cost of inventory and supplies, variations in disposable income and population, competition in the restaurant business in general, consumer preferences and the like, as well as your business abilities and efforts, and may differ substantially from the financial performance representations provided in this Item 19. Daphne's Restaurants operating in low population density areas will also have lower sales than locations in high population density areas. Daphne's Restaurants located outside of Northern or Southern California may also have lower sales than locations in 23 Affiliate Owned Daphne's Restaurants included in Table 1, and the 22 Affiliate Owned Daphne's Restaurants included in Table 3 5. Your results will vary based on your regional demographic density, competitive factors and your ability. You should consult other sources and your financial advisors to obtain additional information necessary to develop estimates of the gross revenues, cost of goods sold, operating expenses and net income you may expect.~~

NOTE 189

The information provided in this Item 19 is the only information we authorize regarding performance of any Daphne's Restaurant. We do not furnish, or authorize our salespersons or anyone else to furnish, any oral or written information concerning the actual or potential sales, costs, income or profits of a Daphne's Restaurant. Actual results may vary from business to business and we cannot estimate the results of any particular business. Before signing any documents or making any investment, you must make your own independent investigation regarding the possible reward of a Daphne's Restaurant, including independent market and industry reviews and comparisons and talking to current and former Daphne's franchisees. You must consult with your own independent advisors, such as attorneys and

accountants, to assist in determining the suitability of this investment for you

Other than the following ~~above~~ financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of franchisor-owned or Affiliate-Owned 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 Franchisor's management by contacting our President, Mr. Michael Nakhleh, Mediterranean Cuisine Franchising Company, LLC, 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011, telephone (310)-278-5050, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS ~~2015-2016~~ TO ~~2017~~2018**

Outlet Type	Year	Outlets At The Start Of The Year	Outlets At The End Of The Year	Net Change
Franchised				
	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
	<u>2018</u>	<u>0</u>	<u>17</u>	<u>+17</u>
Company-Owned*				
	2015	31	28	-3
	2016	28	24	-4
	2017	24	23	-1
	<u>2018</u>	<u>23</u>	<u>5</u>	<u>-17</u>
Total Outlets				
	2015	28	28	-3
	2016	24	24	-4
	2017	24	23	-1
	<u>2018</u>	<u>23</u>	<u>23</u>	<u>0</u>

* All locations are owned by our affiliate, Mediterranean Cuisine Operating Company, LLC

TABLE NO 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR FISCAL YEARS 2015-2016 TO 2017/2018

State	Year	Number Of Transfers
California		
	2015	0
	2016	0
	2017	0
	2018	0
Total Outlets		
	2015	0
	2016	0
	2017	0
	2018	0

TABLE NO 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2015-2016 TO 2017/2018

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets At End Of The Year
California								
	2015	0	0	0	0		0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	17*	0	0	0	0	17
Total Outlets								
	2015	0	0	0	0		0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	17*	0	0	0	0	17

*These outlets were company-owned and sold to franchisees

TABLE NO 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS 2015-2016 TO 2017-2018

State	Year	Outlets At Start Of The Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisee	Outlets At End Of The Year
California*							
	2015	31	0	0	3	0	28
	2016	28	0	0	4	0	24
	2017	24	0	0	1	0	23
	2018	23	0	0	0	17	5*
Total*							
	2015	31	0	0	3	0	28
	2016	28	0	0	4	0	24
	2017	24	0	0	1	0	23
	2018	23	0	0	0	71	5*

* These All locations are owned by our affiliate, Mediterranean Cuisine Operating Company, LLC

TABLE NO 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2017-2018

State	Franchise Agreements Signed But Outlets Not Opened	New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
California	10	12	04
Totals	10	12	04

We have no franchisees as of the issuance date of this Disclosure Document.

~~Exhibit L~~ Exhibit K contains a list of our current and former franchisees as of December 31, 2018. There are no franchisees who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

We have not signed confidentiality clauses with current or former franchisees since our formation. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No outlets have been terminated, not renewed, or ceased operations for other reasons.

We have not created, sponsored, endorsed or received a request to include in this Disclosure Document, a trademark specific franchisee organization.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as ~~Exhibit J~~ Exhibit I is our audited balance sheet as of October 4, 2017 and our audited financial statements for the fiscal year ended December 31, 2017 and December 31, 2018. Our fiscal year ends on December 31 of each year.

ITEM 22 CONTRACTS

Attached as Exhibit A is a copy of our current form of Franchise Agreement

Attached as Exhibit B is a copy of our current form of Area Development Agreement

Attached as Exhibit C is a copy of our current form of Option to Obtain Lease Assignment

Attached as ~~Exhibit D~~ is a copy of our current form of Asset Purchase Agreement

Attached as ~~Exhibit E~~Exhibit D is a copy of our current form of Confidentiality Agreement for Prospective Franchisees

Attached as ~~Exhibit F~~Exhibit E is a copy of our current form of Non-Disclosure and Confidentiality Agreement for Employees of Franchisee

Attached as ~~Exhibit G~~Exhibit F is a copy of our current form of General Release

Attached as ~~Exhibit H~~Exhibit G is a copy of our State Specific Addenda

Attached as ~~Exhibit I~~Exhibit H is a copy of our current form of Franchise Compliance Certificate

ITEM 23 RECEIPTS

2 copies of an acknowledgment of your receipt of this Disclosure Document appear as ~~Exhibit M~~Exhibit LL. Please return one copy to us and retain the other for your records

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT A
FRANCHISE AGREEMENT**

MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

TABLE OF CONTENTS

<u>ARTICLE</u>		<u>PAGE</u>
1	DEFINITIONS	1
2	GRANT	8
3	INITIAL AND RENEWAL TERMS	9
4	FEES AND PAYMENTS	10
5	FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS	13
6	OBLIGATIONS OF FRANCHISOR	15
7	OBLIGATIONS OF FRANCHISEE	17
8	SUPPLIERS AND PRODUCTS	27 26
9	DAPHNE'S MARKS	27
10	MARKETING	29
11	CONFIDENTIAL INFORMATION	33
12	ACCOUNTING AND RECORDS	35
13	INSURANCE	36
14	TRANSFER OF INTEREST	37
15	COVENANTS	42
16	DEFAULT AND TERMINATION	45
17	OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION	48
18	INDEPENDENT CONTRACTOR AND INDEMNIFICATION	50
19	DISPUTE RESOLUTION	52
20	NOTICES	54
21	ACKNOWLEDGMENTS	55

EXHIBITS

EXHIBIT A	FRANCHISE INFORMATION
EXHIBIT B	ENTITY INFORMATION DISCLOSURE
EXHIBIT C	GUARANTEE OF FRANCHISE AGREEMENT
EXHIBIT D	ADDENDUM FOR RESTAURANT PURCHASE
EXHIBIT E	DEBIT AUTHORIZATION FORM

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the "**Effective Date**" set forth on Exhibit A by and between **MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC**, a Delaware limited liability company ("**Franchisor**"), on the one hand, and the individuals or Entity identified as "**Franchisee**" on Exhibit A, on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as the "**Parties**", with reference to the following facts

A Franchisor and Franchisor's Affiliate, Mediterranean Cuisine Operating Company, LLC, a Delaware limited liability company (the "**Operating Company**"), have developed the "**Daphne's System**" for the establishment and operation of fast-casual restaurants ("**Daphne's Restaurants**") that offer a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and non-alcoholic beverages for on-premises and off-premises consumption and catering events under the trade names and service marks "**Daphne's**", "**Daphne's California Greek**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Daphne's Marks**")

B Franchisee desires to obtain a license and franchise to develop, own and operate one Daphne's Restaurant (the "**Franchised Restaurant**") under the Daphne's Marks in strict accordance with Daphne's System and the standards established by Franchisor from time to time, and Franchisor is willing to grant Franchisee a license and franchise under the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

14 DEFINITIONS

The capitalized terms in this Agreement that are not defined elsewhere in the text of this Agreement are assigned these definitions

"**Abandon**" means (i) Franchisee's failure, at any time during the Term, to keep the Franchised Restaurant open and operating for business for a period of five (5) consecutive days, (ii) Franchisee's failure to keep the Franchised Restaurant open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Restaurant, unless the failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) the withdrawal of permission from the Landlord that results in Franchisee's inability to continue operation of the Franchised Restaurant at the Franchised Location, or (v) a closure of the Franchised Restaurant required by Applicable Law

"**Accounting Period**" means each four (4) week period designated by Franchisor

"**Affiliate**" or "**Affiliates**" mean any Person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a Person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person or Entity whether by contract or otherwise

"Daphne's Franchisees" means the parties who enter into Daphne's Franchise Agreements with Franchisor to develop, own and operate Daphne's Restaurants

"Daphne's System" means the system developed by Franchisor and the Operating Company that includes operating methods and business practices related to Daphne's Restaurants, the relationship between Franchisor and Daphne's Franchisees, interior and exterior store design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and unique cooking techniques and methods, specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's Website, all as Franchisor may modify the same from time to time

"Daphne's Trade Secrets" means proprietary and confidential information of Franchisor and the Operating Company, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating Daphne's Restaurants and producing Authorized Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor

"Default" means any breach of, or failure to comply with, any of the terms or conditions of an agreement

"Designated Franchise Portal" means Franchisor's online portal or portals that provide information, resources and support to Daphne's Franchisees and their Franchised Restaurants

"Entity" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Franchisee is an Entity, the Entity shall conduct no other business than the operation of the Franchised Restaurant

"Equity" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity

"Expiration Date" means the (10th) tenth anniversary of the ~~Opening~~ Effective Date as set forth on Exhibit A

"Force Majeure" means any event that (i) was reasonably unforeseeable as of the Effective Date, (ii) is beyond the reasonable control, directly or indirectly, of a Party, (iii) could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, **"Force Majeure"** includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants, and/or food providers generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a Party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, Landlord, contractor, or other Person, or Franchisee's financial

inability to perform or Franchisee's insolvency, shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Neither Party will be in Default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure.

"Franchised Location" means the site of the Franchised Restaurant as set forth on Exhibit A.

"General Manager" means an individual who is responsible for overseeing the operation of the Franchised Restaurant in the absence of the Principal Owner as set forth on Exhibit B.

"General Release" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"Grand Opening Marketing Expenditure" means the \$5,000 - \$15,000 that Franchisee must spend for a promotional campaign for the grand opening of the Franchised Restaurant beginning thirty (30) days before the scheduled Opening Date of the Franchised Restaurant and continuing for fifteen (15) days after the Opening Date of the Franchised Restaurant.

"Good Standing" means Franchisee is in substantial compliance with the material requirements of this Agreement, the Manuals and all other agreements then in effect between Franchisor, or its Affiliates, and Franchisee, and has substantially cured each curable Default for which Franchisor has issued a Notice of Default to Franchisee within the time periods set forth in Article 16.

"Governmental Authority" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"Gross Sales" means the total of all revenues derived from sales of any nature or kind whatsoever from the Franchised Restaurant during the Term, as well as the proceeds from any business interruption insurance related to the non-operation of the Franchised Restaurant, and whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Franchised Restaurant although filled elsewhere and delivery and catering charges that are not included in the price of the Authorized Products. "Gross Sales" shall include the full value of drinks and snacks Franchisee provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the drinks and snacks were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. "Gross Sales" shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

"Initial Franchise Fee" means the \$30,000 initial fee that Franchisee must pay Franchisor for the right to operate the Franchised Restaurant under this Agreement.

"Initial Term" means the ten (10) year period commencing on the ~~Opening~~ Effective Date and ending on the Expiration Date.

"Initial Training Program" means Franchisor's training program that Franchisor shall provide for up to two (2) persons selected by Franchisee who must include the Principal Owner and General Manager, at no charge to Franchisee before Franchisee begins servicing customers and that Franchisor may provide at other times during the Term, upon Franchisee's request, and by mutual arrangement of the Parties for the fees described in this Agreement. Franchisor may modify the Initial Training Program at any time without notice.

"Landlord" means the owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location.

"Lease" means any agreement, however denominated, that allows Franchisee to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Franchisee and a Landlord.

"Local Marketing Expenditure" means the amount that Franchisee shall spend each week during the Term for local promotion and marketing for the Franchised Restaurant which shall equal one percent (1%) of weekly Gross Sales. Franchisor shall have the right to adjust the amount of the Local Store Marketing Expenditure at any time and from time to time during the Term upon ninety (90) days' prior written notice from Franchisor to Franchisee, to an amount not to exceed two percent (2%) of Gross Sales.

"Manuals" means Franchisor's operations manual, which may consist of one or more manuals, and any other written directives related to Daphne's System, as they may be amended, issued and revised from time to time.

"Marketing Fund" means the fund that Franchisor may elect to establish to promote the Daphne's Marks and all Daphne's Restaurants.

"Marketing Fund Fees" means the weekly marketing fund fees that Franchisee shall pay Franchisor as a percentage of the Gross Sales of the Franchised Restaurant during the preceding week if and when Franchisor elects to establish a Marketing Fund. Franchisor shall have the right to adjust the amount of the Marketing Fund Fees at any time and from time to time during the Term upon ninety (90) days' prior written notice from Franchisor to Franchisee, to an amount not to exceed three percent (3%) of Gross Sales.

"NACHA" means the National Automated Clearing House Association, an organization that establishes the standards and rules followed by financial institutions for transferring payments.

"Non-Proprietary Products" means the food and beverage products, produce, condiments, drink ingredients, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Branded Products and Proprietary Products, that Franchisee may or must use, offer and sell at the Franchised Restaurant.

"Non-Traditional Venues" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as office buildings, business complexes, arenas, stadiums and entertainment venues, recreational facilities, beaches, parks, airports, train stations, travel plazas, toll road facilities and other transportation terminals, educational, medical, governmental and other types of institutional facilities, sites in retail locations (for example, a kiosk within a grocery store), cafeterias and casinos, food delivery fulfillment

| centers and any site for which the lessor, owner or operator limits the operation of its beverages and/or food service facilities to a master concessionaire or contract food service provider

"Notice of Default" means a written notice from one Party to another Party demanding the cure of a Default and demanding that the defaulting Party provide evidence of the cure to the other Party

"Open," "Open for Business," and "Opened" means that Franchisee has actually begun to offer Authorized Products for sale to the public from the Franchised Restaurant

"Opening Date" means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at the Franchised Restaurant, and (ii) Franchisee actually begins to offer Authorized Products for sale to the public from the Franchised Restaurant, whichever occurs last, which shall be no later than the first anniversary of the Effective Date as set forth on Exhibit A

"Owner" means each of the individuals listed on Exhibit B and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. If Franchisee is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Franchisee's payment and performance of its obligations under this Agreement under a Guarantee in the form of Exhibit C

"Payment Network" means Visa, MasterCard and any credit or debit card network issuing credit or debit cards and/or their duly authorized entities, agents or affiliates

"Payment Processors" means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers

"Payment Rules" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time

"Person" means any natural person or Entity

"Post-Opening Additional Initial Training Fee" means the \$5,000 fee that Franchisee shall pay Franchisor for each trainee if Franchisee requests Franchisor to provide its Initial Training Program for new or replacement employees of Franchisee following the Opening Date of the Franchised Restaurant

"Post-Opening Additional Training Program Daily Fee" means the \$500 daily fee that Franchisee shall pay Franchisor for each of Franchisor's representatives who provides Additional Training Programs for Franchisee

"Pre-Opening Additional Initial Training Fee" means the \$3,000 fee that Franchisee shall pay Franchisor for each additional trainee if Franchisee requests Franchisor to provide its Initial Training Program to more than two (2) persons selected by Franchisee prior to the Opening Date of the Franchised Restaurant

"Principal Owner" means the individual designated by Franchisee on Exhibit B and accepted by Franchisor to serve as the primary operator of the Franchised Restaurant, to serve as the authorized representative of Franchisee, who shall have at least a fifty percent (50%) interest in the Equity of Franchisee, who shall act as Franchisee's representative in all matters with Franchisor as Franchisee's liaison with Franchisor and the

Owners, and who shall have the authority to act on behalf of Franchisee during the Term without the active participation of any other Owner

"Proprietary Products" means food products, beverages, packaging and other items that are produced or manufactured strictly in accordance with Daphne's Trade Secrets or that Franchisor or its Affiliates otherwise designate as proprietary

"Protected Area" means the geographic area designated on Exhibit A

"Recommended Suppliers" means suppliers of Non-Proprietary Products who are recommended by Franchisee to become Approved Suppliers

"Relocation Fee" means the \$2,500 fee that Franchisee must pay Franchisor if Franchisee requests Franchisor to consent to a relocation of the Franchised Restaurant

"Renewal Fee" means the \$5,000 fee that Franchisee must pay Franchisor to extend the Initial Term and each Renewal Term

"Renewal Right" means the right held by Franchisee to renew this Agreement for successive Renewal Terms upon the expiration of the Initial Term and prior Renewal Terms

"Renewal Term" means successive periods, each for five (5) years

"Renewal Term Expiration Date" means the tenth anniversary of the commencement date of each Renewal Term

"Restricted Person" means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals

"Royalty Fee" means the fees that Franchisee shall pay Franchisor each week during the Term equal to five percent (5%) of the Gross Sales of the Franchised Restaurant during the immediately preceding week

"Term" the Initial Term unless this Agreement is extended for one or more Renewal Terms, in which case **"Term"** shall mean both the Initial Term and the Renewal Terms

"Then-Current" means the form of agreement then-currently provided by Franchisor to similarly situated prospective Daphne's Franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Daphne's Franchisee of Franchisor, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor or its Affiliates, or Franchisor's specifications, standards or the like

"Transfer Fee" means the \$10,000 fee that Franchisee must pay Franchisor as a condition precedent to an Assignment of this Agreement

"Website" means an interactive electronic document contained in a network of computers linked by communication software that refers to the Franchised Restaurant, the Daphne's Marks, Franchisor or Daphne's System, and includes Internet and World Wide Web home pages

2 GRANT

2.1 Grant Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Initial Term, to use and display the Daphne's Marks and use Daphne's System to continually operate one (1) Daphne's Restaurant at, and only at, the Franchised Location, upon the terms and subject to the provisions of this Agreement and all ancillary documents binding the Parties. Franchisee shall utilize the Franchised Location only for the operation of the Franchised Restaurant. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Franchised Restaurant or to use Daphne's System granted pursuant to this Agreement.

2.2 Protected Area Except as provided in Section 2.3, during the Initial Term, and provided that Franchisee is not in Default under this Agreement or any other agreement between Franchisor or its Affiliates and Franchisee, Franchisor shall not own, operate, sell or issue a franchise for any other Daphne's Restaurant within the Protected Area. Franchisee shall not receive an exclusive territory. The license granted to Franchisee under this Agreement is nonexclusive, and except as provided in this Section 2.2 and on Exhibit A, Franchisee shall have no territorial or protective rights.

2.3 Rights Reserved by Franchisor Franchisor and its Affiliates expressly reserve all other rights with respect to Daphne's System, the Daphne's Marks and Daphne's Restaurants, including the exclusive right, in their discretion, directly or indirectly, without paying Franchisee any compensation or granting Franchisee any rights in the same to: (i) develop, own and operate, and to grant licenses and franchises to third parties to develop, own and operate, Daphne's Restaurants at any location outside of the Protected Area regardless of its proximity to the Franchised Restaurant, (ii) develop, own and operate, and to grant licenses and franchises to third parties to develop, own and operate, any other business, including a beverage and snack or food business, other than a Competitive Business, under marks and systems different from the Daphne's Marks and Daphne's System at any location within or outside of the Protected Area regardless of its proximity to the Franchised Restaurant, (iii) sell or distribute, at retail or wholesale, directly or indirectly, and license others to sell or distribute, Branded Products and Proprietary Products from any location within or outside of the Protected Area regardless of proximity to the Franchised Restaurant, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods, (iv) market on the Internet and use the Daphne's Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, (v) ~~acquire, own and operate and to grant licenses and franchises to third parties to develop, own and operate, other restaurants or food service businesses at any location within or outside of the Protected Area regardless of their proximity to the Franchised Restaurant,~~ (vi) ~~develop, own or operate and to grant licenses or franchises to third parties to develop, own or operate Daphne's Restaurants at Non-Traditional Venues within and outside of the Protected Area regardless of their proximity to the Franchised Restaurant,~~ (vii) ~~acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Daphne's Restaurants and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating,~~ (viii) ~~be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Daphne's Restaurants, or by another business, even if such business~~

operates, franchises and/or licenses Competitive Businesses, and ~~(xviii)~~ engage in all other activities that this Agreement does not expressly prohibit

3 INITIAL AND RENEWAL TERMS

3.1 **Initial Term** The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date. If Franchisee does not elect to renew the Initial Term under Section 3.2, this Agreement shall expire on the Expiration Date.

3.2 **Renewal Right** Upon the expiration of the Initial Term, Franchisee shall have the right (the “**Renewal Right**”) to enter into a new franchise agreement in the Then-Current form then generally being offered to prospective Daphne’s Franchisees (a “**Renewal Franchise Agreement**”) for successive Renewal Terms. If Franchisee desires to exercise the Renewal Right for a Renewal Term, Franchisee shall, no later than twelve (12) months prior to the Expiration Date or Renewal Term Expiration Date, as the case may be, notify Franchisor in writing (the “**Renewal Notice**”) that Franchisee desires to extend the Initial Term or Renewal Term for the duration of the Renewal Term or the next successive Renewal Term, as the case may be. If Franchisee exercises a Renewal Right, this Agreement shall terminate on the next Renewal Term Expiration Date. This Agreement is not otherwise renewable.

3.3 **Conditions to Renewal** Franchisee may exercise its Renewal Right only if all of the following conditions precedent are satisfied prior to the Expiration Date or Renewal Term Expiration Date, as the case may be (i) Franchisee shall fully perform all of its obligations under this Agreement, any Area Development Agreement and all other agreements binding the Parties, and shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Franchise Agreement and on the Expiration Date or the Renewal Term Expiration Date, as the case may be, (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, and refurbishing of the Franchised Location and the Franchised Restaurant to comply with Franchisor's Then-Current specifications and standards for new Daphne's Restaurants, (iii) Franchisee shall not commit three (3) or more material Defaults during any eighteen (18) month period during Then-expiring Initial Term or Renewal Term, as the case may be, which are subject to notices of Default issued by Franchisor, whether or not the Defaults were cured, (iv) Franchisee shall continue to comply with the terms and conditions of this Agreement, (v) Franchisee shall satisfy Franchisor's Then-Current qualifications and training requirements, (vi) Franchisee shall execute and deliver to Franchisor a General Release, (vii) each Owner and each Owner's spouse shall execute and deliver to Franchisor a personal guarantee, in a form then satisfactory to Franchisor, jointly and severally guaranteeing Franchisee's performance of its obligations under the Renewal Franchise Agreement, (viii) Franchisee shall pay Franchisor a Renewal Fee when Franchisee issues the Renewal Notice to Franchisor, and (ix) Franchisee shall execute the Renewal Franchise Agreement and deliver it to Franchisor

3.4 Renewal Procedures Following the expiration of any waiting periods required by Applicable Law and no more than thirty (30) days after Franchisee receives a franchise disclosure document, if applicable, and the execution copies of the Renewal Franchise Agreement, Franchisee shall execute the copies of the Renewal Franchise Agreement and return them to Franchisor. If Franchisee has exercised a Renewal Right in accordance with Section 3.2 and satisfied all of the conditions in Section 3.3 and in this Section 3.4, Franchisor shall execute the Renewal Franchise Agreement. If Franchisee fails to perform any of the acts, or deliver any of the notices required under this Article 3 in a timely fashion, the failure to do so shall be deemed an election by Franchisee

to not exercise the applicable Renewal Right and shall automatically cause the applicable Renewal Right to lapse and expire

3.5 **Notice Required by Law** If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term or a Renewal Term, as the case may be, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers a Renewal Notice, Franchisor may, in its discretion, either (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a renewal term determined in accordance with Section 3.2, or (ii) offer to extend the Term on a week-to-week basis following the expiration of the Term for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement

3.6 **Month-to-Month Agreement** If Franchisee does not sign Franchisor's Then-Current Franchise Agreement prior to the Expiration Date and Franchisee continues to accept the benefits of this Agreement after it expires, then at Franchisor's option, this Agreement may be treated either as (i) expired as of the Expiration Date with Franchisee then operating without a license to do so and in violation of Franchisor's rights, or (ii) continued on a month-to-month basis ("**Month-to-Month Agreement**") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by Applicable Law. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement

4 **FEES AND PAYMENTS**

4.1 **Initial Franchise Fee** On the Effective Date, Franchisee shall pay Franchisor the Initial Franchise Fee in the manner provided in Section 4.6. The Initial Franchise Fee shall be non-refundable, in whole or in part, once paid

4.2 **Royalty Fees** Franchisee shall pay Franchisor a weekly Royalty Fee in the manner provided in Section 4.6 without deduction, abatement or offset. The Royalty Fee shall be paid on Wednesday of each calendar week on the Gross Sales of the Franchised Restaurant during the preceding calendar week. Each payment shall be accompanied by a statement of Gross Sales for the preceding calendar week, certified as complete and accurate by the Principal Owner

4.2.1 If Franchisee shall fail to supply Franchisor with the sales data specified by Franchisor in the form and at the times required by Franchisor, whether specified in this Agreement, the Manuals, or in other directives of Franchisor issued from time to time, required for Franchisor to calculate the Royalty Fee due and payable by Franchisee to Franchisor for any period(s), then Franchisor shall have the right to estimate and bill Franchisee Royalty Fees for the missing period(s) based upon Franchisee's Gross Sales at the Franchised Restaurant during the identical period(s) of the immediately preceding year plus an additional ten percent (10%) of such amount or, if the Franchised Restaurant was not in operation during the identical period(s) of the immediately preceding year, based upon Franchisee's average Gross Sales during the number of months

the Franchised Restaurant was in operation during the immediately preceding year plus an additional ten percent (10%) of such amount

4.2.2 If Franchisee believes that Franchisor's estimate of Franchisee's Royalty Fee exceeds Franchisee's actual Royalty Fee for any period, Franchisee shall have the right to contest Franchisor's estimate within thirty (30) days after Franchisor notifies Franchisee of the amount due and shall pay Franchisor an administrative reconciliation fee of \$250 each time Franchisee requests such a reconciliation of estimated and actual fees. If Franchisee does not contest the amount of Franchisor's estimate of Franchisee's Royalty Fee within the thirty (30) day period, Franchisee waives the right to contest the estimate and Franchisor's estimate shall be presumed to be correct for all purposes from that date forward. Adjustment for any over-payments made to Franchisor under these procedures shall be made by Franchisor within ninety (90) days following Franchisor's receipt of all missing sales data from Franchisee.

4.3 **Marketing Fund Fees** If Franchisor elects to establish a Marketing Fund, Franchisee shall pay a weekly Marketing Fund Fee to the Marketing Fund in the manner provided in Section 4.6 without deduction, abatement or offset. The Marketing Fund Fee shall be paid on Wednesday of each week on the Gross Sales of the Franchised Restaurant during the immediately preceding week. Franchisor may, at any time during the Initial Term, upon ninety (90) days' prior notice to Franchisee, increase the amount of the Marketing Fund Fee to no more than three percent (3%) of Gross Sales. In addition, Franchisor may, from time to time, offer Franchisee the opportunity to purchase point of sale advertising material, posters, flyers, product displays, templates and other promotional materials for the Franchised Restaurant at Franchisor's direct costs for the same.

4.4 **Other Payments** Franchisee shall promptly pay Franchisor and its Affiliates, as applicable, when due without deduction, abatement or offset: (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for Branded Products and Proprietary Products sold to Franchisee.

4.5 **Interest and Charges for Late Payments** If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, or if any electronic payment is unpaid because of insufficient funds or otherwise, Franchisee shall additionally be obligated to pay, as a late charge, the sum of \$200. Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1.5%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge are paid in full. This Section 4.5 does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee, and Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this Section 4.5.

4.6 **Manner of Payment** Franchisee shall make all payments due to Franchisor or its Affiliates from Franchisee's designated primary business operating checking or savings account by electronic funds transfer ("EFT") or other automatic payment mechanism that Franchisor may designate. Further, Franchisee hereby authorizes Franchisor to initiate debit entries and/or credit collection entries to Franchisee's designated primary business operating checking or savings account for the payment of Royalty Fees, Marketing Fund Fees, and all other sums that may become due to Franchisor or its Affiliates from Franchisee. Promptly upon Franchisor's request, Franchisee shall execute and deliver to Franchisor the EFT payment form attached to this Agreement as Exhibit E and all pre-authorized check forms and other instruments or drafts required by

Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw the Royalty Fees, Marketing Fund Fees, and other sums payable under the terms of this Agreement. Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this account in the amount that Franchisor may reasonably specify from time to time in order to ensure that all payments due to Franchisor and its Affiliates can be paid in full when drawn from the account. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material Default of this Agreement. All payments by Franchisee shall be made in US Dollars free and clear of any tax, deduction, offset or withholding of any kind. Franchisee shall register for and collect and report sales tax in compliance with all Applicable Laws. All taxes and penalties presently or in the future levied on the payments due to Franchisor under this Agreement shall be fully borne by Franchisee.

