

FRANCHISE DISCLOSURE DOCUMENT



EAST COAST WINGS CORPORATION
100 Cambridge Plaza Drive
Winston-Salem, NC 27104
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www.eastcoastwings.com

Our franchisees own and operate a casual dining restaurant emphasizing chicken wings, sandwiches, burgers, ribs, appetizers, a variety of specialty flavored wings, and spirits (each, a “Restaurant”). As the franchisor, we provide services to our franchisees, including assistance with training, operations, advertising, purchasing and promotional techniques. We currently offer and sell franchises for the right to independently own and operate a full service Restaurant from a traditional location.

The total investment necessary to begin operation of a full-service Restaurant ranges from \$408,368 to \$1,232,845, which includes between \$52,750 and \$59,000 that must be paid to us or our affiliates prior to opening.

We also grant qualified parties that right to open and operate multiple Restaurants within a defined geographical area under our form of area development agreement. The total investment necessary to begin operating as a multi-unit owner will vary depending on how many Restaurants we grant you the right to open. By way of example, the total investment to enter into an area development agreement with us to open three (3) Restaurants ranges from \$468,868 to \$1,232,845, which includes: (i) an \$80,000 development fee that is paid to us; and (ii) the initial investment to open and commence operations of the first Restaurant you are granted the right to develop within your development area. If you wish to obtain the rights to develop additional units under an area development agreement, your development fee will be increased by the following amount for each additional franchised business we grant you the right to open and operate: (i) \$20,000 at signing of the area development agreement, and (ii) \$20,000 at the earlier of (a) 10 days from the date you sign a lease or Franchise Agreement for that additional franchised business, or (b) 90 days prior to the scheduled opening date for that additional franchised business.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully.

You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 availability of disclosures in different formats, contact the Franchise Administration Department of EAST COAST WINGS CORPORATION, 100 Cambridge Plaza Drive, Winston-Salem, North Carolina 27104, (336) 760-4985.

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 an accountant.

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

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

Issuance date: April 29, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation or litigation only in North Carolina. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with franchisor in North Carolina than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE
MICHIGAN FRANCHISE INVESTMENT LAW

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

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

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

THE FRANCHISOR

To simplify the language in this Disclosure Document, “we,” “EAST COAST WINGS,” or “us” means EAST COAST WINGS CORPORATION. “You” means the person or company that buys the franchise, including, if any, such company’s owners, partners, members, controlling shareholders, and guarantors. We are a North Carolina corporation, incorporated under the name “SS&L ENTERPRISES” on September 30, 2002. On March 30, 2006, we changed our name to EAST COAST WINGS CORPORATION. Our principal business address is 100 Cambridge Plaza Drive, Winston-Salem, NC 27104. Exhibit A lists our agent for service of process in your state.

Our sole business since inception is selling franchises and providing training and other services to franchisees. Prior to 2006, our franchise system operated under the name EAST COAST WINGS. In 2006, we decided to change the name of our restaurants to EAST COAST WINGS + GRILL. All of our outlets now operate under our current Proprietary Marks. As of the issuance date of this Disclosure Document, we have not sold franchises of any other kind. We do business and intend to do business under our corporate name and our then-current proprietary marks that we designate for use in connection with this franchise offering, which we may further develop and modify as we determine appropriate (collectively, the “Proprietary Marks”). We do not directly operate any business that is substantially similar to the Restaurants being offered in this Disclosure Document.

We are not currently engaged in any other business activities and have never offered franchises in any other line of business.

PARENTS, PREDECESSORS, AND AFFILIATES

Our parent company is ECW Enterprises, Inc. (“ECW Enterprises”) which was formed on September 16, 2010. ECW Enterprises owns our stock, which it acquired on September 30, 2010. ECW Enterprises is owned by Sam Ballas, Steve Kontos and Tom Scalese. ECW Enterprises’ principal business address is 100 Cambridge Plaza Drive, Winston-Salem, North Carolina 27104. ECW Enterprises does not operate a business of the type being franchised.