4.7 Application of Funds If Franchisee shall be delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

4.8 Security Interest Franchisee hereby grants Franchisor and its Affiliates a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Franchised Restaurant, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of the assets, all rights of Franchisee to use the Daphne's Marks, trade names, trade styles, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Daphne's Marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor and its Affiliates to prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Good Standing under this Agreement and all other agreements between Franchisee and Franchisor or its Affiliates, then Franchisor and its Affiliates shall, upon request of Franchisee, execute a written subordination of its security interest to lenders providing equipment or other financing for the Franchised Restaurant. If Franchisee is in Default of any of the terms and conditions of this Agreement, Franchisor and its Affiliates may, in their discretion, exercise their rights with respect to their security interests. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and its Affiliates and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

4.9 Gross-Up Fees To ensure that Franchisor receives the full amount of its Royalty Fees and Marketing Fund Fees to which Franchisor may be entitled, as their amount may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees and Marketing Fund Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire Term. Further, if state or local law in the state in which the Franchised Restaurant is located prohibits or restricts in

~~any way Franchisee's ability to pay and Franchisor's ability to collect Royalty Fees or other amounts due to Franchisor based on revenue derived from the sale of alcoholic beverages at the Restaurant, Franchisor shall reset the amount of the Royalty Fees or other sums payable to Franchisor under this Agreement and redefine Gross Sales to exclude the payment of Royalty Fees on revenue derived from the sale of alcoholic beverages to an amount that will have the same basic economic result for both Franchisor and Franchisee.~~

5 FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS

5.1 **Franchised Location** The Franchised Restaurant shall be located at the Franchised Location. If the address of the Franchised Location has not been inserted in the blank space on **Exhibit A** on the Effective Date, Franchisee shall, within ninety (90) days after the Effective Date, locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisor shall provide Franchisee with Franchisor's site criteria following the parties' execution of this Agreement. Franchisee shall submit to Franchisor all demographic and other information regarding a proposed site and its neighboring areas that Franchisor shall require. Franchisor shall accept or reject a proposed site for the Franchised Restaurant within thirty (30) days after Franchisee provides Franchisor all supplemental information that Franchisor requires to evaluate the site. Following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in **Section 5.2** have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Franchisee shall not enter into any Lease for a site unless and until Franchisor has approved the site and the Lease in writing. Following Franchisee's execution of the Lease for the Franchised Location, the Parties shall complete and execute an addendum to **Exhibit A** to identify the Franchised Location. Franchisee shall obtain a fully executed Lease for the site no later than one hundred eighty (180) days after the Effective Date. Franchisor may voluntarily, and without obligation, assist Franchisee in selecting an acceptable site for the Franchised Location. Neither Franchisor's assistance, if any, its acceptance of a proposed site, nor its acceptance of a proposed Lease shall be construed to ensure or guarantee the profitable or successful operation of the Franchised Restaurant at the site selected by Franchisee and Franchisor hereby expressly disclaims any responsibility for such profit or success. Franchisee acknowledges and agrees that it has sole responsibility for finding the Franchised Location.

5.2 **Lease for Franchised Location** Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which are inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease, that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and/or extend the term of the Lease, (iii) upon Franchisee's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord, (v) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any Daphne's Franchisee or licensee approved by Franchisor, and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Daphne's Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Franchised Restaurant.

if Franchisee fails to do so. In lieu of including these provisions in the Lease, Franchisor, Franchisee and the Landlord shall execute an Option to Obtain Lease Assignment in the form specified by Franchisor at the time the Lease is executed by Franchisee and the Landlord. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

5.3 **Construction** Franchisor shall make available, at no charge to Franchisee, Franchisor's specifications for the decor and layout of a prototype Franchised Restaurant and the required fixtures, equipment, furnishings, decor, trade dress and signs. Franchisee shall be responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans for the Franchised Restaurant. Franchisee shall, at its own expense, adapt the specifications for the prototype Franchised Restaurant to conform to the characteristics of the Franchised Location and shall submit the final plans to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the plans within fifteen (15) days after receiving them from Franchisee. Before commencing any renovation or construction, Franchisee shall employ a licensed architect and engineer approved by Franchisor to prepare preliminary and final architectural and engineering drawings and specifications for the Franchised Restaurant in accordance with Franchisor's standard architectural plans and specifications for a prototype Franchised Restaurant. Franchisee shall, at its own expense, obtain all zoning classifications, licenses, permits, and clearances for construction. Franchisee's failure to locate an acceptable site, enter a Lease and Open the Franchised Restaurant within the applicable time periods provided for in this **Article 5** shall be deemed to be material Default under this Agreement. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed, Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Franchised Restaurant.

5.4 **Open for Business** The Franchised Restaurant shall Open for Business no later than the first anniversary of the Effective Date, unless (i) Franchisor extends the date for the required Opening Date of the Franchised Restaurant in writing. Franchisor shall not unreasonably or without cause withhold its consent to Franchisee's request for additional time to Open the Franchised Restaurant; (ii) the occurrence of an event of Force Majeure delays the Opening Date, in which case the Opening Date shall be extended by the number of days equal to the number of days that the Force Majeure exists, not to exceed ninety (90) days from the first anniversary of the Effective Date, or (iii) the Opening Date is otherwise set forth pursuant to an applicable Development Agreement with Franchisor. To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, Franchisee shall not Open the Franchised Restaurant or offer Authorized Products to the public without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Daphne's System standards, the completion of the Initial Training Program by the Principal Owner and the General Manager, and Franchisee's compliance with staffing and other requirements. Franchisee shall Open the Franchised Restaurant for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open. Following the Opening Date, the Parties shall complete and execute an addendum to **Exhibit A** to designate the Opening Date.

5.5 **Relocation of Franchised Restaurant** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets, and the goodwill associated with them, Franchisee may not relocate the Franchised Restaurant without Franchisor's prior written consent. Franchisee shall pay Franchisor a Relocation Fee when Franchisee

requests Franchisor's consent to a relocation of the Franchised Restaurant Franchisee shall submit to Franchisor in writing the materials Franchisor requires to consider Franchisee's request, including information concerning the proposed new location Franchisor's consent, which shall not be unreasonably withheld, is conditioned on one or more of the following circumstances (i) the population or demographics in the Protected Area have changed substantially since the Opening Date of the Franchised Location, (ii) the Franchised Restaurant has suffered irreparable damage or destruction and cannot be repaired within sixty (60) days, or (iii) any other condition leading Franchisee and Franchisor to believe that continued operation of the Franchised Restaurant at the Franchised Location will not be profitable If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 17.1 and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so If Franchisor consents to a relocation of the Franchised Restaurant during the Term, Franchisee shall have twelve (12) months from the date of Franchisor's approval of the new Franchised Location to secure the new Franchised Location and to Open and operate the Franchised Restaurant at the new Franchised Location Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been submitted to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor, Franchisor will prepare an addendum to Exhibit A to designate the Franchised Location and will provide the addendum to Franchisee If Franchisee fails to secure the new Franchised Location within twelve (12) months of the date of Franchisor's approval of the new Franchised Location, Franchisor, in its discretion, may extend the time for Franchisee to do so, however, Franchisor shall then have the right to estimate and bill Franchisee for Royalty Fees for the time period following the expiration of the twelve (12) month period (a "Relocation Assessment") based upon the Royalty Fees received for the Franchised Restaurant during the identical periods of the last preceding calendar year plus an additional ten percent (10%) of such amount or, if the Franchised Restaurant was not in operation during the identical period of the last preceding year, a Relocation Assessment based upon the average Royalty Fees paid during the number of months the original Franchised Restaurant was in operation plus an additional ten percent (10%) of that amount

6 OBLIGATIONS OF FRANCHISOR

6.1 Pre-Opening Initial Training Program Prior to the Opening Date of the Franchised Restaurant, Franchisor shall provide an Initial Training Program in Daphne's System and methods of operation (the "Initial Training Program") at Franchisor's training facilities in Franchisor's corporate office or company owned Daphne's Restaurants currently located in Southern California, for up to two (2) supervisory or managerial personnel of Franchisee selected by Franchisee who must include the Principal Owner and General Manager, at no charge to Franchisee Franchisee shall pay Franchisor its Then-Current Pre-Opening Additional Initial Training Fee for each additional trainee The Initial Training Program will consist of approximately five (5) to six (6) weeks of training prior to the Opening Date of the Franchised Restaurant and must be completed before the Franchised Restaurant Opens for business The Initial Training Program shall not be provided by Franchisor if (i) Franchisee or any Affiliate of Franchisee owns or operates a Daphne's Restaurant as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the Initial Training Program will be structured to provide practical training in the implementation and operation of a Daphne's Restaurant and may include such topics as food and beverage preparation, portion control, cooking procedures, packaging procedures, Daphne's System standards, marketing and customer service techniques, reports and equipment maintenance

6.2 **Post-Opening Additional Initial Training Programs** Following the Opening Date of the Franchised Restaurant, Franchisor may, at Franchisee's request and at Franchisor's discretion, provide additional Initial Training Programs ("Post-Opening Additional Initial Training Programs") for new or replacement supervisory or managerial personnel of Franchisee. Franchisee shall pay Franchisor its Then-Current Post-Opening Additional Initial Training Fee for each of trainee that receives the Post-Opening Initial Training Programs to defray Franchisor's direct costs to provide the Post-Opening Initial Training Programs. In addition, Franchisee shall pay all transportation costs, food, lodging and similar expenses incurred in connection with attendance at the Post-Opening Initial Training Programs.

6.3 **Post-Opening Additional Training Programs** In addition, following the Opening Date of the Franchised Restaurant, Franchisor may, at Franchisor's discretion, from time to time during the Term (i) require the Principal Owner and each General Manager and/or other supervisory or managerial personnel of Franchisee to attend, or (ii) make available to the Principal Owner and each General Manager and/or other supervisory or managerial personnel of Franchisee, additional and remedial training programs ("Additional Training Programs"). Franchisee shall pay Franchisor its Then-Current Post-Opening Additional Training Program Daily Fee for each of Franchisor's representatives who provides Additional Training Programs to defray Franchisor's direct costs to provide the Additional Training Programs. In addition, Franchisee shall pay all transportation costs, food, lodging and similar expenses incurred in connection with attendance at the Additional Training Programs.

6.4 **Post-Opening On-Site Opening Assistance** For Franchisee's first Franchised Restaurant, Franchisor will provide on-site training and assistance for ten (10) days before and ten (10) days after Franchisee's Franchised Restaurant Opens to the public. On-site opening assistance shall not be provided by Franchisor if (i) Franchisee or any Affiliate of Franchisee owns or operates a Daphne's Restaurant as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement. Franchisor shall select the representatives who will provide the on-site training and the length of time that on-site training will be provided.

6.5 **Manuals** Franchisor will loan one copy or provide Franchisee with access to its current Manuals during the Term which may include audio, video, compact disks, computer software, other electronic media and/or written materials. At Franchisor's option, Franchisor may post some or all of the Manuals on a restricted Website, intranet, or extranet to which Franchisee will have on-line access. The Manuals may change from time to time during the Term. The Manuals are, and at all times shall remain Franchisor's sole property and shall promptly be returned to Franchisor upon expiration, termination or an Assignment of this Agreement. The Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to Daphne's System and Franchisee's obligations under this Agreement. The Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisor reserves the right to modify the Manuals from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of Daphne's System.

6.6 **Post-Opening Consultation** Following the Opening Date of the Franchised Restaurant, Franchisor may provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Franchisor's attention including, without limitation, mandatory and recommended specifications, standards and operating procedures of Daphne's

System Franchisor's consultation and advice may be provided by telephone, in writing, electronically, in person, or by other means. Franchisee acknowledges and agrees that the results of Franchisee's efforts to operate a Daphne's Restaurant rest solely with Franchisee. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding: (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, (ii) the individuals to whom Franchisee will offer and sell its products and services, and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Franchised Restaurant for which Franchisor has not established Approved Suppliers.

6.7 **Post-Opening Inspections** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, following the Opening Date of the Franchised Restaurant, Franchisor's authorized representatives shall have the right, but not the obligation, from time to time, to enter the Franchised Restaurant during business hours, to examine the Franchised Restaurant, to confer with Franchisee's supervisory and managerial personnel, inspect and check operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment, and determine whether the Franchised Restaurant is being operated in accordance with this Agreement, Daphne's System and the Manuals. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Franchised Restaurant during an inspection.

6.8 **Assignment** Upon the occurrence of an Assignment, the Proposed Buyer must be trained by Franchisor as a condition to the granting of Franchisor's consent to the Assignment. All costs for this training shall be included in the administrative/transfer fee payable by Franchisee in accordance with Section 14.7. The Franchised Restaurant shall not be transferred, Opened, or re-Opened by the Proposed Buyer until Franchisor accepts the Proposed Buyer in writing as certified to operate the Franchised Restaurant and Franchisor has otherwise consented to the Assignment in accordance with this Agreement.

6.9 **Toll Free Telephone Number** Franchisor has the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a toll free number, Franchisee shall comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Manuals or otherwise in writing.

7 OBLIGATIONS OF FRANCHISEE

To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them:

7.1 **Daphne's System** Franchisee shall operate the Franchised Restaurant in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Franchised Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of Daphne's System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's

control over the day-to-day operations of the Franchised Restaurant consistent with the policies of Franchisor. Franchisee shall comply with Franchisor's standards and shall operate the Franchised Restaurant in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to Daphne's System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely on the Daphne's Marks or Daphne's System. Since every detail of Daphne's System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Daphne's Restaurants under Daphne's System and to protect the Daphne's Marks and Franchisor's reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, Daphne's System suggested by Franchisee that is reasonably likely to have an adverse material effect on Daphne's System, the Daphne's Marks or Franchisor's reputation or goodwill.

7.2 Pre-Opening Initial Training Program Franchisee's supervisory and managerial personnel shall attend and complete to Franchisor's satisfaction the Initial Training Program. Franchisee shall not commence operation of the Franchised Restaurant until the Initial Training Program has been completed. Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee for the Principal Owner, General Manager and other supervisory or managerial personnel to attend the Initial Training Program. Franchisee acknowledges and agrees that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage a Daphne's Restaurant, Franchisor, in its sole discretion, shall determine if Franchisee, the Principal Owner, the General Manager and/or other supervisory or managerial personnel have satisfactorily completed the Initial Training Program. If the Principal Owner (i) fails to complete the Initial Training Program within five (5) months after the Effective Date, (ii) does not complete the Initial Training Program to Franchisor's satisfaction, (iii) does not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by Daphne's System or this Agreement, or (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, then, in Franchisor's sole and absolute discretion, Franchisor may terminate this Agreement upon five (5) days' written notice to Franchisee and this Agreement shall thereafter be of no further force or effect. Franchisor shall have the right to retain the Initial Franchise Fee. The Parties acknowledge and agree that the actual damages to be suffered by Franchisor in this circumstance are difficult, if not impossible, to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and retention of the Initial Franchise Fee by Franchisor, are a reasonable, good-faith estimate of those damages.

7.3 Post-Opening On-Site Opening Assistance Franchisee shall notify Franchisor at least thirty (30) days in advance of the scheduled date (the "**Turnover Date**") that (i) all construction and remodeling of the Franchised Location will be completed, (ii) Franchisee will have all permits necessary to Open the Franchised Restaurant, and (iii) Daphne's Restaurant is ready for turn-over by the general contractor to Franchisee, to allow Franchisor to schedule a date for Franchisor's on-site opening assistance for Franchisee's first Daphne's Restaurant. Franchisor will provide Franchisee with a turnover checklist approximately fourteen (14) days before the scheduled Turnover Date and will schedule a conference call with Franchisee approximately eight (8) days before the scheduled Turnover Date to confirm the Turnover Date so that Franchisor may book travel arrangements for its representatives who will provide the on-site opening assistance. Approximately three (3) days before the scheduled Turnover Date, Franchisor will schedule a final conference call with Franchisee to confirm the Turnover Date and the date on which Franchisor's representatives will arrive at Daphne's Restaurant. If, after the final conference call, the Turnover Date is delayed or accelerated by more than two (2)

74 **Post-Opening Additional Initial Training Programs** If, following the Opening Date of the Franchised Restaurant, Franchisee requests Franchisor to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel and Franchisor agrees to do so, Franchisee shall pay Franchisor its Then-Current Post-Opening Additional Initial Training Fee for each trainee that receives the Post-Opening Additional Initial Training Programs to defray Franchisor's direct costs to provide the Post-Opening Additional Initial Training Programs. Franchisee shall pay all transportation costs, food, lodging and similar costs incurred by Franchisor and Franchisee in connection with attendance at Post-Opening Additional Initial Training Programs.

7.6 **Manuals** Franchisee shall treat all information contained in the Manuals as Confidential Information and shall use all reasonable efforts to keep the information confidential. Franchisee shall not, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make them available to any Person not required to have access to their contents in order to carry out their employment functions. If Franchisee misplaces the Manuals or fails to return the manuals to Franchisor upon demand, Franchisee shall pay Franchisor the sum of \$500 as a manual replacement fee. Franchisee shall comply with all mandatory requirements now or hereafter included in the Manuals, and acknowledges and agrees that a Default under any mandatory requirement of the Manuals shall constitute a Default under this Agreement and grounds for termination. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

7.8 **POS System, Computer Hardware and Software and Sound System** Franchisee shall purchase, use and maintain a computerized point of sale cash collection system (the "POS System"), a back office computer and printer, including all related hardware and software, cameras and a DVR, televisions, and a sound system, each as specified in the Manuals or otherwise by Franchisor in writing for the Franchised Restaurant. The POS System shall at all times be capable of accessing the Internet for the purpose of implementing software.

transmitting and receiving data, and accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to Franchisor, and Franchisee shall allow Franchisor to poll the POS System on a daily or other basis at the times and in the manner established by Franchisor, with or without notice, and to retrieve transaction information including sales, menu mix, usage, and other operations data that Franchisor deems appropriate. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time, upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit Franchisee to accept online orders of menu products and services at the Franchised Restaurant and to accept and process Daphne's gift cards sold in other Daphne's Restaurants. In addition, Franchisee shall purchase, lease or license all computer hardware and software designated by Franchisor for the Franchised Restaurant at Franchisee's expense. During the Term, Franchisee shall maintain and update all computer hardware and software as required by Franchisor.

7.9 **Product Line and Service** Franchisee shall advertise, sell and serve all and only Authorized Products at or from the Franchised Restaurant. All Authorized Products shall be sold and distributed under the names designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. Franchisee shall not remove any Authorized Product from Franchisee's menu or offerings without Franchisor's written consent. Franchisee shall not sell any Authorized Products outside of the Franchised Restaurant or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Subject to Applicable Law, following the Opening Date of the Franchised Restaurant, Franchisor shall have the right to establish pricing guidelines for Authorized Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor. Authorized Products may vary depending upon the type of Daphne's Restaurant operated by Franchisee.

7.10 **Prices** Subject to Applicable Law, following the Opening Date of the Franchised Restaurant, Franchisor shall have the right to establish pricing guidelines for Authorized Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor. Subject to Applicable Law, Franchisee shall honor the terms of all promotional or discount programs that Franchisor may offer to the public for Daphne's Restaurants and shall comply with all pricing policies that Franchisor may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee shall also provide products and services designated by Franchisor on terms Franchisor specifies, including free-of-charge. Franchisee shall participate in all gift certificate and/or gift card administration programs as may be designated by Franchisor from time to time. Franchisee shall honor all coupons, gift certificates, gift cards and other programs or promotions as directed by Franchisor. Franchisee shall fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by Franchisor. Franchisee shall not issue coupons or discounts of any type for use at the Franchised Restaurant except as approved by Franchisor in writing, which may be withheld in Franchisor's sole and absolute discretion.

7.11 **Oversight and Management** The Principal Owner shall be responsible for oversight of the day-to-day operations of the Franchised Restaurant and shall devote his full time and best efforts solely to the operation of the Franchised Restaurant only in a management capacity and not as a staff member behind the service counter and to no other business activities. The Franchised Restaurant shall be under the direct control of a General Manager in the absence of the Principal Owner. Following the Opening Date of the Franchised Restaurant, Franchisee shall provide comprehensive initial training programs, additional training programs and remedial training programs for its supervisory and managerial personnel and other employees and shall

ensure that the Franchised Restaurant is at all times under the direct control of a General Manager fully trained by Franchisee and solely dedicated to operation of the Franchised Restaurant and other employees who have been fully trained by Franchisee and solely dedicated to operation of the Franchised Restaurant. Each General Manager shall have a skill level, training and experience commensurate with the demands of the position and conform in all respects with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. In addition, Franchisor may, in its sole discretion, contract with a third party to conduct sanitation and food safety audits of the Franchised Restaurant periodically throughout the Term, but no less than once per calendar year.

7.12 **Menus** The approved and authorized menu and menu formats may include, in Franchisor's discretion, requirements on organization, graphics, product descriptions, illustrations and any other matters related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu formats may vary depending upon region, market size and other factors which affect the Franchised Restaurant. Franchisor may change the menu and/or menu formats from time to time and authorize tests from region to region or within regions. Franchisee shall, upon receipt of notice from Franchisor, add, delete or update any Authorized Products to its menu according to the instructions contained in the notice. Franchisee shall have a minimum of thirty (30) days and not more than sixty (60) days after receipt of written notice in which to fully implement any menu change. Franchisee shall cease selling previously approved Authorized Products within thirty (30) days after receipt of notice that the product is no longer approved. All menus, containers, napkins, bags, cups and other packaging and like articles used at the Franchised Restaurant shall conform to Franchisor's specifications, shall be imprinted with the Daphne's Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from an Approved Supplier.

7.13 **Compliance with Applicable Law** Franchisee shall operate the Franchised Restaurant as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of the Franchised Restaurant or the Franchised Location to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee shall receive any notice, report, fine, test results or the like from any applicable department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.

7.14 **Hours** Subject to Applicable Law, the Franchised Restaurant shall be open and operational at least twelve (12) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor. Franchisee shall continually operate the Franchised Restaurant throughout the Term. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales.

7.15 **Signs** Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Franchised Restaurant, identifying the Franchised Location as a Franchised Restaurant, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law.

7.16 **Franchisee Employee Policies** Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good customer relations, render

competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Franchised Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorneys' fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Franchised Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall take all action necessary to ensure that Franchisee's employees understand and acknowledge that they are not employees of Franchisor, including, without limitation, requiring Franchisee's employees to sign a written acknowledgement that Franchisee is an independently owned and operated franchisee and their sole employer in a form specified by Franchisor in the Manuals or otherwise in writing from time to time. Franchisee shall cause all employees, while working in the Franchised Restaurant, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have thirty (30) days from receipt of written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

7.17 Vending or Other Machines Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Restaurant.

7.18 Co-Branding Franchisee may not engage in any co-branding in or in connection with the Franchised Restaurant except with Franchisor's prior written consent. Franchisor may approve any co-branding chain or arrangement in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Daphne's Restaurants.

7.19 Customer Complaints and Cooperation Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. At Franchisor's request,

Franchisee shall use and display in the Franchised Restaurant during all operating hours customer comment cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or an Approved Supplier, and maintain in the Franchised Restaurant, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's needs. Franchisee shall at all times cooperate with Franchisor and other Daphne's Franchisees and shall actively participate in any and all sales, public relations, marketing, cooperative marketing and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other Daphne's Franchisees. Franchisee shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in coupon programs, the system-wide use of gift cards, and other similar programs for the benefit of Daphne's System, and shall comply with Franchisor's rules and regulations established from time to time in connection with this Agreement. Franchisee shall cooperate with Franchisor in connection with the test marketing of products and services at the Franchised Restaurant and shall comply with Franchisor's rules and regulations established from time to time in connection with this Agreement.

7 20 **Adequate Reserves and Working Capital** Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Franchised Restaurant for at least three (3) months.

7 21 **Re-Imaging of Franchised Restaurant** Franchisee shall at its own expense, make the alterations, additions, or modifications to the Franchised Restaurant that Franchisor may reasonably require to accommodate changes made by Franchisor to Daphne's System, including, without limitation, changes to menu items or market positioning. Franchisee shall have ninety (90) days from receipt of notice from Franchisor regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Franchised Restaurant.

7 22 **Intranet** If Franchisor establishes a Daphne's Franchisee Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time in the Manuals and otherwise. Franchisee acknowledges and agrees that, as administrator of the Intranet, Franchisor may access and view any communication posted on the Intranet. Franchisee further acknowledges and agrees that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other Person may assert. Upon receipt of notice from Franchisor that Franchisor has established an Intranet, Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee. If Franchisee shall Default under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

7 23 **Improvements** If Franchisee develops any new concept, process or improvement in Daphne's System (an "Improvement"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any Improvements shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvements, and Franchisee waives and/or releases all rights of restraint and moral rights in and to the Improvements. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to

any Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing those rights Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any the documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement If the foregoing provisions of this Section 7.24 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvements to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe upon Franchisee's rights in the Improvements

7.24 Refurbishment of Franchised Restaurant. At Franchisor's request, but not more often than once every five (5) years unless sooner required by the Lease, Franchisee shall refurbish the Franchised Restaurant, at its own expense, to conform to the building design, trade dress, color schemes, and presentation of the Daphne's Marks in a manner consistent with the Then-Current public image for new or remodeled Daphne's Restaurants, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law Franchisee's costs for the required refurbishment shall not exceed \$100,000 for the interior of the Franchised Restaurant or \$50,000 for the exterior of the Franchised Restaurant

7.25 Notifications and Crisis Management Events Franchisee shall notify Franchisor in writing within twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any health, liquor or narcotics laws or regulation related to the Franchised Restaurant, and shall notify Franchisor in writing within five (5) days of the commencement of any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of the Franchised Restaurant Franchisee shall immediately inform Franchisor's Chief Executive Officer (or as otherwise instructed in the Manuals) by telephone of the occurrence of a Crisis Management Event Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event

7.26 Authorization to Release Information and Use Images Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect the authorization) (i) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Franchised Restaurant which Franchisor may request, (ii) Franchisee further authorizes Franchisor to disclose to prospective Daphne's Franchisees or other third parties data from Franchisee's reports if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary or advisable, (iii) Franchisor to photograph and film Franchisee, its employees, the public and all areas of the Franchised Restaurant, without further authorization from, or compensation to, Franchisee and to use their images for marketing and promotion of the Franchised Restaurant, other Daphne's Restaurants and franchises for Daphne's Restaurants, (iv) Franchisor to disclose to third parties, including but not limited to Franchisee's Landlord or bank, information about Franchisee relating to Franchisee's obligations or performance under this Agreement if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary or advisable

7.27 Annual Franchise Conference Franchisor may hold an Annual Franchise Conference for all Daphne's Franchisees each year The Principal Owner and each General Manager shall attend the Annual Franchise Conference Franchisee shall pay Franchisor a Franchisee Conference Fee to reimburse Franchisor for a portion

of the direct costs to provide the Annual Franchise Conference Franchisee shall pay the Franchisee Conference Fee upon demand at least thirty (30) days before the date of the Annual Franchise Conference, whether or not Franchisee attends the Annual Franchise Conference

7.28 **Credit Cards** Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with the sale of Authorized Products, Franchisee shall maintain the security of cardholder data and adhere to the Then-Current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the Term Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors

7.29 **Gift Cards, Loyalty, CRM, Social Media Software, Online and Mobile Ordering Programs** Franchisee shall not create or issue any gift certificates or gift cards and shall only sell gift certificates or gift cards that have been issued by Franchisor that are accepted at all Daphne's Restaurants Franchisee shall participate in all gift certificate and/or gift card administration programs as may be designated by Franchisor from time to time Franchisee shall honor all coupons, gift certificates, gift cards and other programs or promotions as directed by Franchisor Franchisee shall fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by Franchisor Franchisee shall not issue coupons or discounts of any type for use at the Franchised Restaurant except as approved by Franchisor in writing, which may be withheld in Franchisor's sole and absolute discretion In addition, Franchisee shall purchase, enroll in or subscribe to, as applicable, all CRM, social media analytics, and online and mobile ordering software or programs as specified by Franchisor in its Manual or otherwise in writing Franchisor reserves the right to change the designated suppliers of these or similar services in Franchisor's sole discretion Franchisee shall change, purchase or subscribe to the additional programs or software, as applicable, immediately upon notice from Franchisor to do so

7.30 **Data Security Safeguards** Franchisee shall exert Franchisee's best efforts to protect its customers against a cyber-event, including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a "Cyber Event") If a Cyber Event occurs, regardless of whether the Cyber Event affects only the Franchised Restaurant, Franchisor reserves the right, but shall not have any obligation, to perform and/or control and/or cause its third-party consultants to perform and/or control all aspects of the response to the Cyber Event including, without limitation, the investigation, containment and resolution of the Cyber Event and all communications within Daphne's Restaurant franchise system and with vendors and suppliers, Governmental Authorities and the general public Franchisor's control of the response to a Cyber Event may potentially affect or interrupt operations of the Franchised Restaurant, but shall not create any liability for Franchisor or additional rights for Franchisee, entitle Franchisee to damages or relieve Franchisee of Franchisee's indemnification obligations under Section 18.4 Franchisee shall reimburse Franchisor for all of Franchisor's out-of-pocket costs and expenses incurred in responding to and remedying any Cyber Event caused solely by Franchisee or the Franchised Restaurant Franchisee shall at all times be compliant with (i) the NACHA ACH Security Framework, (ii) the Payment Rules, (iii) Applicable Law regarding data privacy, data security and security breaches, and (iv) Franchisor's security policies and guidelines, all as may be adopted and/or amended from time to time (collectively, "Data Security Safeguards") Franchisee shall obtain advice from Franchisee's own legal and security consultants to ensure that Franchisee operates the Franchised

Restaurant at all times in full compliance with the Data Security Safeguards. Notwithstanding Franchisor's right to perform and/or control all aspects of a response to a Cyber Event, Franchisor shall make commercially reasonable efforts to coordinate its response with Franchisee and Franchisee's insurance carrier(s) and to cooperate with Franchisee's insurance carrier(s) regarding insurance coverage of the Cyber Event to the extent reasonably practicable under the circumstances.

7.31 **Designated Franchise Portal** If and when Franchisor develops a Designated Franchise Portal and has made it available to Franchisee, Franchisee shall actively use and monitor Franchisor's Then-Current Designated Franchise Portal in connection with the development and operation of the Franchised Restaurant. Franchisee shall be deemed to be "actively using and monitoring" the Designated Franchise Portal if Franchisee, the Principal Owner or any other Owner and/or General Manager logs into the Designated Franchise Portal at least once per week.

7.32 **Music** Franchisee shall play only the music and music selections in the Restaurant that have been approved by Franchisor as set forth in the Manuals or otherwise in writing. Franchisee shall install the equipment necessary to receive and play all approved music.

7.33 **Payment of Debts** Franchisee shall be solely responsible for selecting, retaining and paying Franchisee's employees, the payment of all invoices for the purchase of goods and services used in connection with operating the Restaurant and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the opening and operation of the Restaurant. Franchisee shall pay all obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between suppliers and Daphne's Franchisees. Franchisee shall make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes arising from Franchisee's operation of the Restaurant. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any of these taxes.

8 SUPPLIERS AND PRODUCTS

To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them

8.1 **Approved Suppliers** Franchisor shall designate its Approved Suppliers for Franchisee following the Effective Date. All Branded Products, Proprietary Products and Non-Proprietary Products designated by Franchisor for use and sale at the Franchised Restaurant must be purchased from Approved Suppliers. Franchisor and its Affiliates may be, but are not obligated to become, Approved Suppliers of certain Branded Products, Proprietary Products and Non-Proprietary Products and may act as the sole Approved Suppliers of certain Branded Products, Proprietary Products and Non-Proprietary Products. Franchisor may operate an online portal that Franchisee can use to buy Branded Products, Proprietary Products, marketing materials, handbooks and menus directly from Approved Suppliers. If, at any time during the Term, Franchisor receives notice from an Approved Supplier that Franchisee is over sixty (60) days past due on any payment owed to the Approved Supplier, and Franchisee has not provided any notice to the Approved Supplier disputing the overdue amount prior to Franchisor's receipt of notice from the Approved Supplier concerning the past due amount, Franchisor shall have the right, but not the obligation, to make payment to the Approved Supplier on behalf of Franchisee and to thereafter reimburse itself for the amount paid to the Approved Supplier in the manner provided in Section 4.6.

8.2 **Recommended Suppliers** If Franchisee desires to purchase authorized Non-Proprietary Products from a Recommended Supplier rather than from Franchisor, Franchisor's Affiliates or an Approved Supplier, Franchisee shall deliver written notice to Franchisor identifying the Recommended Supplier and shall provide Franchisor with reasonable financial, operational and other information regarding the Recommended Supplier necessary for Franchisor to assess the Recommended Supplier. Franchisor shall notify Franchisee of Franchisor's decision within sixty (60) days after Franchisor's receipt of the necessary information from Franchisee. If Franchisor does not approve or disapprove a Recommended Supplier within sixty (60) days, the Recommended Supplier shall be deemed disapproved. As a condition of its approval, Franchisor may require a Recommended Supplier to agree in writing to: (i) provide, from time to time, upon Franchisor's request, free samples of the Non-Proprietary Product the Recommended Supplier intends to supply to Franchisee, (ii) faithfully comply with Franchisor's specifications for the Non-Proprietary Products to be sold by the Recommended Supplier, (iii) sell any Non-Proprietary Products bearing the Daphne's Marks only to Daphne's Franchisees and only under a trademark license agreement with Franchisor, (iv) provide Franchisor, upon request, with duplicate purchase invoices issued to Franchisee for Franchisor's records and inspection purposes, and (v) otherwise comply with Franchisor's reasonable requests. Further, Franchisor may require Franchisee or the Recommended Supplier to reimburse Franchisor for all of Franchisor's actual costs in reviewing the application of the Recommended Supplier and all current and future reasonable costs and expenses, including transportation costs, food, lodging and similar expenses incurred, related to inspecting, re-inspecting and auditing the Recommended Suppliers' facilities, equipment, and food products, and all product testing costs paid by Franchisor to third parties and to pay Franchisor, in advance, a deposit of up to \$1,000, before Franchisor inspects the Recommended Supplier's facilities. Franchisor may revoke its approval of a previously approved Recommended Supplier if the Recommended Supplier does not continue to satisfy Franchisor's criteria.

8.3 **Purchases from Franchisor or its Affiliates** All Branded Products, Proprietary Products and Non-Proprietary Products purchased from Franchisor shall be purchased in accordance with the purchase order format issued from time to time by Franchisor and at the prices and on delivery terms and other terms offered to similarly situated Daphne's Franchisees. Franchisor, in its sole and absolute discretion, may establish the

credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis. On the termination or expiration of this Agreement, or in the event of any Default by Franchisee under this Agreement, Franchisor shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee and may, among other things, only deliver the quantities reasonably necessary to supply Franchisee's needs prior to the termination or expiration of this Agreement. Franchisor shall not be liable to Franchisee for any delay or delivery failure caused by Force Majeure.

8.4 **Rebates** Franchisor or its Affiliates may receive rebates or allowances from certain Approved Suppliers on purchases of Branded Products, Proprietary Products and Non-Proprietary Products made by Franchisee and other Daphne's Franchisees. Rebates and allowances will generally be a percentage of the revenue derived by the Approved Supplier from sales to Daphne's Restaurants, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from Daphne's Franchisees' customers and for general and administrative expenses. Franchisor may use these rebate and allowance funds received for any purpose in its sole and absolute discretion.

9 **DAPHNE'S MARKS**

Franchisor and its Affiliates continue to develop, use and control the use of the Daphne's Marks in order to identify for the public the source of services and products marketed under the Daphne's Marks and Daphne's System, and to represent Daphne's System's high standards of quality, appearance and service. To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them:

9.14 **Ownership and Goodwill of Daphne's Marks** Franchisee acknowledges and agrees that its right to use the Daphne's Marks is derived solely from this Agreement and is limited to use in operating as Franchisee pursuant to and in compliance with this Agreement. Any unauthorized use of the Daphne's Marks by Franchisee shall constitute a Default under this Agreement and an infringement of Franchisor's and Franchisor's Affiliate's rights in and to the Daphne's Marks. Franchisee acknowledges and agrees that as between Franchisor and Franchisee: (i) Franchisor owns the Daphne's Marks and Daphne's System, (ii) Franchisee owns no goodwill or rights in the Daphne's Marks or Daphne's System except for the license granted by this Agreement, and (iii) Franchisee's use of the Daphne's Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Franchisee agrees not to contest, or assist any other Person to contest, the validity of Franchisor's rights and interest in the Daphne's Marks or Daphne's System either during the Term or after this Agreement terminates or expires.

9.22 **Limitations on Use** Franchisee shall not use any Daphne's Marks: (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give all notices of trademark and service mark registration that Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Franchisee further agrees that no service marks other than "Daphne's", "Daphne's California Greek", other Daphne's Marks specified by Franchisor shall be used in marketing, promoting, or operating the Franchised Restaurant.

9.33 **Modifications** Franchisor reserves the right to (i) modify or discontinue licensing any of the Daphne's Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Daphne's Marks and require that Franchisee use them, and (iii) require that Franchisee introduce or observe new practices as part of Daphne's System in operating the Franchised Restaurant. Franchisee acknowledges and agrees that the term "Daphne's Marks" means the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Franchisor's directions regarding changes in the Daphne's Marks and Daphne's System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor's directions and conforming to required changes.

9.44 **Defense of Daphne's Marks and Daphne's System** Franchisor shall have the sole right, either alone or with its Affiliates, to handle disputes with Franchisees and third parties concerning Franchisor's or Franchisor's Affiliates' ownership of, rights in, or Franchisee's use of, the Daphne's Marks or Daphne's System. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed, of any (i) improper use of any of the Daphne's Marks or elements of Daphne's System, including misuse by Franchisees, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Daphne's Marks, (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates Daphne's System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Daphne's Marks or Daphne's System. Franchisor and/or Franchisor's Affiliate shall have sole discretion to take all action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Daphne's Marks or Daphne's System. Franchisee shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor's decisions in handling disputes regarding the Daphne's Marks and Daphne's System. Franchisee shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain Franchisor's rights in the Daphne's Marks and Daphne's System. Unless it is established that a third party claim asserted against Franchisee is based directly upon Franchisee's misuse of the Daphne's Marks or Daphne's System, Franchisor agrees to defend Franchisee against the third party claim and indemnify Franchisee for any losses resulting from it, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter.

10 **MARKETING**

To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them:

10.1 **Marketing Fund** Franchisor may elect to establish the Marketing Fund to promote the Daphne's Marks and all Daphne's Restaurants upon ninety (90) days' prior notice to Franchisee. If and when the Marketing Fund is established by Franchisor, Franchisee shall contribute to the Marketing Fund the amount of Marketing Fund Fees specified by Franchisor from time to time, which amount shall not exceed three percent (3%) of Gross Sales. Once established, the Marketing Fund shall be administered by Franchisor and shall be used to meet the costs of conducting marketing and promotional activities. Franchisor retains sole

discretion over all marketing and public relations programs and activities financed by the Marketing Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. Company-owned and Affiliate owned Daphne's Restaurants, including any owned by the Operating Company, may, but are not required to, contribute to the Marketing Fund. If they do, they may not be required to contribute in the same percentage as Franchisee and may stop contributing at any time without notice to Franchisee.

10.1.1 The Marketing Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor determines, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, Website design and development/operation for portal, Internet, Intranet and URL services, social media, technology programs, electronic application design and development, and for 800 or similar numbers. All expenditures are at the sole discretion of Franchisor. Franchisor may spend in any year more or less than the total contributions to the Marketing Fund in that year. Franchisor may borrow from Franchisor or other lenders on behalf of the Marketing Fund to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Upon request, Franchisor will prepare an annual accounting of the Marketing Fund and will distribute it to Daphne's Franchisees, once a year, that will state the total amount of money collected and spent by the Advertising Fund during the previous year and list, by general category, the manner in which Franchisor spent the money. The report will not be separately audited but will be examined as part of the overall annual audit of Franchisor's books.

10.1.2 Franchisee acknowledges and agrees that the Marketing Fund is intended to maximize general public recognition of and the acceptance of Daphne's California Greek brand for the benefit of Daphne's System as a whole. Franchisor undertakes no obligation, in administering the Marketing Fund, to make expenditures for Franchisee that are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly or pro rata from marketing or promotion conducted with the Marketing Fund.

10.1.3 Franchisor will maintain the Marketing Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses, except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the Marketing Fund and marketing programs for Daphne's Franchisees. Franchisor's printed materials and Website may also contain references stating that "Franchises Are Available" and/or that "Each Daphne's Franchise Is Independently Owned and Operated" to promote the sale of franchises for Daphne's Restaurants. With this exception, no portion of the Marketing Fund will be used to solicit or to sell Daphne's Franchises to prospective Daphne's Franchisees. The Marketing Fund is not and will not be an asset of Franchisor. Any Marketing Fund Fees collected in a year, but not spent in that year, will be carried over to the next year. Franchisor shall have the right, in its sole discretion, to terminate the collection and disbursement of Marketing Fund Fees upon ninety (90) days' prior written notice to Franchisee. Upon termination, Franchisor shall disburse the remaining Marketing Fund Fees on hand only for the purposes authorized by this Article 10.

10.2 **Local Marketing Expenditure** Franchisee shall spend the Local Marketing Expenditure each week on local marketing and promotion of the Franchised Restaurant as required by Franchisor. Franchisor shall have the right to adjust the amount of the Local Marketing Expenditure at any time and from time to time during

the Term upon ninety (90) days' prior written notice from Franchisor to Franchisee, to an amount not to exceed two percent (2%) of Gross Sales. Franchisee shall conduct all local marketing and promotion in accordance with the policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor, and shall not use or publish any marketing material or in any way use or display any of the Daphne's Marks except in accordance with said policies and provisions and with Franchisor's prior written approval. Franchisee shall submit samples of all marketing and promotional plans and materials to Franchisor for Franchisor's approval and may only commence use of the materials after they have been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, effective upon written notice to Franchisee. On the tenth day of the each calendar month during the Term, Franchisee shall provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment that have been issued by Franchisee during the preceding calendar month which evidence the expenditure and payment by Franchisee of the required Local Marketing Expenditure. If Franchisee fails to do so, or fails to spend the required Local Marketing Expenditure during any calendar month, Franchisee shall immediately pay the Marketing Fund the difference between the amount that Franchisee actually spent on local marketing and the required Local Marketing Expenditure.

10.3 Cooperative Marketing Programs Franchisor may from time to time establish programs for cooperative marketing ("**Cooperative Marketing Programs**") to coordinate marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional advertising media. If and when Franchisor creates a Cooperative Marketing Program for the marketing coverage area (a "**Marketing Coverage Area**") in which the Franchised Restaurant is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Franchised Restaurant in the Marketing Coverage Area, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member of the Cooperative Marketing Program and shall participate in the Cooperative Marketing Program in the manner prescribed by Franchisor. The size and content of a Marketing Coverage Area, if and when established by Franchisor, shall be binding upon Franchisee, and all other similarly situated Daphne's Franchisees and Franchisor or an Affiliate of Franchisor, if it operates Daphne's Restaurants in the Marketing Coverage Area. Each participating Daphne's Franchisee, as well as Franchisor (or its Affiliate), if applicable, shall be entitled to one vote for each Franchised Restaurant located within the Marketing Coverage Area as may reasonably be determined by Franchisor, but in no event shall any Daphne's Franchisee and/or its Affiliates have more than twenty-five percent (25%) of the vote, regardless of the number of Daphne's Restaurants owned.

10.3.1 Franchisee and all other members of the Marketing Coverage Area whose Daphne's Franchise Agreements require their participation in the Cooperative Marketing Program shall contribute to the Cooperative Marketing Program the amounts that are determined together by Franchisor and fifty percent (50%) or more of the participating Daphne's Restaurants in the Cooperative Marketing Program, though the amounts may not exceed two percent (2%) of the Gross Sales of each participating Franchised Restaurant located in the Marketing Coverage Area. Franchisee's contribution to the Cooperative Marketing Program shall be credited towards the satisfaction of the Local Marketing Expenditure required by Section 10.2.

10.3.2 Franchisor shall administer the Cooperative Marketing Program and shall determine the policies of the Cooperative Marketing Program and the usage of the available funds for media time, production of media materials, radio, television, newspapers or Franchised Restaurant level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor reserves the right to establish general standards concerning the operation of the Cooperative Marketing Program, advertising agencies retained by

the Cooperative Marketing Program, and marketing conducted by the Cooperative Marketing Program. Any disputes (other than pricing) arising among or between Franchisee, other Daphne's Franchisees, and/or the Cooperative Marketing Program shall be resolved by Franchisor, whose decision shall be final and binding on all parties.

10.4 Grand Opening Marketing Expenditure, Grand Opening Events At least sixty (60) days before the Opening Date of the Franchised Restaurant, Franchisee shall develop and provide Franchisor with a promotional campaign plan for the grand opening of the Franchised Restaurant. Franchisee shall spend the required Grand Opening Marketing Expenditure within thirty (30) days before, and fifteen (15) days after, the Opening Date. Franchisee shall provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment which have been issued by Franchisee which evidence the Grand Opening Marketing Expenditure and payment by Franchisee of the amounts required by this Section 10.4 for the grand opening marketing campaign for the Franchised Restaurant within thirty (30) days of the Opening Date. If Franchisee fails to provide Franchisor with such evidence of payment, or if Franchisee fails to spend the amount required by this Section 10.4, Franchisee shall immediately pay the Marketing Fund the difference between the amount that Franchisee actually spent on the grand opening marketing campaign and the required Grand Opening Marketing Expenditure. In addition to the Grand Opening Marketing Expenditure, Franchisee shall conduct grand opening events and promotions as required and directed by Franchisor.

10.5 Promotional Campaigns From time to time during the Term, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee shall participate in the promotional campaigns upon the terms and conditions that Franchisor may establish. Franchisee acknowledges and agrees that participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials.

10.6 Advisory Council Franchisor may from time to time establish an Advisory Council for Daphne's Franchisees to work with Franchisor and to consult with Franchisor on potential improvements to Daphne's System, the products offered by Daphne's Restaurants, advertising conducted by the Marketing Fund and any other matters that Franchisor deems appropriate. If an Advisory Council is formed, it will act solely in an advisory capacity, and will not have decision making authority, will be comprised of Franchisor's representatives and Daphne's Franchisees who may be chosen by Franchisor or elected by other Daphne's Franchisees. All Daphne's Franchisees who serve on an Advisory Council shall pay all transportation costs, food, lodging and similar expenses incurred in connection with their attendance at Advisory Council meetings. Franchisor shall have the right to form, change, merge or dissolve any Advisory Council at any time, in its sole discretion.

10.7 Internet Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, Website, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Daphne's Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisee shall not separately register any domain name or any portion of any domain name containing the Daphne's Marks or participate or market on any Website or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms, video Websites, email marketing sites or other forms of electronic media not yet

developed) using the Daphne's Marks without Franchisor's prior written consent Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee Franchisee shall provide free WiFi service at the Franchised Restaurant for use by Franchisee's customers in compliance with Franchisor's requirements for bandwidth included in the Manuals or otherwise Franchisor control the WiFi gateway and all emails collected will be Franchisor's property, with no restrictions on Franchisor's use or distribution of email addresses

10.8 Websites Franchisor shall establish and maintain from time to time, one or more Internet Websites that shall be used to provide information about Daphne's Restaurants to the public Franchisor has sole discretion and control over the establishment, design and content of the Website Franchisor may, in its discretion, configure the site to accommodate one or more interior pages which Franchisor shall dedicate, in whole or in part, to the Franchised Restaurant, all at Franchisee's expense Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of the Website, (ii) make operational changes to the Website, (iii) change or modify the URL and/or domain name of the Website, (iv) substitute, modify, or rearrange the Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to comply with Applicable Laws, or respond to changes in market conditions or technology and respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to the Website, and (vi) disable or terminate the Website without any liability to Franchisee

10.9 Social Media Franchisee shall not participate or market through the use of social technology, social media such as Facebook, Instagram, My-Space, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed ("**Social Media Platforms**") using the Daphne's Marks or in connection with the Franchised Restaurant, without Franchisor's prior written consent If Franchisee separately registers any Social Media Platform account (a "**Social Media Account**") containing the Daphne's Marks or otherwise related to the Franchised Restaurant, whether with Franchisor's prior consent or otherwise, then (i) Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary information related to the Social Media Account that Franchisor requires or demands, without compensation to Franchisee, and (ii) the Social Media account shall, without further notice, become and be deemed to be Franchisor's sole property without compensation to Franchisee, and Franchisee hereby assigns all of Franchisee's right, title and interest in all such Social Media Accounts to Franchisor Franchisor shall be the sole owner of all related intellectual property rights in the Social Media Account and all content posted on it In addition, Franchisee hereby assigns to Franchisor the right to control and administer all Social Media Accounts, including the right to modify the Social Media Accounts, and Franchisee waives and releases all rights of restraint and moral rights in and to the Social Media Accounts If the foregoing provisions of this Section 10.9 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and administer the Social Media Account to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights For elimination of doubt, Franchisor's right to control and administer the Social Media Accounts includes, without limitation, the right to post or remove content, language and media, the right to require Franchisee to post and remove content, language and media, and to disable and/or close a Social Media Account

11 CONFIDENTIAL INFORMATION

11.14 **Description of Confidential Information** Franchisee acknowledges and agrees that Daphne's System is comprised of confidential information that has been developed by Franchisor and the Operating Company by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and the Operating Company and their Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, cooking and preparation techniques and methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, Websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Franchised Restaurant which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Franchised Restaurant under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its Affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**") Confidential Information does not include any information that (i) was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor, (ii) is or becomes generally available to the public by acts other than those of Franchisee after receiving it, (iii) has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee, or (iv) is shown by acceptable evidence to have been independently developed by Franchisee

11.2 **Value** Franchisee acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its Affiliates, Daphne's Franchisees and Franchisee, derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee, and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring Daphne's Franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring Daphne's Franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring Daphne's Franchisees to return all Confidential Information to Franchisor upon the termination or expiration of their Daphne's Franchise Agreements

11.3 **Maintain Confidentiality** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its Daphne's Trade Secrets and/or Confidential Information. Franchisee shall divulge Confidential Information only to its supervisory or managerial personnel who must have access to it in order to perform their employment responsibilities.

11.4 **Irreparable Injury from Disclosure of Confidential Information** Franchisee acknowledges and agrees that failure to comply with the requirements of this Article 11 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Article 11.

11.5 **Confidentiality Covenants from Individuals Associated with Franchisee** Franchisee shall require any supervisory or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.6 **Daphne's Data** All data pertaining to the Franchised Restaurant and all data created or collected by Franchisee in connection with Franchisee's operation of the Franchised Restaurant, including, without limitation, data pertaining to, or otherwise concerning, the Franchised Restaurant's customers and other pertinent data about the Franchised Restaurant collected by Franchisee, including, without limitation, data uploaded to, or downloaded from Franchisee's POS System and/or computer system (collectively "**Daphne's Data**") is Confidential Information and is the sole property of Franchisor. Franchisor shall have the right to review and use Daphne's Data in any manner that Franchisor deems appropriate without any compensation to Franchisee. Franchisee shall provide Franchisor with copies and/or originals of Daphne's Data within five (5) days after Franchisor's request for Daphne's Data at no cost to Franchisor and at any time during the Term and upon the expiration and/or termination of this Agreement. Franchisor hereby licenses use of the Franchised Restaurant. Franchisee shall maintain Daphne's Data as secret and confidential throughout the Term and shall not make any of Daphne's Data available to any unauthorized person without the prior written consent of Franchisor and then only in the manner permitted by Franchisor. Franchisor hereby licenses use of Daphne's Data to Franchisee during the Term, at no cost, solely for Franchisee's use in connection with the Franchised Restaurant.

11.7 **No Restriction** Nothing in this Article 11 is intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

12 **ACCOUNTING AND RECORDS**

12.1 **General Reporting** Franchisee shall submit statistical control forms and other financial, operational and statistical information that Franchisor may require in order to (i) assist Franchisee in the operation of the Franchised Restaurant, (ii) allow Franchisor to monitor Gross Sales, purchases, costs and expenses, (iii) enable Franchisor to develop chain wide statistics, (iv) assist Franchisor in the development of new Authorized

Products or the removal of existing unsuccessful Authorized Products, and (v) enable Franchisor to refine the menu mix of existing Authorized Products (collectively, the "Reporting Information") Franchisee will allow Franchisor to collect the Reporting Information by polling the POS System on a daily or other basis at the times and in the manner established by Franchisor, with or without prior notice to Franchisee to retrieve transaction information including sales, sales mix, usage, and other operations data that Franchisor deems appropriate

12.2 **Specific Reporting.** Unless otherwise agreed by Franchisor in writing, Franchisee shall submit condensed reports of daily Gross Sales to Franchisor on a weekly basis in accordance with Section 4.2 and the guidelines established by Franchisor. Further

12.2.1 Within five (5) days following the end of each Accounting Period during the Term, or at any other interval that Franchisor may establish, Franchisee shall submit a Gross Sales report signed by Franchisee, in the form and manner prescribed by Franchisor, reporting all Gross Sales for the preceding Accounting Period, together with the additional financial information that Franchisor may, from time to time, request

12.2.2 Within five (5) days following the end of each Accounting Period during the Term, Franchisee shall also submit to Franchisor financial statements for the preceding Accounting Period, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with either generally accepted accounting principles or the "Financial Reporting Framework for Small- and Medium-Sized Entities" of the American Institute of Certified Public Accountants. The financial statements shall be certified by Franchisee to be accurate and complete

12.2.3 Within forty-five (45) days following the end of the last Accounting Period of each year as designated by Franchisor, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in the form and manner prescribed by Franchisor and in accordance with either generally accepted accounting principles or the "Financial Reporting Framework for Small- and Medium-Sized Entities" of the American Institute of Certified Public Accountants. The financial statement shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate Governmental Authority. Franchisor reserves the right to require the further information concerning the Franchised Restaurant that Franchisor may, from time to time, reasonably request

12.3 **Audits.** Franchisee shall prepare, and keep for not less than three (3) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from Daphne's Restaurants, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales reported by Franchisee to Franchisor, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum

12.4 **Books and Records** Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to the accounting information.

12.5 **Use of Financial Statements in Disclosure Document** Franchisee hereby irrevocably consents to Franchisor's use of information contained in its financial statements, at Franchisor's election, in its franchise disclosure document for the offer and sale of franchises.

13 **INSURANCE**

13.1 **Franchisee's Insurance Obligations** Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. This insurance shall protect Franchisee and Franchisor against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Restaurant. Franchisee shall obtain and maintain (i) workers compensation insurance in compliance with local laws and regulations, (ii) employer's liability insurance with \$1,000,000 combined single limit coverage, (iii) comprehensive general liability insurance and product liability insurance with limits of \$1,000,000 combined single limit coverage including broad form contractual liability and personal injury coverage (employee and contractual inclusion deleted), provided that the required amounts may be modified periodically by us to reflect inflation or future experience with claims, (iv) automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000, (v) loss of income insurance (in an amount sufficient to cover the all fees due to Franchisor under this Agreement for a period of at least twelve (12) months), (vi) rental value insurance in an amount sufficient to cover the rents and other fees due the Landlord under the Lease during any period of business interruption or inability to operate the Franchised Restaurant or any greater amounts of insurance as required by the Lease for the Franchised Location, (vii) employment practices liability insurance, (viii) employee non-owned automobile insurance with limits of \$1,000,000, (ix) cyber-liability insurance with limits of \$50,000, and (x) additional insurance and types of coverage as required by the terms of any Lease for the Franchised Location, including an umbrella policy with limits of \$2,000,000 to \$4,000,000. Franchisor reserves the right to change the insurance requirements during the term of this Agreement, including the types of coverage and the amounts of coverage. Franchisee must comply with any changes to these requirements.

13.2 **Required Endorsements and Certificates** Each policy shall (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Franchised Restaurant is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide, (ii) name Franchisor as an additional insured, and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against Franchisor, and Franchisee shall provide evidence of the waiver. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.4. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under the policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be

13.3 **Franchisor's Right to Secure Insurance on Behalf of Franchisee** Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge Franchisee for it, which charges, together with Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

14.1 **Transfer by Franchisor** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any Person or Entity without the consent or approval of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations, of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Daphne's Marks, or Daphne's System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring all without the consent or approval of Franchisee.

14.2.1 Unless the Parties otherwise agree in writing, Franchisee shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Daphne's Restaurants then owned and operated by Franchisee. As a condition to Franchisor's consent to an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Franchised Restaurant sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion, (i) Franchisee shall not offer for sale or transfer at public or private

any of the rights of Franchisee under this Agreement, and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (10) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

14.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to Assignment identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that such transfer, assignment, or encumbrance may not constitute an "Assignment" as defined under this Article 14.