Our only predecessor is East Coast Wings, Inc., which was formed on May 18, 1995. Neither we nor any of our stockholders had any ownership in East Coast Wings, Inc. On March 1, 2002, we acquired the rights to the East Coast Wings concept through an asset purchase agreement between us and East Coast Wings, Inc. East Coast Wings, Inc. was administratively dissolved by the North Carolina Secretary of State on October 25, 2002.

While we do not directly operate any businesses of the type being franchised, please be advised that our affiliate, ECW 2.0, Inc., which has a principal address at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104 (“ECW 2.0”), operates affiliate-owned locations. ECW 2.0 is a wholly-owned subsidiary of ECW Enterprises. ECW 2.0 has owned a business of the type being franchised since 2017. ECW 2.0 shares certain employees with us and both operate from our business address.

Neither ECW 2.0 nor ECW Enterprises have offered franchises in any kind of business.

Our affiliate, Par Merchandise International, LLC, is a North Carolina limited liability company, organized on January 12, 2005 (the “Commissary”). The Commissary distributes and sells approved products to all our franchisees and acts as an approved dealer for certain items. The Commissary’s principal business address is 319 W. Maple St., Yadkinville, NC 27055. The Commissary is owned by our officers

Sam G. Ballas, Steve Kontos and Tom Scalese. The Commissary does not operate a business of the type being franchised.

Our affiliate, Mid-Carolina Realty Group, Inc., is a North Carolina corporation with its principal offices at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104 (“Mid-Carolina”), which is a commercial real estate firm who we have selected to assist you in selecting the location for your Restaurant. Mid-Carolina was incorporated on October 23, 1995 and is wholly owned by Sam Ballas, one of our owners. Mid-Carolina does not operate a business of the type being franchised.

Our affiliate, Ethos Technologies, LLC (“Ethos”), a North Carolina limited liability company formed on March 31, 2014, is currently an approved supplier for computer and POS maintenance, information technology troubleshooting and related consulting. Its principal office address is 100 Cambridge Plaza Drive, Winston-Salem, NC 27104. Ethos is owned by us and Sam Ballas. Ethos does not operate a business of the type being franchised and has never sold franchises of any kind.

We have no other affiliates that must be disclosed in this Item.

Except as provided for above in this Item, neither we nor our parent/predecessor/affiliates have offered licenses or franchises in any line of business.

THE FRANCHISED BUSINESS

You will own and operate a casual dining Restaurant that features chicken wings, sandwiches, burgers, ribs, appetizers, a variety of specialty flavored wings, and spirits (collectively, the “Approved Products”). Our Restaurants are characterized by a unique system that includes: special recipes and menu items; distinctive design, décor, color scheme, and furnishings; hardware and software programs; standards, specifications, and procedures for operations; training and assistance; and advertising and promotion programs; all of which we may improve, amend, and further develop from time to time.

A typical Restaurant is operated in leased space (freestanding or otherwise) located on or near main thoroughfares. As of the Issue Date of this Disclosure Document we offer and sell the right to operate a full-service traditional Restaurant, which utilizes a full wait staff model, has a full bar, and does not typically provide delivery services (except via third-party delivery services and unless we agree otherwise in writing).

MULTI-UNIT OFFERING

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated geographical area (the “Development Area”) under our current form of area development agreement that is attached to this Disclosure Document as Exhibit C (the “Development Agreement”), which will also outline a schedule or defined period of time in which you must open and commence operating each Franchised Business (a “Development Schedule”).

At our option, you will be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement, and you will eventually need to sign our then-current form of franchise agreement for each of the future Franchised Businesses you open under the Development Schedule, which may be different from the current form of franchise agreement.

If we grant you the right to open multiple Franchised Businesses under a Development Agreement, you must pay us a development fee that is based on the number of franchises we grant you the right to open within your Development Area (the “Development Fee”). The initial portion of this Development Fee (referred to as the “Initial Development Fee”) must be paid at the time you sign your Development

Agreement with us, and you will be required to pay a subsequent development fee in connection with each additional Franchised Business (each, an “Additional Franchised Business”) you are granted closer to the time you sign a Franchise Agreement or lease for that Additional Franchised Business, as described more fully in Item 5 of the Disclosure Document.