14.2.3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "Qualified Assignment"). Any attempted or purported Assignment which fails to comply with the requirements of this Article 14 shall be null and void and shall constitute a Default under this Agreement.

14.3 **Right of First Refusal** Except with respect to a "Qualified Assignment", if Franchisee or an Owner receives a bona fide written offer ("Third Party Offer") from a third party (the "Proposed Buyer") to purchase or otherwise acquire any interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee or the Proposed Buyer shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to purchase or otherwise acquire all Daphne's Restaurants then owned and operated by Franchisee, or its Affiliates.

14.3.1 Franchisee, or the Proposed Buyer, shall attach to its application for consent to complete the Assignment a copy of the Third Party Offer together with: (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed Assignment or that Franchisor requests.

14.3.2 Franchisor or its nominee shall have the right, exercisable by written notice ("Purchase Notice") given to Franchisee or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms

and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Franchisee to Franchisor under this Agreement or otherwise

14.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor

14.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 14.3

14.4 **Conditions of Assignment to Third Party** As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied

14.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Daphne's Franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation

14.4.2 Franchisee must be in Good Standing on the date consent is requested and until the date of closing of the Assignment

14.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Franchisee or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties

14.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of replacement Franchise Agreement shall be the remaining term of this Agreement. In exchange for signing the Then-Current Franchise Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement. If the Proposed Buyer is an Entity, each owner and each owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Franchise Agreement under a Guarantee in the form of Exhibit C. If Franchisor is not offering new Daphne's Franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisor's Then-Current form of Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Franchise Agreement

14 4 5 Franchisee will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the Assignment, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information

14 4 6 Franchisee and the Proposed Buyer shall execute a General Release of all known and unknown liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, that they have, may have or believe to have against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees as of the date of the General Release, in a form acceptable to Franchisor

14 4 7 At the time the Proposed Buyer submits a complete transfer application to Franchisor, Franchisee shall pay Franchisor the Transfer Fee to apply against Franchisor's administrative and other costs to process the Assignment

14 4 8 Franchisee must simultaneously transfer its rights in all contracts for which continuation is necessary for operation of the Franchised Restaurant to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the Assignment of Franchisee's rights to the Proposed Buyer The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment All required third party consents to the Assignment must be obtained

14 4 9 Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied

14 4 10 Except when the transferee is an existing Daphne's Franchisee, the Proposed Buyer and a supervisory or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Franchised Restaurant, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment

14 4 11 The Proposed Buyer must conform the Franchised Restaurant with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Daphne's Restaurants

14 4 12 Franchisee must sign a guarantee personally guaranteeing the Proposed Buyer's obligations under the new Franchise Agreement in favor of Franchisor

14 5 **Death or Incapacity** In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner, or the remaining Owners (the "Successor") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Article 14 If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement

14.6 Transfer by Franchisee in Bankruptcy, Franchisor's Rights If, for any reason, this Agreement is not terminated pursuant to Section 16.1 and instead the Assignment and assumption of this Agreement to and by any Person or Entity who has made a bona fide offer to accept an Assignment of it is contemplated pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment and assumption, which shall set forth (i) the name and address of the proposed assignee, and (ii) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement. Further, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, Franchisor shall have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, which consideration shall be reduced by the amount of any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

14.7 Restriction on Publicly Traded and Private Securities Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor, and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of \$10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article 14.

15 COVENANTS

15.1 No Prior Experience, Information or Knowledge Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about operating a restaurant that offers and sells Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes as its primary menu item or a Daphne's Restaurant and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's

training by Franchisor and Franchisee's subsequent operation of the Franchised Restaurant under this Agreement. In addition, Franchisee specifically acknowledges and agrees that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and Daphne's System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

15.2 Non-Competition during Term of Agreement Franchisee and each Restricted Person covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Restricted Person shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any Person, or Entity (i) divert or attempt to divert any present or prospective Daphne's California Greek customer to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Daphne's Marks and Daphne's System, ~~(ii) employ or seek to employ any Person who is or has been within the preceding ninety (90) days employed by Franchisor or an Affiliate of Franchisor as a supervisory or managerial employee, or otherwise directly or indirectly induce the Person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 15.2 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee~~

15.3 Non-Competition after Expiration or Termination of Agreement Except as Franchisor otherwise approves in writing, commencing upon the date of (i) an Assignment permitted under Article 14, (ii) the Expiration Date, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.3, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Restricted Person shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at the Franchised Location or within five (5) miles of the Franchised Location or any other Daphne's Restaurant, provided, however, the restrictions stated in this Section 15.3 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

15.4 Violation of Covenants If Franchisee or any Restricted Person shall commit any violation of Section 15.3 during the two (2) year period following (i) the termination or expiration of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.3, in addition to all other remedies available to Franchisor, Franchisee or the Restricted Person shall pay Franchisor, throughout the twenty-four (24) month period, five percent (5%) of the revenue derived by Franchisee from the sale of all products and services and all other income of every kind and nature ("Post Termination Gross Sales") of the Competitive Business. Franchisee shall account for and pay the five percent (5%) of the Post Termination Gross Sales to Franchisor on the fifteenth day of each calendar month on the Post Termination Gross Sales of the Competitive Business during the preceding calendar month. Franchisor shall have the right to audit the books and records of the competing

business in accordance with Section 12.3 to confirm Franchisee's compliance with this Section 15.4, upon prior notice to Franchisee

15.5 **Exceptions to Covenants** Section 15.2 and Section 15.3 shall not apply to ownership by Franchisee or a Restricted Person of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934. Further, none of the provisions in this Article 15 are intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

15.6 **Reducing Scope of Covenants** Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 15.3, or any portion of them, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice of such reduction, and Franchisee agrees that it shall comply immediately with any covenant as so modified, which shall be fully enforceable.

15.7 **Reasonable Good Faith Estimate** The Parties acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of Section 15.3 during the two (2) year period following (i) the termination or expiration of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.3 due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the Term then in effect, the uncertainty regarding the Gross Sales of the Franchised Restaurant during the remainder of that Term, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Franchised Restaurant and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 15.3. The Parties further acknowledge and agree that the five percent (5%) fee of Post Termination Gross Sales is a reasonable, good faith estimate of those damages.

15.8 **Covenants from Individuals** Upon demand by Franchisor, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 15 (including covenants applicable upon the termination of a Person's relationship with Franchisee) from all Owners. Every covenant required by this Section 15.8 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

~~15.9 **Interference with Employment Relations** Without Franchisor's prior written consent, during the Term and for a period of twenty-four (24) months following the termination, expiration or nonrenewal of this Agreement, or if there shall occur an Assignment, neither Franchisee, its Owner(s) or their respective Affiliates, officers, directors or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisor, or any of its Affiliates, or any licensee or Daphne's Franchisee, any employee of Franchisor or its Affiliates (or any Person who the persons knew or should have known was an employee of any licensee or Daphne's Franchisee) or hire any employee who has left the employment of Franchisor, or any of its Affiliates (or any licensee or Daphne's Franchisee) within one (1) year of the termination of the employee's employment with Franchisor, or any of its Affiliates or its Licensees or Daphne's Franchisees.~~

15 944 **Effect of Applicable Law** In the event any portion of the covenants in this Article 15 violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this Article 15 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other Person, whether pursuant to another agreement or pursuant to Applicable Law.

15 102 **Business Practices** Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**") In connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 16.2.

15 113 **Survival** The provisions of this Article 15 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Daphne's Marks, Daphne's System, the Confidential Information, Daphne's Trade Secrets, or any other proprietary aspects of Franchisor's business.

16 DEFAULT AND TERMINATION

16.1 **Termination In the Event of Franchisee's Bankruptcy or Insolvency** Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee of this Agreement shall automatically terminate without notice to Franchisee if (i) Franchisee or its Principal Owner becomes insolvent or make a general assignment for the benefit of creditors, (ii) a petition in bankruptcy is filed under any foreign, state or United States Bankruptcy Act by Franchisee or its Principal Owner or if a petition is filed against and not opposed by Franchisee or its Principal Owner, (iii) Franchisee or its Principal Owner is adjudicated as bankrupt or insolvent, (iv) a bill in equity or other proceeding for the appointment of a receiver of Franchisee or its Principal Owner or other custodian for the Franchised Restaurant is filed and consented to by Franchisee or its Principal Owner, (v) a receiver or other custodian (permanent or temporary) of Franchisee's or its Principal Owner's assets or property, or any part of them, is appointed by any court of competent jurisdiction, (vi) proceedings for a composition with creditors under any Applicable Law is instituted by or against Franchisee or its Principal Owner, (vii) a final judgment in excess of \$100,000 against the Franchised Restaurant remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii), Franchisee or its Principal Owner admits Franchisee or its Principal Owner is unable to generally pay Franchisee's or its Principal Owner's debts as they become due, (ix) execution is levied against the Franchised Restaurant or property, (x) suit to foreclose any lien or mortgage against the Franchised Restaurant, the Franchised Location or the equipment of the Franchised Restaurant is instituted against Franchisee or its Principal Owner and not dismissed within thirty (30) days, or (xi) if the Franchised Restaurant or the Franchised Location shall be sold after levy thereupon by any sheriff, marshal, or constable

16.2 **Option to Terminate Without Opportunity to Cure** Franchisee shall be deemed to be in Default and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the Default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events

16.2.1 If Franchisee Abandons the Franchised Restaurant or loses the right to possession of the Franchised Location, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located

16.2.2 If Franchisee purports to make any Assignment without the prior written consent of Franchisor

16.2.3 If Franchisee Defaults in any obligation as to which Franchisee has previously received three (3) or more written notices of Default from Franchisor setting forth the Default complained of within the preceding twelve (12) months

16.2.4 If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Franchised Restaurant

16.2.5 If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any Governmental Authority, to comply with any Federal, state or local law or regulation applicable to the operation of the Franchised Restaurant

16 2 6 If Franchisee's operation of the Franchised Restaurant constitutes an imminent danger to the public health or if Franchisee sells unauthorized products to the public after Notice of Default and thereafter sells the products, whether or not Franchisee has cured the Default after one or more notices

16 2 7 If an audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of the same as provided in this Agreement

16 2 8 If Franchisee or any of its Owners, are convicted of or plead guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, Daphne's System, the Daphne's Marks or the goodwill associated with the same, however, if the crime or offense is committed by an Owner other than the Principal Owner, Franchisor may only terminate this Agreement under this Section 16 2 8 if the convicted Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or guilty plea

16 2 9 If Franchisee materially misuses or makes any unauthorized use of the Daphne's Marks or otherwise materially impairs either the goodwill associated with them or Franchisor's rights in them, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Franchised Restaurant or Daphne's California Greek chain generally

16 2 10 If Franchisee makes any unauthorized use, disclosure, or duplication of Daphne's Trade Secrets or Confidential Information

16 2 11 If Franchisee fails to purchase and maintain in inventory the types and quantities of Branded Products, Proprietary Products or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand

16 2 12 If Franchisee purchases or purports to purchase Branded Products or Proprietary Products or Non-Proprietary Products from other than an Approved Supplier and fails to cease use of the non-complying product within three (3) days after having received notification from Franchisor to do so

16 2 13 If Franchisee sells or attempts to sell any products other than Authorized Products at the Franchised Restaurant and fails to cease to do so within three (3) days after having received notification from Franchisor to do so

16 2 14 If Franchisee Defaults in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee

16 2 15 If Franchisee fails to meet the site selection requirements, enter a Lease or Open the Franchised Restaurant within the applicable time periods provided for in this Agreement

16 2 16 If, within ten (10) days after receipt of written notice from Franchisor that any required payment is overdue, Franchisee fails to make the payment to Franchisor, its Affiliates, or, to Franchisee's landlord, suppliers, creditors or employees unless, with respect to Franchisee's suppliers, creditors or employees, Franchisee notifies Franchisor of the existence on a bona fide dispute and takes immediate action to resolve it

16.2.17 If Franchisee fails to make timely payments upon any obligation of Franchisee upon which Franchisor has advanced any funds for or on behalf of Franchisee, or upon which Franchisor is acting as a guarantor of Franchisee, or Default upon or breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating to this Agreement concerning any obligation of Franchisee which arises from the Restaurant

16.2.18 If Franchisee or the Owners use abusive language when communicating with Franchisor, Franchisor's staff or with customers, or denigrate Daphne's System or portray it, Franchisor or Franchisor's Constituents in an unflattering light on the Internet or otherwise

16.3 Termination with Notice and Opportunity to Cure Except for any Default by Franchisee under Section 16.1 or Section 16.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have five (5) days, in the case of any monetary Default and ten (10) days in the case of any other type of Default, following the receipt of a notice of Default (a "Notice of Default") demanding the cure of the Default and to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.

16.4 Reimbursement of Franchisor's Costs Upon a Default by Franchisee, all of Franchisor's costs and expenses arising from the Default, including reasonable attorneys' fees, shall be paid to Franchisor within five (5) days after cure or upon demand by Franchisor whether or not the Default is cured.

16.5 Cross-Default. Any Default by Franchisee under the terms and conditions of this Agreement, any Area Development Agreement or any other agreement between Franchisor, or its Affiliates, and Franchisee, or its Owners or Affiliates, shall be deemed to be a Default of each and every other agreement. In the event of termination, for any cause, of this Agreement or any other agreement between the Parties, Franchisor may, at its option, terminate any or all of the agreements.

16.6 Notice Required By Law Notwithstanding anything to the contrary contained in this Article 16, if any valid Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the Parties shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

16.7 Interim Management To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with the same, after Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Franchised Restaurant during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Franchised Restaurant, then (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Franchised Restaurant during any interim management period, (iii) Franchisor will have the right to charge a reasonable fee for the management services, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable

expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Franchised Restaurant, other than those arising solely from the gross negligence or willful misconduct of Franchisor

16.8 **Delay by Force Majeure** Franchisee shall provide Franchisor, within five (5) days after the occurrence of an event that Franchisee believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Franchisee's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Except as otherwise provided in this Agreement, ~~if~~ ~~Franchisor~~ determines that the Default is the result of an event of Force Majeure, the required date for performance by Franchisee shall be extended by the number of days equal to the number of days that the Force Majeure exists. Franchisee shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Franchisee's progress and diligence in responding to and overcoming the event of Force Majeure.

16.9 **Termination by Franchisee** Franchisee may terminate this Agreement due to a material Default by Franchisor of its obligations under this Agreement, which Default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged Default with specificity, provided, that if the Default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in Default for so long as it commences to cure such Default within sixty (60) days and diligently continues to prosecute such cure to completion. Additionally, if the Default is the result of an event of Force Majeure, the required date for performance by Franchisor shall be extended by the number of days equal to the number of days that the Force Majeure exists. If Franchisee terminates this Agreement pursuant to this Section 16.9, Franchisee shall comply with all of the terms and conditions of Article 17.

17 **OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION**

17.1 **General** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with the same, upon the termination or expiration of Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Daphne's Trade Secrets, Confidential Information, the Daphne's Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost immediately return the Manuals and all written materials incorporating Daphne's Trade Secrets and all copies of any of the same to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Franchised Restaurant and the Franchised Location so that they no longer contain or resemble Franchisor's proprietary designs and shall remove all Daphne's California Greek identifying materials and distinctive Daphne's California Greek cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location that Franchisor may reasonably direct.

17.2 **Prior Payments** Franchisor may retain all fees paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Default, which obligation shall remain, until paid in full, a lien in favor of Franchisor against assets of the Franchised Restaurant. In addition to the foregoing, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the product of two (2) multiplied by the total Royalty

Fees paid (or if unpaid, payable) by Franchisee during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the time period that Franchisor estimates will expire while Franchisor searches for a replacement franchisee for the Franchised Restaurant or for a replacement Daphne's Restaurant location in the trade area of the Franchised Restaurant. The Parties acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by Franchisor and the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement franchisee for the Franchised Restaurant or for a replacement Daphne's Restaurant location in the trade area of the Franchised Restaurant. The Parties further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of those damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Franchised Restaurant, Franchisor may estimate the Gross Sales of the Franchised Restaurant for the applicable period based upon the historical financial information available to Franchisor at that time.

17.3 Termination of Obligations and Rights Following the termination or expiration of this Agreement, any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate. Likewise, any and all rights of Franchisee under this Agreement shall immediately cease and terminate and Franchisee shall immediately cease and thereafter refrain from representing itself as a then or former Franchisee or other Affiliate of Franchisor.

17.4 Electronic Communications and Media The goodwill associated with all telephone and fax numbers, email addresses, domain names, Websites and web pages, social media and other Internet addresses used in operation of the Franchised Restaurant ("**Electronic Communications and Media**") is an asset that belongs to Franchisor. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement, to take an assignment of all Electronic Communications and Media for the Franchised Restaurant. If Franchisor exercises this option, Franchisee will be deemed to have assigned to Franchisor or Franchisor's designee all right, title and interest in and to these and/or services associated with the same. Franchisee shall notify the telephone company, domain name registrars and all listing agencies of the cancellation, termination or expiration of its right to use the Electronic Communications and Media associated with the Franchised Restaurant, and shall authorize their transfer to Franchisor. Franchisee hereby appoints Franchisor as its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as may be necessary to effect an assignment of all Electronic Communications and Media for the Franchised Restaurant. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. Franchisee, by executing this Agreement, authorizes Franchisor and hereby appoints Franchisor and all of Franchisor's officers as Franchisee's attorney-in-fact to direct the telephone company, domain name registrars and all listing agencies to transfer the same to Franchisor, should Franchisee fail or refuse to do so. The telephone company, domain name registrars and all listing agencies may accept this Agreement as conclusive evidence of Franchisor's exclusive rights to the Electronic Communications and Media and Franchisor's authority to direct their transfer. Franchisee must sign the instruments Franchisor requests to confirm the assignments and transfers to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

17.5 Purchase Franchised Restaurant Assets Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase some or all of the assets of the Franchised Restaurant, regardless of whether the Franchised Restaurant is under

construction or is Open and operating, and some or all of the assets of Franchisee related to the Franchised Restaurant that Franchisor elects to purchase (collectively, the "**Franchised Restaurant Assets**") The purchase price for the Franchised Restaurant Assets (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Franchised Restaurant Assets as determined under this Section 17.5 "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**") The Parties shall use their best efforts to mutually agree upon the Fair Market Value If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser, and Franchisee shall appoint within forty (40) days of the Exercise Date, one (1) appraiser The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to the Parties The Purchase Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two (2) appraisers' valuations, and the arithmetic mean of the remaining two (2) appraisers' valuations shall be the Purchase Price The Parties shall each pay for the services of the appraiser they select, plus fifty percent (50%) of the fee charged by the third appraiser, and fifty percent (50%) of all other costs relating to the determination of the Purchase Price The Purchase Price as so determined shall be payable as the Parties mutually agree If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Franchised Restaurant Assets Any purchase of the Franchised Restaurant Assets shall include the assumption by Franchisor and the assignment by Franchisee, of the Lease for the Franchised Restaurant

17.6 **Survival of Obligations** Termination or expiration of this Agreement shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement The provisions of this Agreement which by their nature or expressly constitute post-termination or post-expiration covenants and agreements, including the obligation of the Parties to attempt to resolve all disputes by mediation, shall survive the termination or expiration of this Agreement

17.7 **No Ownership of Daphne's Marks** Franchisee acknowledges and agrees that the rights to the Daphne's Marks and the use of the Daphne's Marks shall be and remain the property of Franchisor Franchisee acknowledges and agrees that any use of the Daphne's Marks after the termination or expiration of this Agreement shall constitute an unauthorized use of an identical mark and shall entitle Franchisor to damages due to, but not limited to, trademark infringement and counterfeiting

17.8 **Government Filings** If Franchisee has registered any of the Daphne's Marks or the name Daphne's California Greek as part of an assumed, fictitious or corporate name, Franchisee shall promptly amend those registrations to delete the Daphne's Marks and any confusingly similar marks or names

18 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 **No Fiduciary Relationship** This Agreement does not create a fiduciary relationship between the Parties. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 **Public Notice of Independent Status** Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Franchisee of Franchisor, and shall place the notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any notice.

18.3 **Independent Contractor** Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any action, nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Franchised Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4 **Indemnification** Franchisee and its Owners and Affiliates (collectively, the "Indemnitors") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor and its Constituents (collectively, the "Indemnitees"), from any and all "Losses and Expenses" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement of them (collectively, an "Indemnifiable Claim") which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Franchised Restaurant and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee, provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 18.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 18.4, the term "Losses and Expenses" means and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

18.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 18.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "Third Party Claim") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

18.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

18.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

18.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available).

18.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or the expiration of any mutually agreed upon extension to the period) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

18.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

19

19.1 **Mediation** The Parties pledge to attempt first to resolve any dispute between them pursuant to mediation conducted in accordance with the Commercial Mediation Rules of The American Arbitration Association unless the Parties agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in Los Angeles County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by the Parties. The fees and expenses of the mediator shall be shared equally by the Parties. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the Parties shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice of the mediation shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, the Parties shall each be free to pursue their respective legal remedies under Section 19.2.

19.2 **Judicial Relief** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Franchised Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 19.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

19.3 **Waivers** The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its Default under this Agreement must be commenced by no later than the last to occur of the following (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchisee, for themselves, and for and on behalf of the Owners, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the Parties shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in **Section 19.5**

194 **Specific Performance** The Parties acknowledge and agree that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, the Parties agree that the provisions of this Agreement shall be specifically enforceable. The Parties

further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Franchisee might otherwise have

19.5 **Exclusive Remedy** In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any claim for damages. Neither Party may claim any damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

19.6 **Attorneys' Fees** In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a court of competent jurisdiction.

19.7 **Exceptions to Mediation** The mediation provision in Section 19.1 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Daphne's Marks. Any claim or dispute involving or contesting the validity of any of the Daphne's Marks shall not be subject to mediation.

20 **NOTICES**

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notwithstanding the foregoing, Franchisor is hereby authorized by Franchisee to give all notices and demands under this Agreement by electronic notification. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party.

Notices to Franchisor

Mediterranean Cuisine Franchising Company, LLC
466 Foothill Boulevard #356
La Cañada Flintridge, California 91011
Attention: President
Email: Michael@Daphnes.biz

With a copy to (which shall not constitute notice)

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
bkurtz@lewitthackman.com

Notices to Franchisee

See Exhibit A

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party

21 ACKNOWLEDGMENTS

21.1 Waiver and Delay No waiver by Franchisor of any Default, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to (i) exercise any right, power or option given to it under this Agreement or under any agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, or (ii) insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or any Franchise Agreement or other agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time afterward to require exact and strict compliance with the provisions of this Agreement or any Franchise Agreement or other agreement between the Parties

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

21.3 Successors and Assigns This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement

21.4 Joint and Several Liability If Franchisee consists of more than one Owner, the obligations and liabilities of each Person or Entity to Franchisor are joint and several

21.5 Entire Agreement Except as provided in Section 21.10, this Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Franchisee agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of

21.6 **Titles and Recitals** Article and Section 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. The Recitals set forth in Recitals A and B are true and correct and are hereby incorporated by reference into the body of this Agreement.

21 8 **Severability, Modification** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable 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 that 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, 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.

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21 10 **Area Development Agreement** This Section 21 10 is only applicable if Franchisee or its Affiliates have entered into an Area Development Agreement (a “**Development Agreement**”) with Franchisor. Franchisor and Franchisee acknowledge and agree that the Development Agreement contains certain negotiated provisions which are intended to apply to, and modify, future franchise agreements entered into by the Parties. Therefore, notwithstanding anything to the contrary set forth in this Agreement, to the extent any provision in the Development Agreement contradicts any provision in this Agreement, or is in addition to any provision of this Agreement, the Development Agreement shall control to the extent of such inconsistency or addition. Franchisor and Franchisee further acknowledge and agree that this Section 21 10 has been added at the request and for the convenience and benefit of both Parties and with advice of counsel. Accordingly, both Franchisor and Franchisee shall work in good faith to resolve any disputes regarding the application or intent of the Development Agreement and future franchise agreements entered into by the Parties. Should a dispute arise as to the application or intent of the Development Agreement as it pertains to this Agreement, the Parties shall resolve the dispute in accordance with Article 19.

21 11 **Time of the Essence** Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

21 12 **Intent to Comply** Franchisee, and its Owners, jointly and severally acknowledge and agree that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, 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 with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Franchisee acknowledges and agrees that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

21 13 **Independent Investigation** Franchisee acknowledges and agrees that Franchisee has conducted an independent investigation of the business franchised under this Agreement, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and, if an Entity, the Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Franchisee acknowledges and agrees that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

21 14 **Copy of Agreement** Franchisee acknowledges and agrees that it received a copy of this Agreement, the Exhibits attached to this Agreement and all other agreements relating to this Agreement, if any, with all of the blank lines filled in, at least seven (7) days prior to the Effective Date.

21 15 **Opportunity to Consult** Franchisee acknowledges and agrees that it has read and understood this Agreement, the Exhibits attached to this Agreement, and all other agreements relating to this Agreement, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee’s own choosing about the potential benefits and risks of entering into this Agreement.

21 16 **Franchise Disclosure Document** Franchisee acknowledges and agrees that it has received a copy of the complete Daphne’s Franchise Disclosure Document which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee acknowledges

and agrees that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Franchised Restaurant, that he has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Franchisee's business ability and aptitude is primary in determining his success

21 17 **Atypical Terms** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Daphne's Franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Daphne's Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Daphne's Franchise Agreements previously executed or executed after the Effective Date with other Daphne's Franchisees in a non-uniform manner

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By Michael Nakhleh, its President

FRANCHISEE

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

[Print Name of Franchisee Entity]

By _____
Name _____
Title _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL)

Print Name _____

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT A
FRANCHISE INFORMATION**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT A
FRANCHISE INFORMATION**

EFFECTIVE DATE _____

NAME OF FRANCHISEE _____

EXPIRATION DATE _____

ADDRESS OF FRANCHISED LOCATION _____

OPENING DATE _____

PROTECTED AREA _____

RENEWAL TERM _____

RENEWAL TERM EXPIRATION DATE _____

NOTICE ADDRESS FOR FRANCHISEE _____

E-mail Address _____

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Exhibit A on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh, its President

FRANCHISEE

**(IF FRANCHISEE IS A CORPORATION, LIMITED
LIABILITY COMPANY, OR PARTNERSHIP)**

[Print Name of Franchisee Entity]

By _____
Name _____
Title _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT B
ENTITY INFORMATION DISCLOSURE**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT B
ENTITY INFORMATION DISCLOSURE**

Franchisee represents and warrants that the following information is accurate and complete in all material respects

(1) Franchisee is a (check as applicable)

- ☐ corporation
- ☐ limited liability company
- ☐ general partnership
- ☐ limited partnership
- ☐ Other (specify) _____

State of incorporation/organization _____

Entity name _____

Federal Tax ID Number _____

(2) Franchisee shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "Entity Documents")

(3) Franchisee promptly shall provide all additional information that Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Franchisee

(4) The name and address of each Owner is

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of Franchisee Owner who will be devoting their full time to the Franchised Restaurant are

NAME	ADDRESS	TITLE

(6) The address where Franchisee's financial records and Entity Documents are maintained is

(7) The Principal Owner is _____

(8) The General Manager is _____

(9) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Franchise Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information Franchisor may request with respect to the partners, shareholders and members of Franchisee and the ownership of Franchisee upon demand by Franchisor. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in the Franchise Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh, its President

FRANCHISEE

**(IF FRANCHISEE IS A CORPORATION, LIMITED
LIABILITY COMPANY, OR PARTNERSHIP)**

[Print Name of Franchisee Entity]

By _____
Name _____
Title _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT**

The undersigned (collectively, "**Guarantors**") have requested **MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC**, a Delaware limited liability company ("**Franchisor**"), to enter into that certain Franchise Agreement dated _____ (the "**Franchise Agreement**") with the "**Franchisee**" named in the Franchise Agreement. In consideration for, and as an inducement to, Franchisor's execution of the Franchise Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows:

1 "**Obligations**" means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature.

2 Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Franchisee to Franchisor and the performance of any and all obligations of Franchisee including, without limitation, obligations under the Franchise Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.

3 If Franchisee fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Franchise Agreement is not observed, performed or discharged as required by the Franchise Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, to observe, perform or discharge the obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.

4 No exercise or non-exercise by Franchisor of any right under this guarantee (this "**Guarantee**"), no dealing by Franchisor with Franchisee or any other Person, and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisee or Franchisor. Without limiting the generality of the foregoing, Guarantors agree that Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by way of any of the following, regardless of whether Franchisor gives notice of or obtains the consent of Guarantors to any of them: (i) any amendment, modification, renewal, extension, substitution or replacement of the Franchise Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Franchise Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Franchise Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any Assignment or transfer of the Franchise Agreement (or any of them) by Franchisor or Franchisee, (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Franchise Agreement, the Obligations or this Guarantee.

5 Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other Person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other Person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, or (ix) any right to the benefit of or to direct the application of any security held by Franchisor

6 Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to Guarantors and any right to withdraw capital invested in Franchisee by Guarantors are hereby subordinated to all Obligations.

7 Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Sections 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive, or (ii) California Civil Code Section 2899.

8 The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Franchisee's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, renewals, amendments, modifications, substitutions or replacements of the Franchise Agreement and until all Obligations have been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults.

Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Franchisee and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other Person or Entity, or applying or enforcing any security of the Franchise Agreement.

9 Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10 All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 20 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11 This Guarantee 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. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by the Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12 This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Franchised Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

Date _____

Date _____

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT D
ADDENDUM FOR RESTAURANT PURCHASE**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT D
ADDENDUM FOR RESTAURANT PURCHASE**

THIS ADDENDUM FOR RESTAURANT PURCHASE (this "Addendum") is made and entered into as of _____ (the "Effective Date"), by and between MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC, a Delaware limited liability company ("Franchisor"), on the one hand, and _____ ("Franchisee"), on the other hand, who are individually referred to in this Addendum as a "Party", and collectively referred to in this Addendum as the "Parties", with reference to the following facts

A Franchisee purchased the assets of an operating Daphne's Restaurant (the "Franchised Restaurant") on the Effective Date from Mediterranean Cuisine Operating Company, LLC, a Delaware limited liability company an affiliate of Franchisor

B Franchisor and Franchisee entered into a Franchise Agreement (the "Franchise Agreement") for the Franchised Restaurant on the Effective Date. Certain provisions of the Franchise Agreement are not applicable to Franchisee and/or the Franchised Restaurant and Franchisor and Franchisee wish to modify the Franchise Agreement accordingly

D All capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Franchise Agreement

NOW, THEREFORE, IT IS AGREED

1 **Deleted Sections** The following Sections of the Franchise Agreement shall be deleted in their entirety and have no force or effect Sections _____

2 **Successors and Assigns** This Addendum shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Addendum

3 **Entire Agreement** This Addendum contains all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Addendum. No other agreements concerning the subject matter of this Addendum, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Addendum and superseded by this Addendum. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Addendum and Franchisee agrees that it has executed this Addendum without reliance upon any representation or promise not included in this Addendum. This Addendum cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this Addendum or any related agreement, however, is intended to disclaim the representations made in Daphne's Franchise Disclosure Document previously furnished to Franchisee. This Addendum shall be considered an integral part of the Franchise Agreement and shall be controlling with respect to the subject matter of this Addendum

4 **Counterparts and Electronic Transmission, Electronic Signatures** This Addendum 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. Copies of this Addendum with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Addendum for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Addendum. In addition, this Addendum may be signed electronically by the Parties and electronic signatures appearing on this Addendum shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Addendum.

5 **Ratification of Franchise Agreement** Except as provided in this Addendum, the terms of the Franchise Addendum are hereby ratified, confirmed and approved.

IN WITNESS WHEREOF, the Parties hereto have executed this Addendum on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh its President

FRANCHISEE

**(IF FRANCHISEE IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP)**

[Print Name of Area Developer Entity]

By _____
Name _____
Title _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE AGREEMENT**

**EXHIBIT E
DEBIT AUTHORIZATION FORM**

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

The undersigned franchisee/depositor ("**Depositor**") hereby (1) authorizes MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC and its Affiliates ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below, and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Franchisor's instructions

_____ Depository	_____ Branch
_____ City and State	_____ Zip Code
_____ Bank Transit /ABA Number	_____ Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with thirty (30) days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever comes first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount of the entry to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws. Depositor shall be responsible for all charges assessed by Depository to process all debit entries and/or credit corrections entries to the undersigned's checking and/or savings account initiated by Franchisor. Franchisor will credit Depositor for fees if error is deemed to be caused by Franchisor.

DEPOSITOR (Print Name)

By _____

Its _____

DEPOSITORY (Print Name)

By _____

Its _____

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT B
AREA DEVELOPMENT AGREEMENT**

MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC

AREA DEVELOPMENT AGREEMENT

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

TABLE OF CONTENTS

<u>ARTICLE</u>		<u>PAGE</u>
1	DEFINITIONS	1
2	EXCLUSIVE LICENSE	6
3	INITIAL TERM AND RENEWAL TERM	8
4	PAYMENTS BY AREA DEVELOPER	10
5	INITIAL SERVICES AND ONGOING OBLIGATIONS OF FRANCHISOR	10
6	OBLIGATIONS OF AREA DEVELOPER	10
7	DAPHNE'S MARKS	11
8	CONFIDENTIAL INFORMATION	12
9	TRANSFER OF INTEREST	14
10	TRANSFER BY AREA DEVELOPER IN BANKRUPTCY, FRANCHISOR'S RIGHTS	18
11	DEFAULT AND TERMINATION	18
12	OBLIGATIONS UPON TERMINATION OR EXPIRATION	20
13	COVENANTS	20
14	INDEPENDENT CONTRACTOR AND INDEMNIFICATION	22
15	DISPUTE RESOLUTION	24
16	ANTI-TERRORISM LAWS	26
17	NOTICES	26
18	ACKNOWLEDGMENTS	27

EXHIBITS

EXHIBIT A	DEVELOPMENT INFORMATION
EXHIBIT B	ENTITY INFORMATION DISCLOSURE
EXHIBIT C	GUARANTEE OF AREA DEVELOPMENT AGREEMENT

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into as of the "Effective Date" set forth on Exhibit A, by and between MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC, a Delaware limited liability company ("Franchisor"), on the one hand, and the individuals or Entity identified as "Area Developer" on Exhibit A, on the other hand, who are individually referred to in this Agreement as a "Party", and collectively referred to in this Agreement as "Parties", with reference to the following facts

A Franchisor and Franchisor's Affiliate, Mediterranean Cuisine Operating Co, LLC, a Delaware limited liability company (the "Operating Company"), have developed the "Daphne's System" for the establishment and operation of fast-casual restaurants ("Daphne's Restaurants") that offer a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and non-alcoholic beverages for on-premises and off-premises consumption and catering events under the trade names and service marks "Daphne's", "Daphne's California Greek" and other related trademarks, service marks, logos and commercial symbols (collectively, the "Daphne's Marks")

B Franchisor desires to expand and develop Daphne's Restaurants in the Development Area and Area Developer desires to develop, Open, own and operate Daphne's Restaurants in the Development Area under the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 DEFINITIONS

The capitalized terms in this Agreement that are not defined elsewhere in the text of this Agreement are assigned these definitions

"Affiliate" or "Affiliates" mean any Person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement Control of a Person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person or Entity whether by contract or otherwise

"Applicable Law" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of Daphne's Restaurants that are in effect on or after the Effective Date, as they may be amended from time to time

"Approved Suppliers" means suppliers of Branded Products, Proprietary Products and Non-Proprietary Products, and ancillary services, food products, beverages, packaging, supplies, furniture, fixtures and equipment for Daphne's Restaurants that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Daphne's Restaurants meeting Franchisor's specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services Franchisor and its Affiliates may be Approved Suppliers

"Authorized Products" means all Branded Products, Proprietary Products and Non-Proprietary Products offered for sale or used at Daphne's Restaurants, as specified by Franchisor from time to time

"Branded Products" means any product now existing or developed in the future that bears any of the Daphne's Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications, including, without limitation, pre-packaged food and beverage products, packaging, clothing, souvenirs and novelty items

"Competitive Business" means any restaurant business that prepares, offers and sells Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes as its primary menu items and any business that looks like, copies, imitates, or operates with similar trade dress or decor to a Daphne's Restaurant

"Constituents" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing

"Daphne's Restaurant" means each Daphne's Restaurant developed, owned and operated by Area Developer under this Agreement and a Franchise Agreement

"Daphne's System" means the system developed by Franchisor and the Operating Company that includes operating methods and business practices related to Daphne's Restaurants, the relationship between Franchisor and its area developers and franchisees, including interior and exterior restaurant design, other items of trade dress, specifications of equipment, fixtures, and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions, standard operating and administrative procedures, restrictions on ownership, management and technical training programs, and marketing and public relations programs, all as Franchisor may modify them from time to time

"Daphne's Trade Secrets" means proprietary and confidential information of Franchisor and the Operating Company, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating Daphne's Restaurants and producing Authorized Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that can be shown that was already lawfully in a third party's possession before receipt from Franchisor

"Default" means any breach of, or failure to comply with, any of the terms or conditions of an agreement

"Development Area" means the geographic area described on Exhibit A

"Development Fee" means the \$15,000 development fee payable to Franchisor by Area Developer on the Effective Date multiplied by the number of Daphne's Restaurants to be developed, Opened and operated by Area Developer under this Agreement in the amount set forth on Exhibit A

"Development Fee Credit" means \$5,000 of the Development Fee that will be credited against the Initial Franchise Fee for each Daphne's Restaurant upon the Parties' execution of a Franchise Agreement for each Daphne's Restaurant as set forth on Exhibit A

"Development Period" means each of the time periods indicated on Exhibit A during which Area Developer shall have the right and obligation to construct, equip, Open and thereafter continue to operate Daphne's Restaurants in accordance with the Minimum Development Obligation

"Entity" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Area Developer is an Entity, the Entity shall conduct no business other than the development of Franchised Restaurants in the Development Area, in accordance with the Minimum Development Obligation

"Equity" means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity

"Expiration Date" means the fifth (5th) anniversary of the Effective Date

"Force Majeure" means any event (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) that causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, **"Force Majeure"** includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants, and/or food providers generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a Party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, Landlord, contractor, or other Person, or Area Developer's financial inability to perform or Area Developer's insolvency, shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure

"Franchise Agreement" means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to develop, Open, own and operate a single Daphne's Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time

"Franchised Location" means the site of a Daphne's Restaurant

"General Release" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed

"Good Standing" means Area Developer is in substantial compliance with the material requirements of this Agreement, the Franchise Agreements, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Area Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Area Developer within the time periods set forth in Section 11.3

"Governmental Authority" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities

"Gross Sales" means the total of all revenues derived from sales of any nature or kind whatsoever from Daphne's Restaurants during the Term, as well as the proceeds from any business interruption insurance related to the non-operation of the Daphne's Restaurant, and whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from a Daphne's Restaurant although filled elsewhere and delivery and catering charges that are not included in the price of Authorized Products "Gross Sales" shall include the full value of drinks and snacks Area Developer provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the drinks and snacks were provided) and all proceeds from the sale of coupons, gift certificates or vouchers "Gross Sales" shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed

"Initial Franchise Fee" means the initial fee that Area Developer must pay Franchisor for each Daphne's Restaurant developed, Opened and operated by Area Developer in the Development Area in the amounts set forth on Exhibit A

"Initial Term" means the five (5) year period commencing on the Effective Date and ending on the Expiration Date

"Landlord" means the owner of a Franchised Location who enters into a Lease with Area Developer for a Franchised Location

"Manuals" means Franchisor's Operations Manuals, which may consist of one or more manuals, and any other written directive related to Daphne's System, as it may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time

"Minimum Development Obligation" means the Area Developer's right and obligation to construct, equip, Open and thereafter continue to operate at sites within the Development Area the cumulative number of Daphne's Restaurants set forth in Exhibit A within each Development Period

"Non-Proprietary Products" means the food and beverage products, condiments, drink ingredients, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Branded Products and Proprietary Products, that may or must be used, offered and sold at Daphne's Restaurants

"Non-Traditional Venues" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as office buildings, business complexes, arenas, stadiums and entertainment venues, recreational facilities, beaches, parks, airports, train stations, travel plazas, toll road facilities and other transportation terminals, educational, medical, governmental and other types of institutional facilities, sites in retail locations (for example, a kiosk within a grocery store), cafeterias and casinos, food delivery fulfillment centers and any site for which the lessor, owner or operator limits the operation of its beverages and/or food service facilities to a master concessionaire or contract food service provider

"Open" and "Opened" means that Area Developer has actually begun to sell food products to the public from a Daphne's Restaurant

"Opening Date" means the day that (i) Area Developer receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Daphne's Restaurant, and (ii) Area Developer actually begins to offer Authorized Products for sale to the public from Daphne's Restaurant, whichever occurs last

"Owner" means each of the individuals listed on Exhibit B and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Area Developer. If Area Developer is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Area Developer's payment and performance of its obligations under this Agreement under a Guarantee in the form of Exhibit C

"Person" means any natural person or Entity

"Principal Owner" means the individual designated by Area Developer on Exhibit B, and accepted by Franchisor to serve as the primary operator of Daphne's Restaurants, to serve as the authorized representative of Area Developer, who shall have at least a fifty percent (50%) interest in the Equity of Area Developer, who shall act as Area Developer's representative in all matters with Franchisor, as Area Developer's liaison with Franchisor and the Owners, who shall have the authority to act on behalf of Area Developer during the Term without the participation of any other Owner

"Proprietary Products" means only those food products, beverages, packaging and other products that are produced or manufactured strictly in accordance with Daphne's Trade Secrets or that Franchisor otherwise designates as proprietary

"Renewal Fee" means the \$5,000 fee that Area Developer must pay Franchisor to extend the Initial Term for the Renewal Term

"Renewal Rights" means the rights held by Area Developer to renew this Agreement for the Renewal Term upon the expiration of the Initial Term

"Renewal Term" means the five (5) year period beginning on the Expiration Date and ending on the Renewal Term Expiration Date

"Renewal Term Expiration Date" means the last day of the Renewal Term

"Restricted Person" means Area Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals

"Then-Current" means the form of agreement then-currently provided by Franchisor to similarly situated prospective Daphne's California Greek area developers and franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Daphne's California Greek area developer or franchisee, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor or its Affiliates, or Franchisor's specifications, standards or the like

"Transfer Fee" means the \$10,000 fee that Area Developer must pay Franchisor as a condition precedent to an Assignment of this Agreement

"Venue" means any site other than a Non-Traditional Venue

22 EXCLUSIVE LICENSE

22 14 **Grant and Minimum Development Obligation** Franchisor hereby grants Area Developer, and Area Developer hereby accepts the right and obligation to use the Daphne's Marks and Daphne's System to develop, Open, own and operate the Minimum Development Obligation of Daphne's Restaurants set forth in Exhibit A only at Venues in the Development Area designated on Exhibit A during the individual Development Periods listed on Exhibit A under the Development Schedule set forth on Exhibit A in accordance with the terms and conditions in this Agreement. Area Developer may not develop, Open, own or operate more Daphne's Restaurants in the Development Area than the Minimum Development Obligation during the Initial Term. Area Developer shall not subcontract, sublicense, share, divide or partition this Agreement and nothing in this Agreement will be construed as granting Area Developer the right to do so. The Parties shall execute Franchisor's Then-Current Franchise Agreement for each Daphne's Restaurant to be developed, owned and operated by Area Developer under this Agreement, the form of which may differ from the form of Franchise Agreement attached to Franchisor's Franchise Disclosure Document (the "Disclosure Document") provided to Area Developer prior to the Effective Date.

22 22 **Exclusive License** Except as otherwise provided in Section 2.3, the rights granted to Area Developer under this Agreement are exclusive during the Initial Term so long as Area Developer is in Good Standing and neither Franchisor nor any of its Affiliates shall themselves develop, own and operate, or grant third parties the right to develop, own and operate, Daphne's Restaurants in the Development Area during the Initial Term.

2.3 **Reservation of Rights** Except as provided in Section 2.2, Franchisor expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others, to (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Daphne's Restaurants outside the Development Area, regardless of their proximity to the Development Area, (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including food business, other than a Competitive Business, under marks and systems different from the Daphne's Marks and Daphne's System within and outside the Development Area, (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods, (iv) market on the Internet and use the Daphne's Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, (v) ~~acquire, open and operate and grant licenses and franchises to third parties to develop, open and operate, other restaurants or food service businesses at any location within or outside of the Development Area regardless of their proximity to the Development Area,~~ (vi) ~~open or operate and to franchise or license others to open or operate Daphne's Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Daphne's Restaurants developed or under development by Area Developer,~~ (vii) ~~acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Daphne's Restaurants or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating,~~ (viii) ~~be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form~~

of transaction), by any business providing products and services similar to those provided at Daphne's Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses, and (~~ixviii~~) engage in all other activities that this Agreement does not expressly prohibit

2.4 Adherence to Development Schedule Area Developer shall satisfy the Minimum Development Obligation by Opening the number of Daphne's Restaurants only at Venues in the Development Area within each Development Period as required by the Development Schedule and by continuing to operate the cumulative number of Daphne's Restaurants required by the Minimum Development Obligation. Failure to comply with a scheduled Opening Date set forth in the Development Schedule shall constitute a Default under this Agreement and shall entitle Franchisor to terminate this Agreement, unless the Default results from an event of Force Majeure, in which case, the Opening Date may be extended by Franchisor as provided in Section 2.6

2.5 Closures and Assignments To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, if, during the Term, Area Developer ceases to operate any Daphne's Restaurant developed and Opened under this Agreement for any reason, Area Developer must develop a replacement Daphne's Restaurant (a "Replacement Restaurant") to fulfill Area Developer's obligation to have Open and in operation the required number of Daphne's Restaurants at the expiration of each Development Period. Area Developer may not, however, cease operating any Daphne's Restaurant or obtain a Replacement Restaurant without Franchisor's prior written consent. Area Developer must Open each Replacement Restaurant within twelve (12) months after the date of the closing of Daphne's Restaurant that it will replace. Daphne's Restaurants that are operating that are assigned to Affiliates of Area Developer with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Minimum Development Obligation for so long as the applicable Affiliate continues to comply with the terms of this Agreement.

2.6 Additional Development Rights If Area Developer satisfies the Minimum Development Obligation before the Expiration Date and desires to develop, open and operate additional Daphne's Restaurants in the Development Area, Area Developer shall have the right to extend the Term of this Agreement for an additional five (5) years on the terms and conditions set forth in this Section 2.6. If Area Developer desires to extend the Term of this Agreement for an additional five (5) years, Area Developer shall, no later than one hundred eighty (180) days prior to the Expiration Date, notify Franchisor in writing (the "Additional Development Notice") that Area Developer desires to do so and provide Franchisor with a proposal for the development of additional Daphne's Restaurants in the Development Area (the "Additional Development Obligation"), setting forth the number of additional Daphne's Restaurants proposed to be opened by Area Developer, the proposed development fees and the proposed opening dates for each Daphne's Restaurant during the extended term. Franchisor may, but has no obligation to, grant Area Developer the Additional Development Rights described in this Section 2.6 in its sole and absolute discretion.

2.6.1 If the Additional Development Obligation proposed by Area Developer is unacceptable to Franchisor, or if the Parties cannot reach an agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, this Agreement shall expire on the Expiration Date. Franchisor and Area Developer shall execute Franchisor's Then-Current Franchise Agreement for each additional Daphne's Restaurant to be developed and opened in the Development Area by Area Developer. If the Additional Development Obligation proposed by Area Developer is acceptable to Franchisor, or if the Parties reach agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, Franchisor shall deliver to Area Developer its Then-Current form of Daphne's California Greek Area Development Agreement (the "Additional Area Development Agreement") setting forth the agreed upon

Additional Development Obligation Within thirty (30) days after Area Developer's receipt of the Additional Area Development Agreement, Area Developer shall execute the Additional Area Development Agreement, and return it to Franchisor. If Area Developer has so executed and returned the Additional Area Development Agreement, and has satisfied the conditions precedent set forth in Section 2.6.2, Franchisor shall execute the Additional Area Development Agreement, and return a fully executed copy to Area Developer.

2.6.2 Franchisor shall execute the Additional Area Development Agreement, if, and only if, (i) Franchisor elects to grant the Additional Development Rights to Area Developer, (ii) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of the Additional Development Notice and on the date of Franchisor signs the Additional Area Development Agreement, (iii) Area Developer has demonstrated Area Developer's Then-Current financial ability to timely implement and complete the Additional Development Obligation, (iv) Area Developer continues to operate no less than the aggregate number of Daphne's Restaurants in the Development Area as required by the Minimum Development Obligation, (v) Area Developer has executed the Additional Area Development Agreement and delivered it to Franchisor together with the development fees and initial development fees payable to Franchisor for the Additional Development Rights, and (vi) Area Developer executes and delivers to Franchisor a General Release in a form acceptable to Franchisor.

2.7 **Force Majeure** Neither Party will be in Default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. If Area Developer is unable to meet the Minimum Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 5.4, which results in the inability of Area Developer to construct and Open Daphne's Restaurants as required by this Agreement, Area Developer shall provide Franchisor, within five (5) days after the occurrence of an event that Area Developer believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Area Developer's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. If Franchisor determines that the Default is the result of an event of Force Majeure, the required date for performance by Area Developer shall be extended by the number of days equal to the number of days that the Force Majeure exists. Area Developer shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Area Developer's progress and diligence in responding to and overcoming the event of Force Majeure.

2.8 **No Rights to Use the Daphne's Marks or Daphne's System** This Agreement is not a Franchise Agreement, and does not grant Area Developer any right to use the Daphne's Marks or Daphne's System or to sell or distribute any Authorized Products. To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, Area Developer's rights to use the Daphne's Marks and Daphne's System will be granted to Area Developer solely under the terms of a Franchise Agreement.

3 **INITIAL TERM AND RENEWAL TERM**

3.1 **Initial Term** The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date.

3.2 **Renewal Rights** If Area Developer desires to engage in further development of Daphne's Restaurants in the Development Area following the Expiration Date, Area Developer shall, no later than one hundred eighty (180) days prior to the Expiration Date, notify Franchisor in writing (the "**Renewal Notice**") that Area Developer desires to extend the Initial Term and provide Franchisor with a plan for the development of

additional Daphne's Restaurants in the Development Area (the "**Renewal Development Obligation**"), setting forth the number of additional Daphne's Restaurants proposed to be Opened by Area Developer during the Renewal Term, the proposed fees payable to Franchisor for each Daphne's Restaurant proposed to be Opened during the Renewal Term and the proposed Opening Dates for each Daphne's Restaurant during the Renewal Term. The Renewal Rights may be exercised by Area Developer only if all conditions precedent set forth in this Article 3 are satisfied prior to the Expiration Date. If Area Developer does not elect to renew the Initial Term in accordance with this Section 3.2, this Agreement shall terminate on the Expiration Date. If Area Developer exercises its rights to renew this Agreement, this Agreement shall terminate on the Renewal Term Expiration Date. Except as provided in this Section 3.2, this Agreement is not otherwise renewable.

3.3 Renewal Development Obligation If the Renewal Development Obligation proposed by the Renewal Development Notice is unacceptable to Franchisor in any respect, Franchisor and Area Developer shall negotiate during the following sixty (60) day period to agree upon an acceptable Renewal Development Obligation. If the Renewal Development Obligation proposed by Area Developer is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative Renewal Development Obligation within the sixty (60) day period after the date of the Renewal Notice, Franchisor shall deliver to Area Developer its Then-Current form of Area Development Agreement (the "**Renewal Area Development Agreement**") extending the Initial Term for the Renewal Term and setting forth the agreed upon Renewal Development Obligation. Within thirty (30) days after Area Developer's receipt of the Renewal Area Development Agreement, Area Developer shall execute the Renewal Area Development Agreement and return it to Franchisor. If Area Developer has so executed and returned the Renewal Area Development Agreement and has satisfied the conditions precedent set forth in this Article 3, Franchisor shall execute the Renewal Area Development Agreement and return a fully executed copy to Area Developer.

3.4 Conditions to Renewal Franchisor shall execute the Renewal Area Development Agreement if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between the Parties and is in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Area Development Agreement and on the Expiration Date, (ii) Area Developer has demonstrated Area Developer's Then-Current financial ability to implement and complete the Renewal Development Obligation, (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Daphne's Restaurants required by the Minimum Development Obligation in compliance with the Development Schedule, (iv) Area Developer has executed the Renewal Area Development Agreement and delivered it to Franchisor, (v) Area Developer executes and delivers to a General Release to Franchisor in a form acceptable to Franchisor, and (vi) Area Developer has paid Franchisor the Renewal Fee in the amount set forth on Exhibit A when Area Developer issues the Renewal Notice to Franchisor.

3.5 Effect of Expiration If the conditions set forth in this Article 3 are not satisfied before the Expiration Date, Area Developer shall have no further right to develop additional Daphne's Restaurants in the Development Area and no further rights or obligations under this Agreement, (i) Area Developer shall have the right to continue to own and operate all Daphne's Restaurants Opened by Area Developer prior to the Expiration Date under Franchise Agreements with Franchisor that remain in full force and effect on the Expiration Date, and (ii) Franchisor, may, but shall not be required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Daphne's Restaurants at any location within or outside of the Development Area, without restriction.

3.6 Term and Expiration Date If the Parties execute a Renewal Area Development Agreement (i) "**Term**" shall mean both the Initial Term and the Renewal Term, and (ii) "**Expiration Date**" shall mean both the Expiration Date of the Initial Term and the Renewal Term Expiration Date.

4 PAYMENTS BY AREA DEVELOPER

4.1 **Development Fee** On the Effective Date, Area Developer shall pay the Development Fee to Franchisor for the rights granted to Area Developer under this Agreement by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Development Fee is fully earned by Franchisor when paid and is nonrefundable, in whole or in part, under any circumstances.

4.2 **Initial Franchise Fees** Area Developer shall pay Franchisor an Initial Franchise Fee for each Daphne's Restaurant to be operated under this Agreement. Area Developer shall sign the Franchise Agreement for the first Daphne's Restaurant and pay Franchisor an Initial Franchise Fee when Area Developer signs this Agreement. Area Developer shall pay Franchisor the Initial Franchise Fee for the first Daphne's Restaurant to be operated under this Agreement in full on the Effective Date by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Initial Franchise Fee for each additional Daphne's Restaurant shall be payable upon execution by Area Developer of each Franchise Agreement entered into for a Daphne's Restaurant under this Agreement, less the Development Fee Credit for each Daphne's Restaurant, not to exceed a credit of the amount set forth on **Exhibit A** for any one Daphne's Restaurant. The Initial Franchise Fee for each Daphne's Restaurant is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstances.

5 INITIAL SERVICES AND ONGOING OBLIGATIONS OF FRANCHISOR

5.1 **Limited Obligations** Area Developer acknowledges and agrees that Franchisor's obligations under this Agreement are limited to identifying the Development Area and that Franchisor has no ongoing obligations for training or operational support for Area Developer under this Agreement. All initial and continuing obligations of Franchisor to Area Developer shall be provided by Franchisor under Franchisor's Then-Current Franchise Agreement for each Daphne's Restaurant to be developed and opened in the Development Area by Area Developer.

5.2 **Conditions to Franchisor's Obligations** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, Area Developer acknowledges and agrees that, as a condition precedent to Franchisor's performance of Franchisor's obligations under the Franchise Agreements and to Area Developer's right to develop each and every Daphne's Restaurant, all of the following conditions precedent must be satisfied: Franchisor shall execute a Franchise Agreement for each Daphne's Restaurant if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between the Parties and is in Good Standing on the date of Franchisor's execution of a Franchise Agreement, (ii) Area Developer demonstrates Area Developer's Then-Current financial ability to implement and complete the construction and Opening of Daphne's Restaurant, (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Daphne's Restaurants required by the Minimum Development Obligation in compliance with the Development Schedule, (iv) Area Developer has executed a Franchise Agreement and delivered it to Franchisor, (v) Area Developer executes and delivers a General Release to Franchisor in a form acceptable to Franchisor, and (vi) Area Developer has paid Franchisor the Initial Franchise Fee when Area Developer executes a Franchise Agreement and returned it to Franchisor.