MARKET AND COMPETITION

You will compete with our other franchisees, casual dining restaurants, full-service restaurants, grocers, and specialty stores that offer chicken wings and similar menu items, and similar type businesses. These include national and regional chains, as well as local operations. The relevant market is developed and competitive. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other restaurant establishments. We do not expect or anticipate that your sales will be seasonal in nature.

INDUSTRY-SPECIFIC REGULATIONS

State and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Restaurant, including those that (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Restaurant Premises; (b) 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; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage, and disposal of waste, insecticides, and other hazardous materials; (f) govern labor practices for your employees; (g) federal and state menu labeling laws; and (h) regulations governing the application of the Affordable Care Act. The Americans with Disabilities Act (“ADA”) also may apply to the operation of your Restaurant.

To the extent your Restaurant offers and sells alcohol of any kind, you will be solely responsible for obtaining all licenses necessary to sell all such beer, wine and spirits before opening or serving alcohol in any manner, and must maintain all such licenses and approval at all times during the term of your Franchise Agreement. The difficulty and cost of obtaining licenses to offer and sell beer and wine, and the procedures for securing the licenses, vary greatly from jurisdiction to jurisdiction. There is also a wide variation in state and local laws and regulations governing the sale of alcoholic beverages, including laws related to “dram shop” and related liability. You must ensure you comply with all laws and regulations regarding the minimum insurance levels necessary to legally offer and sell alcohol, if any, imposed in the jurisdiction where your Franchised Business is located. Government regulations impact terms and conditions of payment; payment of excise taxes; advertising, trade and pricing practices; product labeling; sales to minors and intoxicated persons; hours of operation; relationships among product producers, importers, wholesalers, and retailers; ability to ship product between states; and limitation on multiple unit ownership. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol. For more detailed information as to how these laws affect your business, you should contact the state or local liquor licensing board in your state, as well as the appropriate municipal authority in the city and/or cities in which you will operate, and consult with your attorney concerning these and other local laws and ordinances that may affect your Restaurant. We have not investigated these laws and ordinances, and it is your sole responsibility to do so.

You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance. You may employ salaried help and/or independent contractors and will be required to observe general employment laws and regulations. You will be required to obtain whatever licenses may

be necessary in your geographic area to sell alcoholic beverages. If necessary in your geographic area you may be required to obtain a catering license if we approve to offer catering services within your territory.

ITEM 2. BUSINESS EXPERIENCE

Sam G. Ballas: President, Chief Executive Officer, Member of Board of Directors, and Chairman of the Board of Directors

Since March 2002, Mr. Ballas has served as our President, Chairman of the Board, Chief Executive Officer, and Director of East Coast Wings Corporation, located in Winston-Salem, North Carolina, which positions he also holds in our affiliated entities.

Tom Scalese: Executive Vice President of Corporate Operations

Since April 2023, Mr. Scalese served as our Executive Vice President of Corporate Operations. Prior to that time, he served as our Chief Operating Officer from January 2014 to April 2023.

Mark Lyso: Senior Vice President of Brand Development and Franchise Sales

Since April 2023, Mr. Lyso has served as our Senior Vice President of Brand Development and Franchise Sales. From February 2022 to April 2023, Mr. Lyso served as our Chief Development Officer. Prior to that time, he was our Executive Vice President of Operations since June 2017.

Fotene D. Ballas: Director of Human Resources/ Finance and Corporate Secretary, Member of Board of Directors

Since January 2009, Ms. Ballas has served as our Director of Human Resources/Finance and Corporate Secretary in Winston-Salem, North Carolina. From October 1995 to present, Ms. Ballas also has served as a Senior Vice President and Director of Mid-Carolina Realty Group, Inc.