6 OBLIGATIONS OF AREA DEVELOPER

To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them

6 14 **Development and Operation of Daphne's Restaurants** Area Developer shall, at all times during the Term, exert Area Developer's best efforts to faithfully, honestly and diligently develop, Open and operate the number of Daphne's Restaurants in the Development Area in order to satisfy the Minimum Development Obligation and the Development Schedule in accordance with the requirements of this Agreement and each Franchise Agreement for each Daphne's Restaurant

6 2 **Daphne's System** Area Developer shall operate Daphne's Restaurants in compliance with the terms of the Franchise Agreements and the Manuals Area Developer acknowledges and agrees that Area Developer alone shall exercise day-to-day control over all operations, activities and elements of Daphne's Restaurants, including over Area Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of Daphne's System that Area Developer must comply with under the Franchise Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of Daphne's Restaurants, which Area Developer alone controls, but only constitute standards to which Area Developer must adhere when exercising Area Developer's control over the day-to-day operations of Daphne's Restaurants consistent with the policies of Franchisor Area Developer shall comply with each Franchise Agreement and shall develop and operate the Daphne's Restaurants in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise Since every detail of Daphne's System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Daphne's Restaurants under Daphne's System and to protect the Daphne's Marks and Franchisor's reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, Daphne's System suggested by Area Developer that is reasonably likely to have an adverse material effect on Daphne's System, the Daphne's Marks or Franchisor's reputation or goodwill

7 **DAPHNE'S MARKS**

Franchisor and its Affiliates continue to develop, use and control the use of the Daphne's Marks in order to identify for the public the source of services and products marketed under the Daphne's Marks and Daphne's System, and to represent Daphne's System's high standards of quality, appearance and service To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them

7 1 **Ownership and Goodwill of Daphne's Marks** Area Developer acknowledges and agrees that its right to use the Daphne's Marks is derived solely from the Franchise Agreements between Area Developer and Franchisor Any unauthorized use of the Daphne's Marks by Area Developer shall constitute a Default under this Agreement and an infringement of Franchisor's and Franchisor's Affiliate's rights in and to the Daphne's Marks Area Developer acknowledges and agrees that as between the Parties (i) Franchisor owns the Daphne's Marks and Daphne's System, (ii) Area Developer owns no goodwill or rights in the Daphne's Marks or Daphne's System except for the license granted by this Agreement, and (iii) Area Developer's use of the Daphne's Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor Area Developer agrees not to contest, or assist any other Person to contest, the validity of Franchisor's rights and interest in the Daphne's Marks or Daphne's System either during the Term or after this Agreement terminates or expires

7 22 **Limitations on Use** Area Developer shall not use any Mark (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Area Developer under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or

common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor Area Developer shall give all notices of trademark and service mark registration as Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under applicable law Area Developer further agrees that no service marks other than "Daphne's", "Daphne's California Greek" or other Daphne's Marks specified by Franchisor shall be used in marketing, promoting, or operating Daphne's Restaurants

7.3 **Internet** Area Developer shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Daphne's Marks, or any of them, or any words, symbols or terms confusingly similar to them without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time Area Developer shall not separately register any domain name or any portion of any domain name containing the Daphne's Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Daphne's Marks without Franchisor's prior written consent Area Developer's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time Franchisor may, at any time after Area Developer commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Area Developer

8 **CONFIDENTIAL INFORMATION**

8.14 **Confidential Information** Area Developer acknowledges and agrees that Daphne's System is comprised of confidential information that has been developed by Franchisor and the Operating Company by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and the Operating Company and their Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, cooking and preparation techniques and methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, Persons or Entities, knowledge or know-how concerning the methods of operation of Daphne's Restaurants which may be communicated to Area Developer, or of which Area Developer may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or Persons unaffiliated with Franchisor or its Affiliates and

which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**") Confidential Information does not include any information that (i) was in the lawful and unrestricted possession of Area Developer prior to its disclosure by Franchisor, (ii) is or becomes generally available to the public by acts other than those of Area Developer after receiving it, (iii) has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Franchisor or Area Developer, or (iv) is shown by acceptable evidence to have been independently developed by Area Developer

8.2 **Value** Area Developer acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its Affiliates, its franchisees and Area Developer, derives independent economic value (actual or potential) from not being generally known to the public or Persons unaffiliated with Franchisor, its franchisees or Area Developer, and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the termination or expiration of their Franchise Agreements

8.3 **Maintain Confidentiality** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, Area Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or Confidential Information. Area Developer shall divulge such Confidential Information only to its supervisory or managerial personnel who must have access to it in order to perform their employment responsibilities

8.4 **Irreparable Injury from Disclosure of Confidential Information** Area Developer acknowledges and agrees that failure to comply with the requirements of this **Article 8** will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this **Article 8**

8.5 **Confidentiality Covenants from Individuals Associated with Area Developer** Area Developer shall require any supervisory or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Area Developer. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them

8.6 **No Restriction** Nothing in this **Article 8** is intended to prohibit or restrict any activity which prohibition or restriction violates Area Developer's employees' rights to engage in protected concerted activity under the National Labor Relations Act

9 **TRANSFER OF INTEREST**

9.1 **Transfer by Franchisor**

9.1.1 Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any Person or Entity without the consent or approval of Area Developer. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Daphne's Marks, or Daphne's System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Area Developer.

9.1.2 Upon the occurrence of a Capital Event, Franchisor shall have the right (the "**Take-Along Right**") to compel Area Developer to sell and, in such event, Area Developer shall sell the assets of any or all of Daphne's Restaurants, regardless of whether such Daphne's Restaurants are under construction or are Open and operating (collectively the "**Take-Along Assets**") at the same value attributable to Daphne's Restaurants owned and operated by Franchisor or its Affiliates at the closing of a Capital Event. Franchisor shall exercise this Take-Along Right to compel the sale of the Take-Along Assets by Area Developer by providing Area Developer with written notice (the "**Take-Along Notice**") setting forth the time and place of the closing of the Capital Event, which time and place shall not be less than thirty (30) days after the date of the Take-Along Notice, and the expected price and form of consideration to be paid for the Take-Along Assets at the closing.

9.2 **Assignment by Area Developer** Area Developer acknowledges and agrees that the rights granted to Area Developer under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Developer and, if Area Developer is an Entity, that of the Owners. Accordingly, to protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, Area Developer shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Area Developer acknowledges and agrees that Area Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly (i) any interest in this Agreement, or (ii) the right to use Daphne's System or the Daphne's Marks granted pursuant to this Agreement (an "**Assignment**") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Area Developer satisfies the conditions to the Assignment identified in this Agreement.

9.2.1 Unless the Parties otherwise agree in writing, Area Developer shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Daphne's Restaurants then owned and operated by Area Developer in the Development Area. As a condition to Franchisor's consent to such an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Daphne's Restaurant sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion (i) Area Developer shall not offer for sale or transfer at public or private auction any of the rights of Area Developer under this Agreement, and (ii) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing

prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement

9 2 2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to Assignment identified in this Agreement (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Area Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Area Developer, (iv) the issuance of any securities by Area Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than forty percent (40%) of the outstanding Equity or voting power of Area Developer, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Area Developer, however effected Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Area Developer Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that such transfer, assignment, or encumbrance may not constitute an "Assignment" as defined under this Article 9

9 2 3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Area Developer of all of Area Developer's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "Qualified Assignment") Any attempted or purported Assignment which fails to comply with the requirements of this Article 9 shall be null and void and shall constitute a Default under this Agreement

9 3 Right of First Refusal Except with respect to a "Qualified Assignment", if Area Developer or an Owner receives a bona fide written offer ("Third Party Offer") from a third party (the "Proposed Buyer") to purchase or otherwise acquire any interest in Area Developer which will result in an Assignment within the meaning of this Agreement, Area Developer or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment To constitute a bona fide written offer, the Third Party Offer must also apply to all of Daphne's Restaurants then owned and operated by Area Developer in the Development Area

9 3 1 Area Developer, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Franchisor requests

9 3 2 Franchisor or its nominee shall have the right, exercisable by written notice ("Purchase Notice") given to Area Developer or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Area Developer or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest

stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Area Developer to Franchisor under this Agreement or otherwise

9 3 3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor

9 3 4 If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Area Developer. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 9 3

9 4 **Conditions of Assignment to Third Party** As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied

9 4 1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Daphne's California Greek Area Developers, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation

9 4 2 Area Developer must be in Good Standing on the date consent is requested and until the date of closing of the Assignment

9 4 3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Area Developer or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties

9 4 4 The Proposed Buyer must sign Franchisor's Then-Current form of Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects. In exchange for signing Then-Current Area Development Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement, as modified by the terms of Then-Current form of Area Development Agreement. If Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Area Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Area Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Area Development Agreement

9 4 5 Area Developer will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the Assignment, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information

9 4 6 Area Developer and the Proposed Buyer shall execute a General Release in a form acceptable to Franchisor

9 4 7 At the time the Proposed Buyer submits a complete transfer application to Franchisor, Area Developer shall pay Franchisor the Transfer Fee to apply against Franchisor's administrative and other costs to process the Assignment. The Transfer Fee is fully earned by Franchisor when paid and is nonrefundable, in whole or in part, under any circumstances.

9 4 8 Area Developer must simultaneously transfer its rights in all contracts for which continuation is necessary for operation of Daphne's Restaurants to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Area Developer's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer is a corporation, limited liability company or other business Entity, each Person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the Equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

9 4 9 Area Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Area Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Area Developer only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

9 4 10 Except when the transferee is an existing Area Developer or franchisee of Franchisor, the Proposed Buyer, and a supervisory or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for Daphne's Restaurants who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

9 4 11 The Proposed Buyer must conform Daphne's Restaurants with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Daphne's Restaurants.

9 4 12. Area Developer must sign a guarantee personally guaranteeing the Proposed Buyer's obligations under the new Area Development Agreement in favor of Franchisor.

9 5 **Death or Incapacity** In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Person, or the remaining shareholders, members, partners or owners (the "Successor") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Person, or (ii) complete an Assignment of the interest of the deceased or incapacitated Person to a qualified, approved third party, subject to the provisions of this Article 9. If a Successor has not purchased the interest of the deceased or incapacitated Person or completed an Assignment of the interest of the deceased or incapacitated Person to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

9 6 **Restriction on Publicly Traded and Private Securities** Securities, partnership or other ownership interests in Area Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review.

as discussed below prior to being filed with any governmental agency, and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Area Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Area Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Area Developer and Franchisor, and its Affiliates. Franchisor may, at its option, require Area Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Area Developer, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Area Developer shall pay to Franchisor a non-refundable fee of \$10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Area Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Article 9.

10 TRANSFER BY AREA DEVELOPER IN BANKRUPTCY, FRANCHISOR'S RIGHTS

If, for any reason, this Agreement is not terminated pursuant to Section 11.1 and instead the Assignment and assumption of this Agreement to and by any Person or Entity who has made a bona fide offer to accept an Assignment of it is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, which shall set forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement. Further, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, Franchisor shall have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, which consideration shall be reduced by the amount of any brokerage commissions which may be payable by Area Developer out of the consideration to be paid by the assignee for the Assignment of this Agreement.

11 DEFAULT AND TERMINATION

11.1 Termination on Area Developer's Bankruptcy or Insolvency Area Developer shall be deemed to be in Default under this Agreement, and all rights granted to Area Developer of this Agreement shall automatically terminate without notice to Area Developer if (i) Area Developer or its Principal Owner becomes insolvent or makes a general assignment for the benefit of creditors, (ii) a petition in bankruptcy is filed under the United States Bankruptcy Act by Area Developer or its Principal Owner or such a petition is filed against and not opposed by Area Developer or its Principal Owner, (iii) Area Developer or its Principal Owner is adjudicated as bankrupt or insolvent, (iv) a bill in equity or other proceeding for the appointment of a receiver of Area Developer or its Principal Owner or other custodian for any Daphne's Restaurant is filed and consented to by Area Developer or its Principal Owner, (v) a receiver or other custodian (permanent or temporary) of Area Developer's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) proceedings for a composition with creditors under any Applicable Law is instituted by or against Area Developer or its Principal Owner, (vii) a final judgment in excess of

\$100,000 against any Daphne's Restaurants remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) Area Developer or its Principal Owner admits Area Developer or its Principal Owner is unable to generally pay Area Developer's or its Principal Owner's debts as they become due, (ix) execution is levied against any Daphne's Restaurant or property, (x) suit to foreclose any lien or mortgage against any Daphne's Restaurant or the equipment of any Daphne's Restaurant is instituted against Area Developer or its Principal Owner and not dismissed within thirty (30) days, or (xi) any Daphne's Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable

11.2 Termination with Notice and Without Opportunity to Cure Area Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Area Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Area Developer if (i) Area Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on Daphne's System, the Daphne's Marks, the goodwill associated with them, or Franchisor's interest in them, (ii) Area Developer fails to comply with the Development Schedule, (iii) any of the Franchise Agreements or any other agreement between Area Developer and Franchisor or its Affiliates are terminated due to a Default by Area Developer, (iv) any purported assignment or transfer of any direct or indirect interest in this Agreement, in Daphne's Restaurants, or in all or substantially all of Area Developer's assets is made to any third party by Area Developer or an Owner without Franchisor's prior written consent, (v) any Assignment of the Equity ownership interests of Area Developer or an Owner is made to any third party without Franchisor's prior written consent, (vi) Area Developer or an Owner discloses or divulges the contents of Franchisor's Manuals, Daphne's Trade Secrets or other Confidential Information provided to Area Developer by Franchisor, (vii) an approved Assignment, as required by Section 9.5, is not effected within the time provided following death or incapacity of an Owner, (viii) Area Developer or an Owner fails to comply with the covenants in Article 13 or fails to obtain execution of and deliver the covenants required under Section 13.7, (ix) Area Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement, (x) Area Developer or an Owner, after curing a Default pursuant to Section 11.3, commits the same, similar, or different Default, whether or not cured after notice, (xi) any Owner fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as Exhibit C and current financial statements as may from time to time be requested by Franchisor, (xii) Area Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer or an Owner beyond the applicable cure period, or (xiii) Area Developer commits a Default of Area Developer's obligations under this Agreement or any other agreement between Area Developer and Franchisor, which Default by its nature is not capable of being cured by Area Developer

11.3 Termination with Notice and Opportunity to Cure Except as provided in Sections 11.1 and 11.2, Area Developer shall have thirty (30) days after its receipt of written notice from Franchisor within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any such Default is not cured within the specified time, or such longer period as Applicable Law may require, this Agreement shall terminate without further notice to Area Developer effective immediately upon expiration of the thirty (30) day period or such longer period as Applicable Law may require. Area Developer shall be in Default pursuant to this Section 11.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or for failure to carry out the terms of this Agreement in good faith

11.4 Options at Termination Upon any Default under Sections 11.2 or 11.3, Franchisor may immediately take any one or more of the following actions, by written notice to Area Developer (i) terminate this

Agreement and all rights granted to Area Developer under this Agreement, (ii) accelerate or decelerate the Development Schedule, (iii) reduce the Minimum Development Obligation, (iv) eliminate or diminish Area Developer's rights with respect to the Development Area or the size of the Development Area, or (v) increase the fees to be paid by Area Developer to Franchisor

11.5 **Cross-Default** Any Default by Area Developer under the terms and conditions of this Agreement, any Franchise Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer, or its Owners or Affiliates, shall be deemed to be a Default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its Affiliates, and Area Developer, Franchisor may, at its option, terminate any or all of such other agreements.

12 **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Area Developer shall forthwith terminate, and the following provisions shall apply:

12.1 **No Right to Open Additional Daphne's Restaurants** To protect Daphne's System, the Daphne's Marks, Daphne's Trade Secrets and the goodwill associated with them, upon termination or expiration of this Agreement: (i) Area Developer shall have no further right to develop any Daphne's Restaurants, (ii) Area Developer shall have no further rights or obligations under this Agreement or the Franchise Agreements that were terminated, (iii) Area Developer shall have the right to continue to own and operate all Daphne's Restaurants Opened by Area Developer prior to the termination date under Franchise Agreements with Franchisor that remain in full force and effect on the termination date, and (iv) Franchisor may thereafter develop, own and operate, and grant franchises to third parties to develop, own and operate Daphne's Restaurants at any location within or outside of the Development Area, without restriction.

12.2 **Payment of Monies Due** Upon termination or expiration of this Agreement, Area Developer shall promptly pay all sums owing to Franchisor and its Affiliates. If this Agreement is terminated because of a Default by Area Developer, such sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Area Developer.

12.3 **Return of Materials and Information** Upon termination or expiration of this Agreement, Area Developer shall immediately deliver to Franchisor the Manuals and all other records, files, and any instructions containing Confidential Information which are in Area Developer's possession and all copies thereof, all of which Area Developer acknowledges and agrees are the property of Franchisor.

13 **COVENANTS**

13.1 **No Prior Experience, Information or Knowledge** Area Developer specifically acknowledges and agrees that prior to becoming an area developer of Franchisor, Area Developer had no experience, information or knowledge whatsoever about operating a restaurant that offers and sells Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes as its primary menu items or a Daphne's Restaurant and that Area Developer's knowledge of the Confidential Information was obtained solely from Franchisor, following Area Developer's training by Franchisor and Area Developer's subsequent operation of Daphne's Restaurants under the Franchise Agreement. Area Developer specifically acknowledges and agrees that, pursuant to this Agreement, Area Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales,

promotional, and marketing methods and techniques of Franchisor and Daphne's System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy

13.2 **Non-Competition during Term of Agreement** Area Developer and each Restricted Person covenants that during the Term, except as otherwise approved in writing by Franchisor, Area Developer and each Restricted Person shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any Person, or Entity (i) divert or attempt to divert any present or prospective Daphne's Restaurant customer to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Daphne's Marks and Daphne's System, ~~(ii) employ or seek to employ any Person who is or has been within the preceding ninety (90) days employed by Franchisor or an Affiliate of Franchisor as a supervisory or managerial employee, or otherwise directly or indirectly induce such Person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 13.2 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer~~

13.3 Non-Competition after Expiration or Termination of Agreement Except as Franchisor otherwise approves in writing, commencing upon the date of (i) an Assignment permitted under Article 9, (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.3, and continuing for an uninterrupted period of two (2) years thereafter, Area Developer and each Restricted Person shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business at any Franchised Location or within a five (5) mile radius of any Franchised Location or any other Daphne's Restaurant, provided, however, the restrictions stated in this Section 13.3 shall not apply to any Restricted Person after two (2) years from the date the Restricted Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer in the Development Area

13 4 **Exceptions to Non-Compete Covenants** Sections 13.2 and 13.3 shall not apply to ownership by Area Developer or a Restricted Person of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

13.5 **Reducing Scope of Covenants** Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 13.2 and 13.3, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable. Further, none of the provisions in this Article 13 are intended to prohibit or restrict any activity which prohibition or restriction violates Area Developer's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

13.6 **Enforceability of Covenants Not Affected by Area Developer Claims** The existence of any claims Area Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 13. Area Developer shall pay all

costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 13

13.7 **Covenants from Individuals** Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 13 (including covenants applicable upon the termination of a Person's relationship with Area Developer) from all Restricted Persons. Every covenant required by this Section 13.7 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

13.8 **Breach of Covenants Causes Irreparable Injury** Area Developer acknowledges and agrees that the violation of any covenant in this Article 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

13.9 **Effect of Applicable Law** In the event any portion of the covenants in this Article 13 violates laws affecting Area Developer, or is held invalid or unenforceable in a final judgment to which Franchisor and Area Developer are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Area Developer. The provisions of this Article 13 shall be in addition to and not in lieu of any other confidentiality obligation of Area Developer, or any other Person, whether pursuant to another agreement or pursuant to Applicable Law.

13.10 **Survival** The provisions of this Article 13 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Daphne's Marks, Daphne's System, the Confidential Information, Daphne's Trade Secrets, or any other proprietary aspects of Franchisor's business.

14 **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

14.1 **No Fiduciary Relationship** This Agreement does not create a fiduciary relationship between the Parties. Area Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

14.2 **Public Notice of Independent Status** Area Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Area Developer of Franchisor, and shall place such notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any such notice.

14.3 **Independent Contractor** Area Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, nor shall Franchisor be liable by reason of any act or omission of Area Developer in its conduct of the operation of Daphne's Restaurants or for any claim or judgment arising therefrom against Area Developer or Franchisor.

14.4 **Indemnification** Area Developer and its Owners and Affiliates (collectively, the “Indemnitors”) shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the “Indemnitees”), from any and all “Losses and Expenses” incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof (collectively, an “Indemnifiable Claim”) which arises directly or indirectly from, as a result of, or in connection with Area Developer's operation of a Daphne's Restaurant and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Area Developer, provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 14.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Area Developer) For the purpose of this Section 14.4, the term “Losses and Expenses” means and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses

14.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 14.4 The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a “Third Party Claim”) or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a “Direct Claim”), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis

14.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses)

14.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to

the Indemnites, the Indemnites shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors

14.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnites shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnites, which consent shall not be unreasonably withheld or delayed. The Indemnites and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available).

14.4.5 With respect to Direct Claims, following receipt of notice from the Indemnites of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnites shall make available to the Indemnitors the information relied upon by the Indemnites to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnites agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnites the full agreed upon amount of the Direct Claim. If the Indemnitors fail to pay the Direct Claim, the matter shall be resolved in the manner described in Article 15.

14.4.6 The Indemnites shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

15 DISPUTE RESOLUTION

15.1 Mediation The Parties pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of The American Arbitration Association unless the Parties agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in Los Angeles County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by the Parties. The fees and expenses of the mediator shall be shared equally by the Parties. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the Parties shall not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, the Parties shall each be free to pursue their respective legal remedies under Section 15.2.

15.2 **Judicial Relief** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if Daphne's Restaurants are located outside of California and such provision would be enforceable under the laws of the state in which Daphne's Restaurants are located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 15.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

15.3 **Waivers** The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or a Default under this Agreement must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. The Parties, for themselves, and for and on behalf of the Owners, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the Parties shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 15.5.

15.4 **Specific Performance** The Parties acknowledge and agree that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, the Parties agree that the provisions of this Agreement shall be specifically enforceable. The Parties further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Area Developer might otherwise have.

15.5 **Attorneys' Fees** In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

15.6 **Exclusive Remedy** In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any such claim for damages. Neither Party may claim any such damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

15.7 **Exceptions to Mediation** The mediation provision in Section 15.1 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Area Developer to comply with

Area Developer's obligations to Franchisor and/or to protect the Daphne's Marks Any claim or dispute involving or contesting the validity of any of the Daphne's Marks shall not be subject to mediation

16 ANTI-TERRORISM LAWS

Area Developer shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "Anti-Terrorism Laws") In connection with its compliance, Area Developer certifies, represents and warrants that none of Area Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Developer is not otherwise in violation of any of the Anti-Terrorism Laws Any violation of the Anti-Terrorism Laws by Area Developer or Area Developer's employees or any "blocking" of Area Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Area Developer has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 11.2

17 NOTICES

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid Notwithstanding the foregoing, Franchisor is hereby authorized by Area Developer to give all notices and demands under this Agreement by electronic notification Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party

Notices to Franchisor

Mediterranean Cuisine Franchising Company, LLC
466 Foothill Boulevard #356
La Cañada Flintridge, California 91011
Attention: President
Email: Michael@Daphnes.biz

With a copy to (which shall not constitute notice)

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
bkurtz@lewitthackman.com

Notices to Area Developer

See Exhibit A

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party

18 **ACKNOWLEDGMENTS**

18 1 **Waiver and Delay** No waiver by Franchisor of any Default, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any Franchise Agreement or other agreement between the Parties, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof

18 2 **Survival of Covenants** The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the termination or expiration of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever

18 3 **Successors and Assigns** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and its or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement

18 4 **Joint and Several Liability** If Area Developer consists of more than one Owner, the obligations and liabilities of each Person or Entity to Franchisor are joint and several

18 5 **Entire Agreement** This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Area Developer agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement This Agreement cannot be modified or changed except by written instrument signed by both of the Parties Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations made in the franchise disclosure document previously furnished to Area Developer

18 6 **Titles and Recitals** Article and Section 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 The Recitals set forth in Recitals A and B of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement

18 7 **Gender and Construction** The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if they had been set forth in full in this Agreement 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 Section in this Agreement may require As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Area Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested To protect Daphne's System, the Daphne's Marks, Daphne's

Trade Secrets and the goodwill associated with them, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. The Parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

18.8 **Severability, Modification** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable 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 that 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, 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.

18.9 **Counterparts and Electronic Transmission, Electronic Signatures** 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. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

18.10 **Time of the Essence** Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

18.11 **Intent to Comply** Area Developer has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Daphne's Restaurants in order to protect and preserve Daphne's System and the goodwill of the Daphne's Marks. Area Developer, and its Owners, jointly and severally acknowledge and agree that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, 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 with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Area Developer acknowledges and agrees that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

18 12 **Independent Investigation** Area Developer has conducted an independent investigation of the business contemplated by this Agreement. Area Developer recognizes that Daphne's System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Area Developer's business ability and efforts.

18 13 **Counsel** The Parties acknowledge and agree that each Party has been represented by independent legal counsel, their choice in connection with this Agreement, or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding it, but has voluntarily chosen not to do so.

18 14 **Reliance** Area Developer has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

18 15 **No Representations** No representations have been made by Franchisor or its Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to the terms contained in this Agreement. Area Developer shall remain duly organized and in Good Standing for as long as this Agreement is in effect.

18 16 **Atypical Arrangements** Area Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other Daphne's California Greek area developers and franchisees in any manner and at any time, which offers have or may have terms, conditions and obligations which may differ from the terms, conditions, and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that area development agreements or franchise agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other Daphne's California Greek area developers and franchisees in a non-uniform manner.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh its President

AREA DEVELOPER

(IF AREA DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP)

[Print Name of Area Developer Entity]

By _____
Name _____
Title _____

OR

(IF AREA DEVELOPER IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT A
DEVELOPMENT INFORMATION**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT A
DEVELOPMENT INFORMATION**

EFFECTIVE DATE _____

AREA DEVELOPER _____

DEVELOPMENT AREA is defined as the territory within the boundaries described below

If the Development Area is defined by streets, highways, freeways or other roadways then the boundary of the Development Area shall extend to the center line of each street, highway, freeway or other roadway

MINIMUM DEVELOPMENT OBLIGATION _____ Daphne's Restaurants

DEVELOPMENT FEE \$ _____ (@ \$15,000 for each Daphne's Restaurant (except for Daphne's Restaurant #1)

DEVELOPMENT FEE CREDIT \$5,000 per Daphne's Restaurant except for Daphne's Restaurant #1 (maximum credit per Daphne's Restaurant)

DEVELOPMENT SCHEDULE _____ Daphne's Restaurants must be Opened in ____ months from the Effective Date

DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF DAPHNE'S CALIFORNIA GREEK RESTAURANTS TO BE IN OPERATION
TOTAL	

INITIAL FRANCHISE FEE \$ _____

NOTICE ADDRESS FOR AREA DEVELOPER _____

EMAIL _____

IN WITNESS WHEREOF, the Parties have executed this Exhibit A on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh its President

AREA DEVELOPER

**(IF AREA DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP)**

[Print Name of Area Developer Entity]

By _____
Name _____
Title _____

OR

(IF AREA DEVELOPER IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT B
ENTITY INFORMATION DISCLOSURE**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT B
ENTITY INFORMATION DISCLOSURE**

Area Developer represents and warrants that the following information is accurate and complete in all material respects

(1) Area Developer is a (check as applicable)

- ☐ corporation
- ☐ limited liability company
- ☐ general partnership
- ☐ limited partnership
- ☐ Other (specify) _____

State of incorporation/organization _____

Entity name _____

Federal Tax ID Number _____

(2) Area Developer shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "Entity Documents")

(3) Area Developer promptly shall provide all additional information as Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Area Developer

(4) The name and address of each Owner is

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of the Owners who will be devoting their full time to the development of Daphne's Restaurants are

NAME	ADDRESS	TITLE

(6) The address where Area Developer's financial records and Entity Documents are maintained is _____

(7) The Principal Owner is _____

(8) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution of the Area Development Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Area Developer. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in this Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in the Area Development Agreement in reliance upon each and all of the terms of this Entity Information Disclosure.

IN WITNESS WHEREOF, the Parties have executed this **Exhibit B** on the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh its President

AREA DEVELOPER

(IF AREA DEVELOPER IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP)

[Print Name of Area Developer Entity]

By _____
Name _____
Title _____

OR

(IF AREA DEVELOPER IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT**

The undersigned (collectively, "**Guarantors**") have requested **MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC**, a Delaware limited liability company ("**Franchisor**"), to enter into that certain Area Development Agreement dated _____ (the "**Area Development Agreement**") with _____, a _____ ("**Area Developer**") In consideration for, and as an inducement to, Franchisor's execution of the Area Development Agreement, Guarantors hereby agree as follows

1 "**Obligations**" means and includes any and all obligations of Area Developer arising under or pursuant to the Area Development Agreement and all other obligations, whether now existing or hereafter arising, of Area Developer to Franchisor of whatever nature

2 Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Area Developer to Franchisor and the performance of any and all obligations of Area Developer including, without limitation, obligations under the Area Development Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations

3 If Area Developer fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors Guarantors agree that if any obligation, covenant or agreement contained in the Area Development Agreement is not observed, performed or discharged as required by the Area Development Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefor has been given to Guarantors by Franchisor, observe, perform or discharge such obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors

4 No exercise or non-exercise by Franchisor of any right under this guarantee (this "**Guarantee**"), no dealing by Franchisor with Area Developer or any other Person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against ~~Area Developer~~ Franchisor Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Area Development Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Area Development Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Area Development Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Area Development Agreement (or any of them) by Franchisor or Area Developer, (iv) the invalidity or unenforceability of any provision of the Area Development Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Area Development Agreement, the Obligations or this Guarantee

5 Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Area Developer or any other Person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Area Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Area Developer, any other or others, (iv) any defense arising out of any alteration of the Area Development Agreement or the Obligations, (v) notice of Area Developer's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Area Developer, Franchisor, any endorser, creditor of Area Developer or Guarantors under this or any other instrument, or any other Person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Area Developer by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Area Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Area Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, or (ix) any right to the benefit of or to direct the application of any security held by Franchisor

6 Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Area Developer. All existing or future indebtedness of Area Developer to Guarantors and any right to withdraw capital invested in Area Developer by Guarantors are hereby subordinated to all Obligations.