Whitney Mann: Senior Vice President of Brand Operations

Mrs. Mann has served as our Senior Vice President of Brand Operations since April 2023. Previously, she was our Executive Vice President of Operations from February 2022 to April 2023. Previously, Mrs. Mann was our Vice President of Field Operations since February 2020. Prior to that time, Mrs. Mann was our Director of Functional Analytics and Unit Level Economics since July 2018.

Greg Ballas: Construction/Development and Real Estate Manager

Mr. Ballas has served as our Construction/Development and Real Estate Manager since April 2023. Previously, he was our Unit/Market Development Manager from January 2020 to April 2023. Mr. Ballas also currently serves as Vice President/Retail Division Manager of our affiliate, Mid-Carolina. Prior to that time, from August 2016 to May 2020, Mr. Ballas was a student at the University of North Carolina at Charlotte.

Ashley Mitchell: Vice President of Marketing

Ashley Mitchell has been our Vice President of Marketing since April 2024. Prior to that, Ms. Mitchell was a fractional Chief Marketing Officer for several franchisors under her consulting firm, MxM Consulting, LLC. From August 2022 to October 2023, she was Chief Marketing Officer/Senior Vice President, Marketing for Streamline Brands in Parker, Colorado. From March 2021 to July 2022, she served as Vice President, Marketing for Streamline Brands. From February 2019 to March 2021, she served as Vice

President of Marketing and Communications for Soccer Shots Franchising in Middletown, Pennsylvania.

ITEM 3. LITIGATION

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

Franchise Agreement

Initial Franchise Fee

The initial franchise fee for all of our prototypes is \$40,000 (the “Initial Franchise Fee”), which is paid upon execution of your Franchise Agreement and is deemed fully earned and non-refundable upon payment.

Pre-Opening Inventory Package

Prior to opening, you are required to purchase certain items from Commissary including, without limitation, reward cards, gift cards, small wares, straws, apparel, and certain other inventory and supplies (“Pre-Opening Package”). The cost of this Pre-Opening Package is between \$750 and \$1,000.

Chair Package

Prior to opening, you will purchase the chair package from the Commissary or us, as we determine appropriate, which will cost between \$4,500 and \$8,000 (collectively, the “Chair Package”). The exact cost will vary depending on the dining room layout for your Restaurant.

Initial Marketing Spend

You are required to spend at least \$7,500 to \$10,000, depending on the size of unit and trade area, on initial marketing. We may require that you pay this amount to us and, with your input, we will spend it on marketing activities for you. These expenditures will occur approximately 60 days prior to opening and continuing through the first 30-60 days after opening.

Initial Training Fees – Additional Attendees

The Initial Franchise Fee covers the costs of our pre-opening training for up to three individuals. If you wish to have extra people attend, the costs are an additional \$20 per hour per trainee.

Development Agreement

Development Fee

If we grant you the right to open multiple Franchised Businesses under a Development Agreement, you must pay us a Development Fee based on the number of franchises we grant you the right to open within your Development Area.

The Development Fee (which we refer to as your Initial Development Fee) is due upon execution of your Development Agreement and is calculated as follows: (i) \$40,000 for the Initial Franchised Business that we will grant you the right to open and operate under the Development Agreement; plus (ii) \$20,000 for each Additional Franchised Business that you are granted the right to open under the Development Agreement.

Pre-Opening Support Fee in Connection with each Additional Restaurant

You will be required to enter into our then-current form of franchise agreement for each Franchised Business you wish to open under your Development Agreement.

You will also be required to pay a subsequent fee to help defray the costs associated with the pre-opening obligations we provide in connection with each Additional Franchised Business amounting to \$20,000 (the “Pre-Opening Support Fee”) we grant you the right to open within your Development Area at the earlier of (a) 10 days from the date you sign a lease or Franchise Agreement for that Additional Franchised Business, or (b) 90 days prior to the scheduled opening date for that Additional Franchised Business.

Both the Development Fee and each subsequent Pre-Opening Support Fee are deemed fully earned and non-refundable upon execution of your Development Agreement.

Uniformity and Other Relevant Disclosures

All of the initial fees and expenditures described in this Item are: (i) uniformly calculated and imposed on our franchisees; and (ii) payable in lump sum. All of the fees are deemed fully earned upon receipt and non-refundable.

ITEM 6. OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Royalty	The greater of (a) 5% of the Gross Sales of your Franchised Business during the prior reporting period, or (b) a minimum monthly Royalty of \$4,850	The Royalties will be electronically drafted from your bank account. You will have the option of selecting one or two installments each month. The calendar dates for installments will be determined and published by us. We can change them with 30 days’ prior written notice.	“Gross Sales” are defined at Section 4(d) of the Franchise Agreement.² No Royalties are paid until the Restaurant begins operations. If the Restaurant is not open within 12 months of signing the franchise agreement, the minimum Royalty payments will be due and payable starting in the 13th month. If you fail to attend our annual conference, we reserve the right to increase your Royalty Fee in an amount equal to up to an additional 1% of the Gross Sales generated by your Franchised Business for the remainder of the calendar year when the training or conference event was held and not attended.

Name of Fee¹	Amount	Due Date	Remarks
Brand Development Fund	A minimum of 2% and maximum of 3% of Gross Sales, subject to increase.	Payment made by electronic funds transfer (EFT) each month. The calendar date for payment will be determined published by us. We can change them with 30 days' prior written notice.	Your Fund Contribution requirement can be raised upon written notice to an amount equal to up to 3% of the Gross Sales generated by your Franchised Business during the prior reporting period. We will typically invoice you an estimated amount based upon your estimated sales volume, so you can smooth the payments throughout the year. If any kind of advertising or marketing cooperative (each, a "Cooperative" or "Local Cooperative") is established, you will be required to contribute an additional 2% of Gross Sales to the cooperative's budget. Additionally, if you are required to pay into a shopping center's marketing fund, we may permit you to reduce your contribution to the advertising fund by the amount contributed to the shopping center's fund.
Local Advertising Requirement	2% of Gross Sales	Monthly	You must spend a minimum of 2% of Gross Sales on local marketing. However, maximum aggregate amount of your Brand Development Fund contribution, Cooperative contribution, and Local Advertising Requirement will be 4% of Gross Sales. At our request, you must provide us with invoices or other proof of these local marketing and advertising expenditures.
Items purchased from Commissary: gift cards, loyalty cards, pens	Then-current price list, as may be detailed in the Operations Manual or otherwise provided in writing to you	Typically, net 14 days	Payment will be made through EFT. See "Pre-Opening Inventory Package" in Item 5 for more details.
Local Cooperative Fees	An amount determined by the Cooperative, not to exceed 4% of Gross Sales	As required by the Cooperative	Cooperative payments are determined by majority vote of the cooperative members. If there is an Affiliate-Owned Restaurant in your Cooperative, then our Affiliate will be able to vote on all matters that you and the other Cooperative members have the right to vote on.

Name of Fee¹	Amount	Due Date	Remarks
Point-of-Sale System (POS System) and POS Software Fees	Currently, these third-party fees are \$4,980 per year	As invoiced	These amounts are due in connection with the POS System and related POS software that you will use in connection with the operation of your Restaurant, and are subject to change based on our third-party supplier pricing changes. This currently consists of an annual support fee and a monthly SAAS fee. You must pay these fees to our approved supplier.
Technology Fee	Our then-current Technology Fee Currently, between \$1,200 to \$2,400 per year per location.	First EFT draft each calendar year.	We reserve the right to modify this fee upon 90 days' prior written notice.
Additional Training Fee	\$140 to \$180 per day per trainer, plus (a) the costs and expenses incurred in connection with providing such training, and (b) any overtime pay that we are required to pay our trainers should training last longer than 8 hours during a given day	Upon invoicing and, at our option, prior to provision of training	This fee is paid in connection with additional training/instruction that we may provide on an ongoing basis in connection with the opening, overall operation and development of your Restaurant. We reserve the right to charge this fee in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchisee owner and/or Operations Manager, (b) any training we require you to complete to cure a default under your Franchise Agreement with us ("Remedial Training"), (c) training you request we provide (other than the kind of day-to-day assistance described below), or (d) training we provide on-site at your Franchised Business. Please note that the \$140 to \$180 per diem rate for our trainers assumes a working day of 8 hours or less and does not account for overtime wages. If such wages are incurred in connection with training provided to you, then you will be required to cover those wages.