7 Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Agreement, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Sections 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive, and (ii) California Civil Code Section 2899.

8 The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Area Developer's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Area Development Agreement and until all Obligations have been fully paid and the Obligations have been fully performed. In the event of any default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Area Developer or whether Area Developer is joined in any such action or actions. Franchisor may maintain successive actions for other defaults. Franchisor's rights under this Guarantee

shall not be exhausted by Franchisor's exercise of any rights or remedies or by any such action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Area Developer and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Area Developer or any other Person or Entity, or applying or enforcing any security of the Area Development Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Area Development Agreement.

9 Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10 All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 17 of the Area Development Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11 This Guarantee 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. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12 This Guarantee shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT C
OPTION TO OBTAIN LEASE ASSIGNMENT**

MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT (this "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC, a Delaware limited liability company ("Franchisor"), and _____, a _____ ("Franchisee"), and _____, a _____ ("Landlord"), who are individually referred to in this Agreement as a "Party", and collectively referred to in this Agreement as "Parties", with reference to the following facts

A On _____, Landlord, as lessor, and Franchisee, as tenant, entered into a Lease (the "Lease") for the premises located at _____ (the "Franchised Location") pursuant to which Franchisee leased the Franchised Location from Landlord for the purpose of operating a franchised Daphne's Restaurant (the "Restaurant") at the Franchised Location

B On _____, Franchisor, as franchisor, and Franchisee, as franchisee, entered into a Franchise Agreement (the "Franchise Agreement") pursuant to which Franchisee agreed to operate the Restaurant at the Franchised Location as a franchisee of Franchisor in accordance with the terms and conditions of the Franchise Agreement

C Franchisee, Franchisor and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchised Location and to protect the interests of Franchisor with respect to the continued operation of a Daphne's Restaurant at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 INCORPORATION OF RECITALS

The Recitals set forth in Paragraphs A through C of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement

2 OPTION

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement (the "Option"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "Assignment"). This Agreement shall remain in full force and effect, and the Option granted in this Article 2 shall remain exercisable by Franchisor, during the entire term of the Franchise Agreement and the Lease, including all extension terms and/or renewal terms of the Franchise Agreement and the Lease

3 ONLY EFFECTIVE UPON EXERCISE OF OPTION

This Agreement shall be effective upon the Effective Date, however, the Assignment shall only become effective if, and when, Franchisor expressly exercises the Option in writing after the occurrence of one or more of the following events

3.1 **Franchise Agreement** The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement, or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement

3.2 **Lease** The occurrence of (i) any acts which would result in the termination or merger of the Lease, or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease

3.3 **Sale of Restaurant** If Franchisee, without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Restaurant, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Restaurant, or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Franchisor under this Agreement

3.4 **Failure to Exercise Option to Renew or Extend** If Franchisee shall fail to exercise any option to renew or extend the term of the Lease

3.5 **Insolvency** If (i) Franchisee is adjudicated insolvent or makes an assignment for the benefit of creditors, or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its property, or if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days

3.6 **Bankruptcy** If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days

3.7 **Purchase of Franchised Location** If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord Franchisee and Landlord shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement no later than fifteen (15) days after the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement

4 **CONSENT TO ASSIGNMENT**

Landlord hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Landlord, nor shall the Franchised Location be sublet by Franchisee with the consent of Landlord, without the prior written consent of Franchisor

5 **EXERCISE OF OPTION BY FRANCHISOR**

Franchisor shall exercise the Option by giving written notice to Franchisee and Landlord of its affirmative election to do so within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement

5.1 **Cure Defaults** If Franchisor exercises the Option, Franchisee, Franchisor or its franchisee-designee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Franchisor or its franchisee-designee is put into actual possession of the Restaurant. The period of time to cure all defaults of Franchisee under the Lease shall be reasonably and appropriately extended by Landlord beyond the cure period provided to Franchisee under the Lease.

5.2 **Assignment of Rights** Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Franchisor without the prior consent of Landlord. In the event of such an assignment or transfer, the Franchisor's affiliate-designee or franchisee-designee shall obtain the Assignment in place and instead of Franchisor.

5.3 **Indemnification by Assignor** Franchisee agrees to pay and reimburse Franchisor and to hold Franchisor harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Franchisor in connection with the enforcement of Franchisor's rights and/or the performance of Franchisor's rights or obligations under this Agreement. Franchisor's exercise of the Option shall not release Franchisee from any liability to Landlord or Franchisor for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Franchisor or Landlord as a result of Franchisee's defaults or actions under Sections 3.1 through 3.7 of this Agreement.

6 **TERM OF AGREEMENT**

This Agreement shall terminate upon the termination of the Lease with the written consent of Franchisor.

7 **TERMINATION OF LEASE AND FRANCHISE AGREEMENT**

7.1 **Termination of Lease** If, and only if, Franchisor exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Section 3.4 of this Agreement, following Franchisor's exercise of the Option, Franchisor shall, in Franchisor's discretion, either succeed to Franchisee's rights under the Lease or Landlord shall enter into a substitute lease for the Franchised Location with Franchisor, or its designee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.

7.2 **Termination of Franchise Agreement** Upon Franchisor's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Franchisor and Franchisor shall be entitled to, and Franchisee shall provide Franchisor with, immediate possession of the Franchised Location and Franchisee shall no longer be entitled to the use or occupancy of the Restaurant or the Franchised Location, including all of Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Franchisor. Franchisor shall have the right to manage and operate the Restaurant at the Franchised Location immediately upon its exercise of the Option.

7.3 **De-Identification of Restaurant** If Franchisor does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Franchisor shall have the right to enter the Restaurant and the Franchised Location to remove and modify to Franchisor's satisfaction, all distinctive design features and characteristics of the Restaurant and the Franchised Location, including distinctive interior designs and surface materials and refrigeration equipment, display fixtures, color decor and interior and exterior signs and all other items identifying the Restaurant and the Franchised Location as a Daphne's Restaurant.

8 **RESTRICTIONS ON TRANSFER**

This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Restaurant, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Franchisor and shall provide Franchisor with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9 **POWER OF ATTORNEY**

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10 **GENERAL PROVISIONS**

10.1 **Governing Law** This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

10.2 **Notices** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party.

If to Franchisor

Mediterranean Cuisine Franchising Company, LLC
466 Foothill Boulevard #356
La Cañada Flintridge, California 91011
Attention: President
Email: Michael@Daphnes.biz

With a copy (which shall not constitute notice) to

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

If to Franchisee

Attention: _____

If to Landlord

Attention _____

Any Party may change his or its address by giving ten (10) days prior written notice of such change to all other Parties

10 3 **Waivers** The delay, omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment

10 4 **Attorneys' Fees** If any legal action is brought to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that Party may be entitled

10 5 **Modification** This Agreement may be modified only by a writing executed by the Party sought to be bound

10 6 **Entire Agreement** This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the Parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the Parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by any Party or exchanged between the Parties are hereby waived and canceled

10 7 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law

10 8 **Captions** The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, Section or subparagraph of this Agreement

10 9 **Gender** All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine

10 10 **Successors** This Agreement shall be binding upon all of the Parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns

10 11 **Severability** The invalidity of any one or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof

10 12 **Additional Documents** Each of the Parties agrees to execute, acknowledge and deliver to the other Party and to procure the execution, acknowledgment and delivery to the other Party of any additional documents or instruments which any Party may reasonably require to fully effectuate and carry out the provisions of this Agreement

10 13 **Counterparts and Electronic Transmission, Electronic Copies** 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. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

10 14 **General** Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

10 15 **Atypical Terms** Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other AGCK Franchisees in a non-uniform manner.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh, its President

FRANCHISEE

A _____

By _____
Name _____
Title _____

LANDLORD

A _____

By _____
Name _____
Title _____

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT D
ASSET PURCHASE AGREEMENT**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT DE
CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
CONFIDENTIALITY AGREEMENT**

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ____ day of _____, 20__ (the "**Effective Date**"), by and between **MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC**, a Delaware limited liability company ("**Franchisor**"), on the one hand, and _____, a _____ ("**Candidate**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts

A Franchisor and Franchisor's affiliate, Mediterranean Cuisine Operating Co., LLC, a Delaware limited liability company, have developed the "**Daphne's System**" for the establishment and operation of fast-casual restaurants ("**Daphne's Restaurants**") that offer a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and non-alcoholic beverages for on-premises and off-premises consumption and catering events under the trade names and service marks "**Daphne's**", "**Daphne's California Greek**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Daphne's Marks**") The "**Daphne's System**" means the system developed by Franchisor and Franchisor's affiliate that includes operating methods and business practices related to Daphne's Restaurants, the relationship between Franchisor and its franchisees, interior and exterior restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and unique cooking and preparation techniques and methods, specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's website, all as Franchisor may modify the same from time to time

B Franchisor has the right to use, and to license others to use, the Daphne's Marks and Daphne's System, and has, as a result of its expenditure of time, skill, effort, and money, developed a distinctive franchise model for qualified franchisees to obtain the right to operate a Daphne's Restaurant using the Daphne's Marks and Daphne's System (the "**Restaurant**")

C Franchisor may provide Candidate with confidential and proprietary information regarding Daphne's System prior to granting or declining to grant Candidate a franchise or entering into a franchise agreement with Candidate Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement

NOW, THEREFORE, IT IS AGREED

1 INCORPORATION OF RECITALS

The recitals set forth in Paragraph A through Paragraph C above are true and correct and are hereby incorporated by reference into the body of this Agreement

2 CONFIDENTIALITY

Candidate acknowledges and agrees that

2.1 Confidential Information Candidate's knowledge of the elements of Daphne's System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any

and all confidential and/or proprietary knowledge, data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as “**Confidential Information**” By way of illustration, but not limitation, “**Confidential Information**” includes tangible and intangible information (whether or not in electronic form) relating to Franchisor’s business operations, styles, products and services, recipes, cooking and preparation techniques and methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, Daphne’s System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Candidate after receiving it, has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate, or is shown by acceptable evidence to have been independently developed by Candidate

2.2 **Value** The Confidential Information has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value

2.3 **Proprietary** The Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its affiliates

2.4 **Maintain Confidentiality** Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person’s signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege

2.5 **Reproduction and Use** Candidate will not directly or indirectly reproduce or copy any Confidential Information or any part of it and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate’s Franchise Agreement

2 6 **No Prior Experience** Candidate specifically acknowledges and agrees that prior to the execution of this Agreement, Candidate had no experience, information or knowledge whatsoever about operating a restaurant that offers and sells Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes as its primary menu items or a Daphne's Restaurant, and that Candidate's knowledge of the Confidential Information was obtained solely from Franchisor pursuant to this Agreement. In addition, Candidate specifically acknowledges that, pursuant to this Agreement, Candidate will receive valuable Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and Daphne's System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

3 **GENERAL**

3 1 **Injunction** Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of Daphne's System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Franchisor and its franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3 2 **Heirs and Successors** This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and permitted assigns.

3 3 **Entire Agreement** This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties.

3 4 **No Warranties** Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the Restaurant, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Restaurant and that Candidate's business ability and aptitude are primary in determining his success.

3 5 **No Right to Use the System, Daphne's Marks or Confidential Information** This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, Daphne's System, the Daphne's Marks or the Confidential Information, which right is expressly reserved by Franchisor.

3 6 **Waiver** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3 7 **Validity** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect

3 8 **Headings and Gender** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular

3 9 **Attorneys' Fees** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings If either Party commences a legal proceeding against the other Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to have and recover from the other Party its reasonable attorneys' fees and costs of suit

3 10 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law

3 11 **Notices** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party

Notices to Franchisor

Mediterranean Cuisine Franchising Company, LLC
466 Foothill Boulevard #356
La Cañada Flintridge, California 91011
Attention President
Email Michael@Daphnes.biz

With a copy to (which shall not constitute notice)

Barry Kurtz, Esq
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

Notices to Candidate

Attention _____

Either Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party

3 12 **Venue** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California To the fullest extent that the Parties may do so under applicable law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts

3 13 **Governing Law** This Agreement shall be interpreted and construed under the laws of California In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Restaurant would be located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant would be located, then such provision shall be interpreted and construed under the laws of that state Nothing in this Section 3 13 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject

3 14 **Counterparts and Electronic Transmission, Electronic Signatures** 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 Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR.

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh, its President

CANDIDATE

**(IF CANDIDATE IS A CORPORATION, LIMITED
LIABILITY COMPANY, OR PARTNERSHIP)**

[Print Name of Franchisee Entity]

By _____
Name _____
Title _____

OR

(IF CANDIDATE IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

EXHIBIT EF

NON DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES OF FRANCHISEE

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT**

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ____ day of _____, 20____ (the "**Effective Date**"), by and between _____ (' **Franchisee** '), on the one hand, and _____ ("**Recipient**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts

A Mediterranean Cuisine Franchising Company, LLC, a Delaware limited liability company ("**Franchisor**") and Franchisor's affiliate, Mediterranean Cuisine Operating Co., LLC, a Delaware limited liability company, (the "**Operating Company**"), have developed the "**Daphne's System**" for the establishment and operation of fast-casual restaurants ("**Daphne's Restaurants**") that offer a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and non-alcoholic beverages for on-premises and off-premises consumption and catering events under the trade names and service marks "**Daphne's**", "**Daphne's California Greek**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Daphne's Marks**")

B "**Daphne's System**" includes, without limitation, the operations and training manuals and any other written directives related to Daphne's System (the "**Manuals**"), the system developed by Franchisor and the Operating Company that includes operating methods and business practices related to Daphne's Restaurants, the relationship between Franchisor and its franchisees, interior and exterior Restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and unique cooking and preparation techniques and methods, specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's website, all as Franchisor may modify the same from time to time, and may be disclosed to Recipient by Franchisee

C Franchisor has and continues to protect the confidentiality of the "**Confidential Information**" by, among other things (i) not revealing the confidential contents of the Confidential Information to unauthorized parties, (ii) requiring Franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring Franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration and termination of their Franchise Agreements

D Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a Daphne's Restaurant (the "**Restaurant**") and to use Daphne's System, the Daphne's Marks, the Manuals, and the Confidential Information in the operation of the Restaurant

E Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisory and managerial personnel employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement from all supervisory and managerial personnel employed by Franchisee and each independent contractor to not use the Confidential Information other than in the course of his or her

employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends

NOW, THEREFORE, IT IS AGREED

1 ACKNOWLEDGMENTS OF RECIPIENT

1.1 No Prior Experience, Information or Knowledge Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge about operating a restaurant that offers a menu of Greek or Mediterranean appetizers, sandwiches, wraps, salads, platters and side dishes as its primary menu items or a Daphne's Restaurant. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee

1.2 Confidential Information The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, all tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, recipes, cooking and preparation techniques and methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, Daphne's System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Recipient. Confidential Information does not include any information that was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisee to Recipient, is or becomes generally available to the public by acts other than those of Recipient after receiving it, has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor, Franchisee or Recipient, or is shown by acceptable evidence to have been independently developed by Recipient

1.3 Independent Value The Confidential Information (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee, (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or

Franchisee, and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information

1.4 **Valuable and Proprietary** The Confidential Information has been developed by Franchisor, its founder and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their affiliates

2 **COVENANTS OF RECIPIENT**

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends

2.1 **Maintain Confidentiality** Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisory or managerial employee or independent contractor of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee

2.2 **No Reproduction or Use** Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee

2.3 **Restrictions** Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and Daphne's System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy. Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity (i) divert or attempt to divert any present or prospective Daphne's customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Daphne's Marks and Daphne's System, ~~or (ii) employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisor, Franchisee or an affiliate of Franchisor or Franchisee as a supervisory or managerial employee, or otherwise directly or indirectly induce the person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any restaurant or restaurant business that offers and sells Greek Or Mediterranean appetizers, sandwiches, wraps, salads, platters or side dishes as its primary menu items or a Daphne's Restaurant or any business that looks like, copies, imitates, or operates with similar trade dress or decor to Daphne's Restaurants~~

2 4 **Third Party Beneficiary** Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement

2 5 **No Restriction** Nothing in this Article 2 is intended to prohibit or restrict any activity which prohibition or restriction violates Recipient's rights to engage in protected concerted activity under the National Labor Relations Act

3 **GENERAL TERMS**

3 1 **Injunction** Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of Daphne's System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement

3 2 **Heirs and Successors, Entire Agreement** This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties

3 3 **No Right to Use Daphne's Marks or Daphne's System** This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, Daphne's System, the Daphne's Marks or the Confidential Information, which right is expressly reserved by Franchisor

3 4 **Waiver and Validity** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect

3 5 **Headings and Gender** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular

3 6 **Attorneys' Fees** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys'

fees and court costs incurred by Franchisor in the legal proceedings. If any Party to this Agreement commences any legal proceeding against another Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs of suit.

3.7 **Cumulative Remedies** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8 **Notices** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the Parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to

With a copy to

Mediterranean Cuisine Franchising Company, LLC
466 Foothill Boulevard #356
La Cañada Flintridge, California 91011
Attention: President
Email: Michael@Daphnes.biz

Any notice or demand to Recipient shall be given to

Any Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party.

3.9 **Counterparts and Electronic Transmission, Electronic Signatures** 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. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

(Signatures on next page)

Title _____

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT FG
GENERAL RELEASE**

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
GENERAL RELEASE AGREEMENT**

THIS GENERAL RELEASE AGREEMENT (this "Release Agreement") is made and entered into as of _____ (the "Effective Date"), by and among MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC, a Delaware limited liability company ("Franchisor"), on the one hand, and _____ a _____ ("Franchisee"), and _____ ("Owner"), on the other hand, who are collectively referred to in this Release Agreement as the "Releasing Parties", with reference to the following facts

A Franchisor and Franchisee are parties to that certain Franchise Agreement and related ancillary agreements dated _____ (collectively, the "Franchise Agreement") pursuant to which Franchisor granted Franchisee a license (the "License") to use the service mark and trade names "Daphne's", "Daphne's California Greek" and other related trademarks, service marks, logos and commercial symbols (the "Daphne's Marks") and the "Daphne's System" (the "System") in connection with the operation of a Daphne's Restaurant (the "Restaurant") located at _____ (the "Franchised Location")

B Franchisee desires to enter into a _____

C This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it Releasing Parties, therefore, give this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties Releasing Parties acknowledge that this Release Agreement is intended to wipe the slate clean

NOW, THEREFORE, IT IS AGREED

1 **DEFINITIONS** As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them

1.1 "Claims" means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise

1.2 "Constituents" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing

1.3 "Excluded Matters" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Agreement on and after the date of this Release Agreement

1 4 "Franchisor Released Parties" means Franchisor, Mediterranean Cuisine Operating Co, LLC, a Delaware limited liability company, and each of their Constituents

1 5 "Losses" means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration

2 **GENERAL RELEASE AGREEMENT** Releasing Parties, for themselves and their Constituents, hereby release and forever discharge Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, including, without limitation any and all Claims which relate to the Franchise Agreement, the Restaurant, the System, the License, the Daphne's Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters and obligations under this Release Agreement This waiver, release and discharge is effective immediately in its fullest and most comprehensive sense

3 **WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE**

3 1 **Section 1542 of the California Civil Code** Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS ~~WHICH~~ THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, ~~WHICH AND THAT IF KNOWN BY HIM OR HER MUST~~ WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY

3 2 **Waiver** With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them

4 **UNKNOWN CLAIMS** Releasing Parties acknowledge and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which, if known or suspected by Releasing Parties to exist in their favor at the time of executing this Release Agreement, may have materially affected Releasing Parties' decision to enter into this Release Agreement It is understood by Releasing Parties that, after the Effective Date, the facts under which this Release Agreement is entered into may turn out to be other than or different from the facts Releasing Parties knew or believed to be true on the Effective Date Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts

5 **REPRESENTATIONS AND WARRANTIES** Releasing Parties hereby represent and warrant that, in entering into this Release Agreement, Releasing Parties (i) are doing so freely and voluntarily, either upon the advice of counsel and business advisors of Releasing Parties' own choosing, or without such advice because Releasing Parties, free from coercion, duress or fraud, declined to obtain such advice, (ii) have read and fully understand the terms and scope of this Release Agreement, (iii) understand that this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement, and (iv) have not assigned, transferred, or conveyed to any third party all or any part of their interest, or any contingent interest, in any of the Claims released by this Release Agreement now or in the future, and are aware of no third party who contends or claims otherwise, and shall not purport to assign, transfer, or convey any interest in any such Claim after the Effective Date

6 **COVENANTS NOT TO SUE** Releasing Parties hereby irrevocably covenant that they will not, directly or indirectly (i) commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement, or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement

7 **INDEMNITY** Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement, (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents, or (iv) the Franchise Agreement, the Restaurant, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Restaurant, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date

8 **GENERAL PROVISIONS**

8.1 **Amendment** This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties

8.2 **Entire Agreement** This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement and supersedes any prior negotiations and agreements, oral or written, with respect to the subject matter of this Release Agreement. The Recitals set forth in Paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement

8.3 **Counterparts and Electronic Transmission, Electronic Signatures** This Release 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. Copies of this Release Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Release Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Release Agreement may be signed electronically by the parties and electronic signatures appearing on this Release Agreement shall be deemed to

be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement

8 4 **Heirs, Successors and Assigns** This Release Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns. In addition, each of Franchisor Released Parties that is not a party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party

8 5 **Interpretation** The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties, and shall have no applicability in construing this Release Agreement or any of its terms. The headings used in this Release Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Release Agreement. As used in this Release Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular

8 6 **Severability and Validity** Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction

8 7 **Governing Law and Venue** This Release Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 8 7 is intended by the parties to subject this Release Agreement to any franchise or similar law, rule, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court for the Central District of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision

8 8 **Authority of Franchisor** Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity

8 9 **Authority of Releasing Parties** Releasing Parties represent and warrant that (i) they have the power and authority to enter into this Release Agreement and to perform their obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalfs are duly authorized to do so without the approval or consent of any other person or entity

8 10 **No Waiver** No delay, waiver, omission, or forbearance on the part of any party to exercise any right, option, duty, or power arising out of any breach or default by any other party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the parties at variance with

the terms of this Release Agreement, shall constitute a waiver by any party to enforce any such right, option, or power as against the other parties, or as to a subsequent breach or default by the other parties

8 11 **Attorneys' Fees** If any legal action is brought to enforce the terms of this Release Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled

8 12 **Further Acts** The parties agree to execute, acknowledge and deliver to any requesting party, and to procure the execution, acknowledgment and delivery to any requesting party, of any additional documents or instruments which the requesting party may reasonably require to fully effectuate and carry out the provisions of this Release Agreement

IN WITNESS WHEREOF, the parties to this Release Agreement have executed this Release Agreement as of the Effective Date

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

By _____
Michael Nakhleh, its President

FRANCHISEE

A _____

By _____
Name _____
Title _____

OWNER.

_____, an individual

_____, an individual

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT GH
STATE SPECIFIC ADDENDA**

EXHIBIT H
CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department Of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING

- 1 The following language is added to the end of Item 3 of the Disclosure Document

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange

- 2 The following paragraphs are added at the end of Item 17 of the Disclosure Document

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a

franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

The Franchise Agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 et seq.)

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

The Franchise Agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

The Franchise Agreement requires mediation The mediation will occur in Los Angeles, California, with the costs being borne equally by Franchisor and Franchisee

CALIFORNIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "Addendum") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "Franchise Agreement") dated _____, by and between **MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC**, a Delaware limited liability company, as franchisor ("Franchisor"), and _____, as franchisee ("Franchisee") Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum

- 1 For the purposes of Cal Bus & Prof Code Section 20022, Franchisor and Franchisee agree that
 - a Franchisor and Franchisee will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022 The purchase price by us for these assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility
 - b For the purposes of Section 20022, Franchisee is not able to provide Franchisor with "clear title and possession" to Franchisee's Assets if those Assets are subject to liens or encumbrances including (i) purchase money security interests, (ii) blanket security interests, (iii) rights of first refusal, (iv) liens by Franchisee's landlord, or (v) tax liens
 - c For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or Franchisor's Affiliates (i) Royalty Fees, (ii) Marketing Fund Fees, (iii) liquidated damages, (iv) Transfer Fees, and (v) any other type of fee owed by Franchisee to Franchisor or Franchisor's Affiliates
- 2 For the purposes of Cal Bus & Prof Code Section 20035, Franchisor and Franchisee agree that
 - a "Fair market value of the franchise assets" means the value of Franchisee's Assets, valued according to the declining-balance method of depreciation The purchase price by Franchisor for the Assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility
 - b "Fair market value of the franchised business" means the "fair market value of the franchise assets" as defined above, plus goodwill The parties agree that the value of goodwill is the amount of Royalty Fees paid by Franchisee to Franchisor within the twelve (12) month period immediately before Franchisor's termination or failure to renew if Franchisor is in violation of the California Franchise Relations Act

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms

FRANCHISOR

MEDITERRANEAN CUISINE FRANCHISING
COMPANY, LLC,
A Delaware limited liability company

FRANCHISEE

(IF FRANCHISEE IS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP)

By _____
Michael Nakhleh its President

[Print Name of Area Developer Entity]

By _____
Name _____
Title _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL)

Print Name

Signature

Print Name

Signature

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT H
FRANCHISE COMPLIANCE QUESTIONNAIRE**

MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC

FRANCHISE-COMPLIANCE CERTIFICATE

The undersigned desires to enter into a Franchise Agreement with **MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC**, a Delaware limited liability company ("**Franchisor**") Franchisor requires Franchisee to complete this Questionnaire in order to enable Franchisor to confirm that Franchisor and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1 — Full name of Franchisee

2 — Franchised Location

3 — Franchisee is (Check applicable box)

—— ☐ An individual

—— ☐ A corporation

—— ☐ A general partnership

—— ☐ A limited partnership

—— ☐ A limited liability company

As you know, MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC ("**Franchisor**") and you ("**you**" or "**Franchise Applicant**") are preparing to enter into a Franchise Agreement for the establishment and operation of a 'Daphne's' franchised restaurant. The purpose of this Certificate is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

If you are intending to purchase an existing Daphne's franchised restaurant from an existing Franchisee, you may have received information from the transferring Franchisee, who are not employees or representatives of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Are you seeking to enter

4 If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of Franchisee (Check applicable box)

☐ Officer (insert title) _____

☐ General Partner _____

☐ Other (please explain) _____

5 Did Franchisee receive a Franchise Disclosure Document from Franchisor? ☐ Yes ☐ No

6 On what date was the Franchise Disclosure Document received, and by whom?

Recipient _____

Date _____

7 Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Franchise Agreement (the "Agreements") and the date that the final form of each of the Agreements was delivered to Franchisee

	<u>Agreement</u>	<u>Date Received</u>
☐	Franchise Agreement	_____
☐	Area Development Agreement	_____
☐	Asset Purchase Agreement	_____
☐		_____

8 Name of salesperson(s) handling this sale for Franchisor

9 Were any oral or written statements made to Franchisee by Franchisor, the salesperson(s) listed above, or any other representatives of Franchisor concerning the actual sales, profits or earnings of any franchised or company owned unit(s), or potential sales, profits or earnings that could be anticipated at any location? ☐ Yes ☐ No

If yes, please explain in detail (attach additional sheet if necessary) and if none, write "none"

~~10— Did Franchisee carefully review and understand the Franchise Disclosure Document and the Franchise Agreement, as applicable, and the other Agreements? [] Yes [] No~~

~~If no, please explain~~

~~11— Did Franchisee ask Franchisor any questions concerning the Franchise Disclosure Document or Agreements that were not satisfactorily answered? [] Yes [] No~~

~~If yes, please explain~~

~~12— Did the salesperson(s) listed above, or any other employee or representative of Franchisor, make any statement to Franchisee which is inconsistent with the information described in the Franchise Disclosure Document? [] Yes [] No~~

~~If yes, please explain~~

~~13— Did any employee or other person on Franchisor's behalf make any statement or promise about Franchisor's affiliated companies other than the information contained in the Franchise Disclosure Document?~~

~~[] Yes [] No~~

~~If yes, please explain~~

~~14— Did Franchisee contact other franchisees of Franchisor to discuss Franchisee's possible execution of the Franchise Agreement? [] Yes [] No~~

~~15~~ If your answer to question 14 was yes, please identify these franchisees (attach extra sheets if necessary)

~~16~~ Did Franchisee employ an attorney to render advice to Franchisee concerning the execution of the Franchise Agreement? ☐ Yes ☐ No

~~— If yes, please insert the name address and telephone number of such attorney~~

~~17~~ Did Franchisee consult with an accountant or other financial advisor in connection with the execution of the Franchise Agreement? ☐ Yes ☐ No

~~— If yes, please insert the name address and telephone number of such accountant or financial advisor~~

~~— ☐ Accountant~~

~~— ☐ Other (please describe)~~

~~18~~ Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a business similar to a Daphne's Restaurant ☐ Yes ☐ No, if "yes", how many, where and for how long?

~~19~~ Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a Daphne's Restaurant ☐ Yes ☐ No, if "yes", for how long?

~~20~~ If Franchisee has checked "yes" to question 19, Franchisee represents and agrees that Franchisee is entering into the Franchise Agreement based on Franchisee's own knowledge of, and experience with along with a purchase or transfer of an existing Daphne's franchised restaurant from an existing Franchisee?

Yes _____ No _____

2 I had my first face-to-face meeting with a Franchisor representative on _____ [date]

3 Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

4 Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If No, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand?
(Attach additional pages, if necessary)

5. Have you received and personally reviewed Franchisor's Franchise Disclosure Document ("FDD")?

Yes _____ No _____

6. System, and not in reliance upon any statements or Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary)

8. Have you discussed the benefits and risks of establishing and operating a _____ franchised restaurant with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Daphne's franchised restaurant will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has any employee or other person speaking on our behalf made or provided, or alleged any statement or promise concerning the revenues, profits or operating costs of a Daphne's franchised restaurant that is contrary to the information contained in the FDD?

Yes _____ No _____

11. have been Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Daphne's franchised restaurant that is contrary to the information contained in the FDD?

Yes _____ No _____

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue the Daphne's franchised restaurant will or may generate that is contrary to the information contained in the FDD?

Yes _____ No _____

13. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you will or may incur in operating the Daphne's franchised restaurant that is contrary to the information contained in the FDD?

Yes _____ No _____

14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Daphne's franchised restaurant?

Yes _____ No _____

15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support, service, or assistance that we will furnish to you that is contrary to the information contained in the FDD?

Yes _____ No _____

16. Have you entered into any binding agreement with us concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to us concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise?
If so, who?

19. Do you understand that the Franchisor may modify the franchise program throughout the term of your agreements?

Yes _____ No _____

20. or provided, If you have answered "Yes" to any one of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines (Attach additional pages, if necessary, and refer to them below)

I (We) signed the Franchise Agreement and Addenda (if any) on _____ [DATE], and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor. Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Certificate, you are representing that you have responded truthfully to the above questions. In addition, by signing this Certificate, you also acknowledge that

A. You recognize and understand that business risks, which exist along with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by Franchisor or you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its affiliates, or any of its or their officers, directors, agents, employees or agents (including any broker) as to the likelihood of success of the franchise. Except as contained in the FDD, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including any broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None"

C. You also acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other antiterrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is

- (i) a person or entity listed in the Annex to the Executive Order,
 (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism,
 (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or
 (iv) owned or controlled by terrorists or sponsors of terrorism

You also covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you will, during the term of the Franchise Agreement, will become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure

 AGREED _____
 _____ Franchisee's Initials

~~Franchisee~~Franchise Applicant understands that Franchisor is acting in reliance on the truthfulness and completeness of ~~Franchisee's~~Franchise Applicant's responses to the questions above in entering into the Franchise Agreement with ~~Franchisee~~ FRANCHISEE Franchise Applicant. FRANCHISEE Franchise Applicant ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE CERTIFICATE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND ~~FRANCHISEE~~FRANCHISE APPLICANT HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE CERTIFICATE

FRANCHISEE

By _____
 Name _____
 Date _____

FRANCHISEE

By _____
 Name _____
 Date _____

FRANCHISEE

By _____
 Name _____
 Date _____

FRANCHISEE

By _____
 Name _____
 Date _____

**(IF FRANCHISEE IS A CORPORATION,
 LIMITED LIABILITY COMPANY, OR
 PARTNERSHIP)**

 [Print Name of Entity]

By _____
 Name _____
 Title _____
 Date _____

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT 13
FINANCIAL STATEMENTS**

**MEDITERRANEAN CUISINE
FRANCHISING COMPANY, LLC**



Independent Auditor's Report and
Financial Statements

December 31, 2018 and 2017



MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR AND FOR THE PERIOD ENDED DECEMBER 31, 2018 AND 2017	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Members' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	12



INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Mediterranean Cuisine Franchising Company LLC

We have audited the accompanying financial statements of Mediterranean Cuisine Franchising Company LLC (the Company) which comprise the balance sheets as of December 31, 2018 and for the period from inception September 28, 2017 to December 31, 2017, and the related statement of income, members' equity and cash flows for the year and period then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 balance sheets referred to above present fairly, in all material respects, the financial position of Mediterranean Cuisine Franchising Company LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the year and period then ended in accordance with accounting principles generally accepted in the United States of America

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the Company has changed its method of accounting for revenue in 2018 due to the adoption of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers

A handwritten signature in black ink, appearing to read "A. D. & Co. Inc.", is written above the typed text.

Fountain Valley, California
April 19, 2019

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

Balance Sheets

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 77,932	\$ 75,000
Other receivable	22,500	-
Total current assets	<u>100,432</u>	<u>75,000</u>
TOTAL ASSETS	<u>\$ 100,432</u>	<u>\$ 75,000</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accrued expenses	\$ 4,727	\$ -
Total current liabilities	<u>4,727</u>	<u>-</u>
Long-term liabilities:		
Deferred revenue	28,250	-
Total long-term liabilities	<u>28,250</u>	<u>-</u>
TOTAL LIABILITIES	<u>32,977</u>	<u>-</u>
MEMBER'S EQUITY	<u>67,455</u>	<u>75,000</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 100,432</u>	<u>\$ 75,000</u>

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

Statements of Income

**For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017**

	2018	2017
REVENUES		
Franchise fees	\$ 1,750	\$ -
Royalties	151,495	-
	<u>153,245</u>	<u>-</u>
Operating expenses:		
Advertising	7,000	-
Légal and professional fees	3,927	-
Bank charges	190	-
Total operating expenses	<u>11,117</u>	<u>-</u>
Income from operations	<u>142,128</u>	<u>-</u>
Other income (expense)		
Other income	<u>105,913</u>	<u>-</u>
Income before taxes	248,041	-
Provision for Income taxes	<u>800</u>	<u>-</u>
NET INCOME	<u><u>\$ 247,241</u></u>	<u><u>\$ -</u></u>

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
Statements of Changes in Member's Equity
For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017

	<u>2018</u>	<u>2017</u>
Members' equity, beginning of year	\$ 75,000	\$ -
Contributions	20,000	75,000
Distributions	(274,786)	-
Net income	247,241	-
Members' equity, end of year	<u>\$ 67,455</u>	<u>\$ 75,000</u>

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

Statements of Cash Flows

**For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 247,241	\$ -
Adjustments to reconcile net income to net cash provided by (used for) operations		
Increase in other receivable	(22,500)	
Increase in accrued expenses	4,727	
Increase in deferred revenue	28,250	-
Net cash provided (used) by operating activities	<u>257,718</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	20,000	75,000
Member distribution	<u>(274,786)</u>	<u>-</u>
Net cash provided by financing activities	<u>(254,786)</u>	<u>75,000</u>
NET INCREASE IN CASH	2,932	75,000
CASH - beginning	<u>75,000</u>	<u>-</u>
CASH - ending	<u>\$ 77,932</u>	<u>\$ 75,000</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Mediterranean Cuisine Franchising Company LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Mediterranean Cuisine Franchising Company LLC (MCFCL) was organized in Delaware on September 28, 2018 and maintains its corporate office in La Canada, California. The Company was organized for the purpose of franchising authentic Mediterranean cuisine under the name "daphne s".

MCFCL is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U S market with its unique operational techniques, service concepts, and proprietary information.

As of December 31, 2018, MCFCL's had franchised, licensed and operated 11 MCFCL's restaurant in California. During 2018, the Company and its franchisees opened 1 new restaurant.

The Company's activities are subject to significant risks and uncertainties, including (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize the Company's franchise concept.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (U S GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2018.

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Other receivable – The Company advanced funds to unrelated party to build out a unit. The advances are unsecured, non-interest bearing and payable on demand. At December 31, 2018 and 2017, other receivable totaled \$22,500 and \$-0, respectively.

Advertising costs – The Company has the policy of expensing advertising costs as incurred. Advertising costs charged to expenses were \$7,000 and \$-0 in 2018 and 2017, respectively.

Income taxes – The Company has elected to be treated as a Partnership for federal and state income tax purposes. The Company's taxable income or losses, as well as certain other tax attributes, are passed through directly to the Company's members and are reported in each member's individual income tax return. Consequently, the financial statements do not include any provision for federal or state income tax expense.

California Limited Liabilities Companies (LLC's) that are classified as partnerships are subject to a \$800 tax for the privilege of doing business in the State. In addition to the annual tax, California imposes an annual fee based on total income from all sources that is reportable to State.

For the years ended December 31, 2018 and 2017, state income tax expense consists of California annual tax of \$800.

The Company's income tax filings are subject to examination by the appropriate tax jurisdictions. As of December 31, 2018 and 2017, the Company's federal and states tax returns generally remain open for the last three years.

As of December 31, 2018, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2018 and 2017, no interest or penalties were incurred.

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board (FASB) issued ASU-2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for revenue recognition that supersedes existing revenue recognition guidance. The ASU's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted ASU 2014-09, using the modified retrospective method by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at December 31, 2018. The adoption of these standards did not have an impact on the Company's recognition of revenue in 2017. There were no franchise agreements signed in 2017, thus, no adjustment necessary to the opening balance of equity at December 31, 2018.

Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies to all the years presented in the financial statements.

Revenue recognition

The following is a description of the principal sources of revenues for the Company's franchising segment. The Company's performance obligations under franchise agreements consist of (i) a franchise license, including a license to use our brands, (ii) initial services, such as pre-opening training and marketing support, and (iii) ongoing services, such as marketing services and operational support. These performance obligations are highly interrelated so we do not consider them to be individually distinct and therefore account for them under ASC 606 as a single performance obligation, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise.

- **Franchise fees** – The Company collects initial franchise fees when franchise agreements are signed. The Company recognizes franchise fee revenue over the estimated life of the franchise, beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. The Company had deferred franchise fee revenue of \$28,250 and \$-0 at December 31, 2018 and 2017, respectively.
- **Royalties** – The franchise agreements require the payment of royalties that are based on a percentage of franchisee sales. The Company recognizes royalties as revenue when earned. The Company recognized \$151,495 and \$-0 at December 31, 2018 and 2017, respectively.

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2018 and 2017.

NOTE 3 – FRANCHISING

In general, the Company's franchise agreements provide for a franchise fee for each opened franchised location. Franchisees pay continuing royalty fees of up to 5%, which are based on gross sales from the franchised restaurant. Royalty revenue from franchisees is recognized weekly.

Franchise agreements are for a 10-year term, with subsequent additional two consecutive 5 year renewals available subject to approval and payment of renewal fee of \$5,000. A franchisee may generally renew its agreement upon expiration. The Company recognizes renewal fees in income on a straight-line basis over the life of the franchise agreement when a renewal agreement becomes effective.

Initial franchise fees, which may be up to \$30,000 are generally recognized over the estimated life of the franchise. Services provided by the Company include assistance to establish and operate the franchised business, training, and implementation of a uniform system which has high standards of services, and quality control system.

NOTE 4 – LITIGATION

In the normal course of business, the Company is subject to various complaints, legal proceedings, claims and litigations. Defending lawsuits requires significant management attention and financial resources and the outcome of any litigation is inherently uncertain. As with all litigations, the Company is vigorously defending these actions and, as a matter of course, are prepared to litigate these matters to judgment, as well as to evaluate and consider all reasonable settlement and opportunities. The Company assesses contingencies related to litigation and/or other matters to determine the degree of probability and range of possible loss. It is in the opinion of the management and Company's counsel that there are no unasserted possible claims or assessments pending against the Company. Thus, there were no accruals on legal settlements.

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018 and For the Period from
September 28, 2017 (Inception) to December 31, 2017

NOTE 5 – SUBSEQUENT EVENTS

In March 8, 2019, the Company filed a Complaint for trademark and trade dress infringement and specific performance in U S District Court, Central District of California, No 2 19-CV-01288 FMO (KSX) relating to a terminated franchise

Date of management review – The Company has evaluated subsequent events through April 19, 2019, the date of which the financial statements were available to be issued Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events



MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC

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california greek™

Independent Auditor's Report and
Financial Statements

December 31, 2017

MEDITERRAEAN CUISINE FRANCHISING COMPANY LLC

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED DECEMBER 31, 2017	
Balance Sheet	3
Notes to Financial Statements	4 - 5
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	6



INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Mediterranean Cuisine Franchising Company LLC

We have audited the accompanying balance sheet of Mediterranean Cuisine Franchising Company LLC (the Company) as of December 31, 2017 and for the period from inception September 28, 2017 to December 31, 2017 and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Mediterranean Cuisine Franchising Company LLC as of December 31, 2017, in accordance with accounting principles generally accepted in the United States of America

A handwritten signature in black ink, appearing to read "A. D. & Co. Inc.", written in a cursive style.

Fountain Valley, California
April 3, 2018

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC

Balance Sheet

December 31, 2017

ASSETS

Current Assets

Cash	\$ 75,000
Total Current Assets	<u>75,000</u>

TOTAL ASSETS	<u>\$ 75,000</u>
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LIABILITIES AND MEMBER'S EQUITY

Current liabilities	<u>\$ -</u>
Total Current Liabilities	<u>-</u>

MEMBER'S EQUITY	<u>75,000</u>
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TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 75,000</u>
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MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
NOTES TO FINANCIAL STATEMENTS
For the Period from September 28, 2017 (Inception) to December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Mediterranean Cuisine Franchising Company LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Mediterranean Cuisine Franchising Company LLC was organized in Delaware on September 28, 2017 and maintains its corporate office in La Canada, California. The Company was organized for the purpose of franchising authentic Mediterranean cuisine.

Mediterranean Cuisine Franchising Company LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

The Company's activities are subject to significant risks and uncertainties, including (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize the Company's franchise concept.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2017.

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
NOTES TO FINANCIAL STATEMENTS
For the Period from September 28, 2017 (Inception) to December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income taxes – The Company has elected to be taxed under the provisions of a single-member domestic limited liability company (LLC) of the Internal Revenue Code. Under federal and most state laws, taxes based on income of a single-member LLC is filed to the member's individual tax return under Schedule C. Accordingly, no provision for current federal income taxes has been recorded in the accompanying financial statements.

The Company's income tax filings are subject to examination by the appropriate tax jurisdictions. As of December 31, 2017, the Company's federal and states tax returns generally remain open for the last three years.

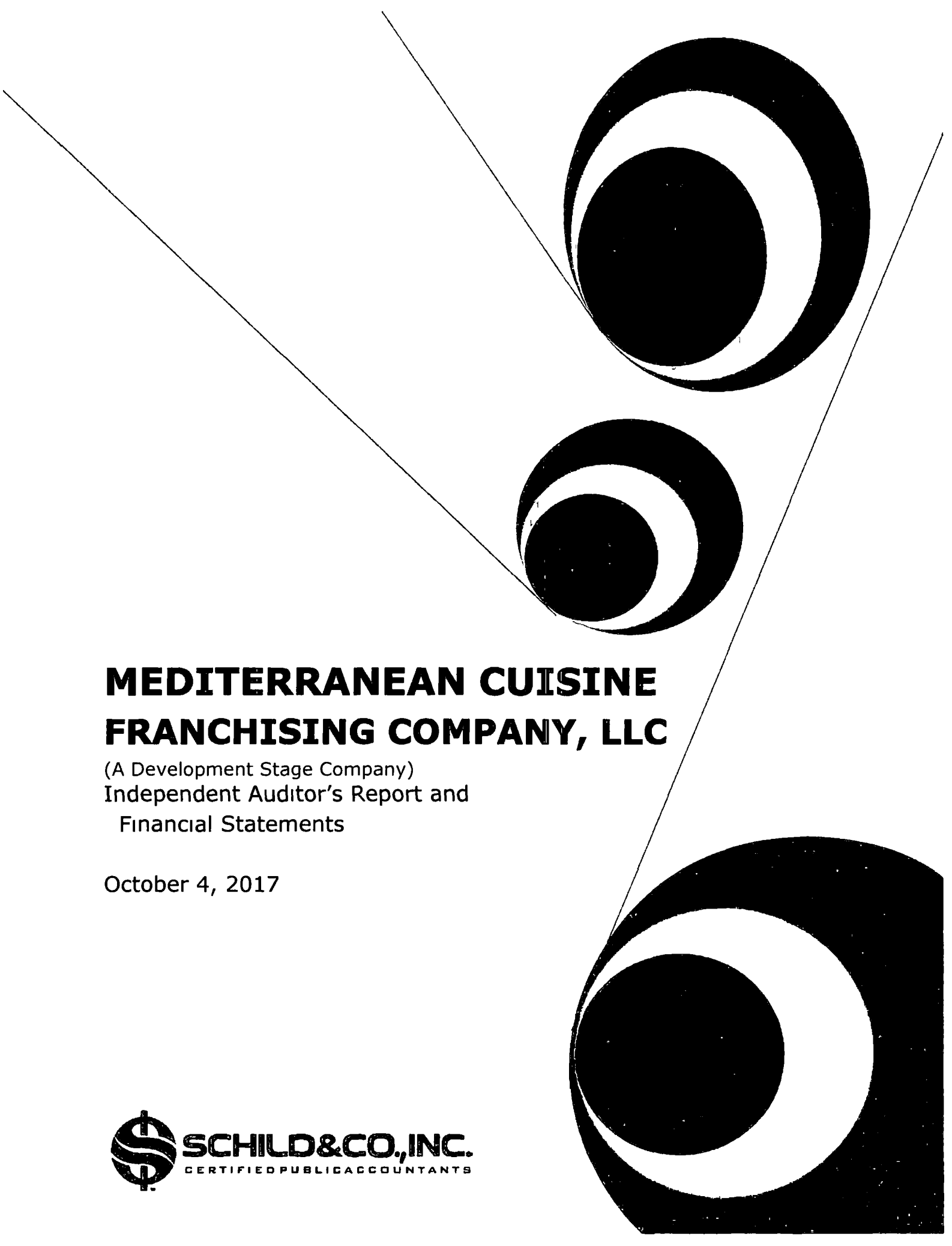
NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB ASC Topic "Financial Instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Disclosure includes reporting hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The carrying amount of cash approximates fair value due to the short maturity of these financial instruments. The recorded value of these financial instruments approximated fair value at December 31, 2017.

NOTE 3 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through April 3, 2018, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.



MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC

(A Development Stage Company)
Independent Auditor's Report and
Financial Statements

October 4, 2017



MEDITERRAEAN CUISINE FRANCHISING COMPANY LLC

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED OCTOBER 4, 2017	
Balance Sheet	3
Notes to Financial Statements	4 - 5
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	6



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mediterranean Cuisine Franchising Company LLC

We have audited the accompanying balance sheet of Mediterranean Cuisine Franchising Company LLC (a development stage company) as of October 4, 2017 and for the period from inception September 28, 2017 to October 4, 2017 and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

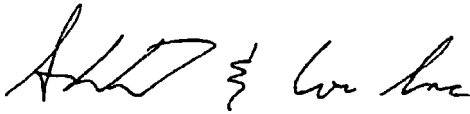
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Mediterranean Cuisine Franchising Company LLC as of October 4, 2017, in accordance with accounting principles generally accepted in the United States of America

A handwritten signature in black ink, appearing to read "A. D. & Co. Inc.", written in a cursive style.

Fountain Valley, California
October 10, 2017

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
(A Development Stage Company)
Balance Sheet
October 4, 2017

ASSETS

Cash	\$ 75,000
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TOTAL ASSETS	\$ 75,000
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MEMBER'S EQUITY	\$ 75,000
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TOTAL MEMBER'S EQUITY	\$ 75,000
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MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS

For the Period from September 28, 2017 (Inception) to October 4, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Mediterranean Cuisine Franchising Company LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

History and organization – Mediterranean Cuisine Franchising Company LLC was organized in Delaware on September 28, 2017 and maintains its corporate office in Beverly Hills, California. The Company was organized for the purpose of franchising authentic Mediterranean cuisine.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

The Company is in the development stage. Operations have not commenced.

Basis of accounting – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of October 4, 2017.

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

MEDITERRANEAN CUISINE FRANCHISING COMPANY LLC
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
For the Period from September 28, 2017 (Inception) to October 4, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes – The Company has elected to be taxed under the provisions of a single-member domestic limited liability company (LLC) of the Internal Revenue Code. Under federal and most state laws, taxes based on income of a single-member LLC is filed to the member's individual tax return under Schedule C. Accordingly, no provision for current federal income taxes has been recorded in the accompanying financial statements.

The Company's income tax filings are subject to examination by the appropriate tax jurisdictions. As of October 4, 2017, the Company's federal and states tax returns generally remain open for the last three years.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB ASC Topic "Financial Instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Disclosure includes reporting hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The carrying amount of cash approximates fair value due to the short maturity of these financial instruments. The recorded value of these financial instruments approximated fair value at October 4, 2017.

NOTE 3 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through October 10, 2017, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT JK
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California Commissioner of Business Oversight 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn Franchise Section 525 West Ottawa G Mennen Williams Building, 1 st Floor Lansing, Michigan 48933 (517) 373-7117/335-7567	Michigan Department of Commerce Corporations and Securities Bureau P O' Box 30054 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 280 St Paul, Minnesota 55101-2198 (651) 539-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723 (402) 471-2171

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW YORK	Office of the New York State Attorney- General NYS Department of Law Investor Protection Bureau Franchise Section 120 Broadway, 23rd Floor 28 Liberty Street, 21 st Floor New York, New York 10271-0332 10005-1495 (212) 416-8236 (Phone) (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492
NORTH DAKOTA	Office of the Securities Commissioner 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-2910	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-2910
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Director, Securities Division State of Rhode Island Department of Business Regulation Bldg 69, First Floor John O Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582	Securities Division Department of Business Regulation Bldg 69, First Floor John O Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street 1 st Floor Richmond, Virginia 23219 (804) 371-9051
WASHINGTON	Department of Financial Institutions Securities Division P O Box 9033 Olympia, Washington 98507 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S W Tumwater, Washington 98501
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT K~~L~~
LIST OF FRANCHISEES**

LIST OF CURRENT FRANCHISEES

AS OF DECEMBER 31, 2018

<u>Franchisee</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Phone Number</u>
Marc Gates	6981 El Camino Real #10	Carlsbad	CA	92009	(760) 929-0875
Marc Gates	358 East H Street, #604	Chula Vista	CA	91910	(619) 585-0159
Tim Salazar	13250 Jamboree Rd #113	Irvine	CA	92602	(714) 389-5020
Tim Salazar	23706 El Toro Road, Ste S7	Lake Forest	CA	92630	(949) 215-7090
Tim Salazar	1330 Bison Ave, Ste L	Newport Beach	CA	92660	(949) 729-0671
Tim Salazar	4261 Inland Empire Blvd B101	Ontario	CA	91764	(909) 476-1515
Marc Gates	13487 Poway Rd	Poway	CA	92064	(858) 679-8898
Mo Hayat	2700 Marine Ave, Ste 109	Redondo Beach	CA	90278	(310) 676-9165
Keith Davis	10357 Fairway Drive, Ste 130	Roseville	CA	95678	(916) 772-3997
Asraf Gaynad	8680 Sierra College Blvd, Ste 110	Roseville	CA	95661	(916) 783-3565
Marc Gates	10728 Westview Pkwy #305	San Diego	CA	92126	(858) 693-4471
Marc Gates	4639 Carmel Mountain Rd Suite 103	San Diego	CA	92130	(858) 369-0660
Marc Gates	8657 Villa La Jolla Dr, Ste 105	San Diego	CA	92037	(858) 623-6940
Marc Gates	9828 Mission Gorge Rd, Ste B	Santee	CA	92071	(619) 596-1470
Tim Salazar	27644 Ynez Rd Ste M1-3	Temecula	CA	92591	(951) 506-1110
Mo Hayat	25420 Crenshaw Blvd	Torrance	CA	90505	(310) 257-1861
Tim Salazar	2360 Park Ave #9H	Tustin	CA	92782	(714) 352-6025

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM

LIST OF FRANCHISEES WHO TRANSFERRED THEIR GYMS TO NEW OWNERS

AS OF DECEMBER 31, 2018

None

**LIST OF FRANCHISEES WHO HAD AN OUTLET TERMINATED, NOT RENEWED, REACQUIRED
BY FRANCHISOR, OR CEASED OPERATIONS FOR OTHER REASONS**

AS OF DECEMBER 31, 2018

None

**IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER
BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM**

**LIST OF FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT BUT NOT OPENED
AS OF DECEMBER 31, 2018**

<u>Franchisee</u>	<u>City</u>	<u>State</u>	<u>Phone number</u>
Raid Asman	Point Loma	CA	TBD

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER
BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM

**MEDITERRANEAN CUISINE FRANCHISING COMPANY, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT LM
RECEIPTS**

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Mediterranean Cuisine Franchising Company, LLC offers you a franchise, Mediterranean Cuisine Franchising Company, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Mediterranean Cuisine Franchising Company, LLC 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 the appropriate state agency identified on ~~Exhibit K~~ Exhibit J.

The franchisor is Mediterranean Cuisine Franchising Company, LLC located at 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011, Telephone (310) 924-6270, Email Michael@Daphnes.biz.

Issuance Date ~~April 3, 2018~~ April 19, 2019

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Michael Nakhleh, Asif Sheikh and Ernie Romo, Mediterranean Cuisine Franchising Company, LLC, 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011, Telephone (310) 924-6270, Email Michael@Daphnes.biz, and Julie Priceman, 5150 Wilshire Boulevard, Los Angeles, California 90036, Telephone (323) 617-5431.

We authorize the persons and/or entities listed on ~~Exhibit K~~ Exhibit J to receive service of process for us.

I have received a Disclosure Document dated ~~April 3, 2018~~ April 19, 2019. This Disclosure Document includes the following Exhibits:

Exhibit A Franchise Agreement
Exhibit B Area Development Agreement
Exhibit C Option to Obtain Lease Assignment
~~Exhibit D Asset Purchase Agreement~~
~~Exhibit E~~ Exhibit D Confidentiality Agreement for Prospective Franchisees
~~Exhibit F~~ Exhibit E Non-Disclosure and Confidentiality Agreement for Employees of Franchisee

~~Exhibit G~~ Exhibit F General Release
~~Exhibit H~~ Exhibit G State Specific Addenda
~~Exhibit I~~ Exhibit H Franchise Compliance Certificate
~~Exhibit J~~ Exhibit I Financial Statements
~~Exhibit K~~ Exhibit J State Administrators and Agents for Service of Process
~~Exhibit L~~ Exhibit K Receipts List of Franchisees
~~Exhibit M~~ Exhibit L Receipts

Date

Franchisee

Date

Franchisee

Please sign this copy of the Receipt, date your signature, and return it to Michael Nakleh, Mediterranean Cuisine Franchising Company, LLC, 466 Foothill Boulevard #356, La Cañada Flintridge, California 91011, Telephone (310) 924-6270, Email Michael@Daphnes.biz

RECEIPT

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~~Exhibit F~~ Exhibit E Non-Disclosure and Confidentiality Agreement for Employees of Franchisee

~~Exhibit G~~ Exhibit F General Release
~~Exhibit H~~ Exhibit G State Specific Addenda
~~Exhibit I~~ Exhibit H Franchise Compliance Certificate
~~Exhibit J~~ Exhibit I Financial Statements
~~Exhibit K~~ Exhibit J State Administrators and Agents for Service of Process
~~Exhibit L~~ Exhibit K Receipts List of Franchisees
~~Exhibit M~~ Exhibit L Receipts

Date _____

Franchisee _____

Date _____

Franchisee _____

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, in pdf format or on our website www.Daphnes.biz