Name of Fee¹	Amount	Due Date	Remarks
Renewal Fee	\$3,500	Upon execution of new franchise agreement.	Payable in immediately available funds. The Renewal term is five (5) years, and you may renew for a total of two (2) renewal terms.
Transfer Fee	\$7,000, plus expenses, mileage, airfare, lodging	When we approve franchise transfer.	Fee is inapplicable except to prospective purchasers. Fee is earned when the transfer is approved and paid at closing.
Initial Training	Initial franchise fee includes pre-opening training for 3 people. For an individual to complete the training post-opening, training costs an additional \$20 per hour per person and payment is due before training class commences.	Prior to training	The business shall be managed by a person, identified to us, who has undergone, or based on experience been relieved of, our training program. You remain responsible for paying own lodging, transportation, and food expenses incurred for attending training.
Third Party Vendor Charges	Your share of any charges billed to us on behalf of your business.	After 30 days' notice, billed by EFT	Sometimes it may be in the best interest of brand for vendors to bill us a system-wide charge for a product or service. We will then divide the invoice among our franchisees and charge you for your share.
Business Directory Listings	Actual out-of-pocket costs	On Demand	You will place and pay the cost of business listings in the directories and categories we specify. Alternatively, we can do so on your behalf and at your expense.
New Supplier/Product Evaluation Fee	The greater of (a) actual out-of-pocket costs, or (b) \$1,000	On Demand	If requested by you, you will pay all fees and costs incurred by us to obtain the necessary information and evaluate suppliers prior to giving approval for new suppliers and products, or \$1,000, whichever is greater.
Audit Fee	The cost of audit.	At once if audit shows 3% or greater underpayment.	You also pay the underpayment, if any. We pay for the audit if underpayment is 3% or less.
Legal Expenses	The cost of legal expenses we incur.	As incurred.	You must reimburse us for legal expenses incurred by us on your behalf to assist with leasing and other legal compliance issues.
Collection and Interest Charges	18% or highest lawful rate if lower.	Immediately if payments not made when due.	This charge is in addition to other remedies such as late payment fees.

Name of Fee¹	Amount	Due Date	Remarks
Hold Harmless	If any, will depend on unknown factors.	Defense cost when suit occurs. Indemnification when payment required.	You agree to defend, indemnify, and hold us harmless should we be sued as a result of something you do or fail to do.
Attorneys' Fees and Costs, and Arbitration	The fees incurred by us if we prevail in any litigation or other proceeding.	When court or arbitrator orders, if we win.	Loser pays winner's fees and costs to discourage meritless litigation and/or proceedings. We could have to pay your fees if you prevail.
Insurance Premium Reimbursement	Varies according to plan and provider.	Varies according to plan and provider. If we purchase, reimbursement to us due immediately on notice.	You may purchase through any provider. We must be named as additional insured. You must furnish us copies. If you do not purchase errors and omissions insurance, we may purchase it and you reimburse us.
Administrative Fee for Approving a Supplier	15% of the value of the item to be purchased	Upon approval	You must pay us upon approval of an alternate supplier you request the administrative fee plus any out-of-pocket costs incurred in approval of the supplier. This fee must be paid before ordering from the supplier.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement. If we see no action on issues that tarnish our brand image or otherwise breach the Franchise Agreement, we reserve the right to engage our own lawyers at your expense to work on compliance. We will collect reimbursement from you by EFT for their fees.
Non-Reporting Enforcement Fee	\$500 penalty fee plus \$50 per day for each day that a required report is past due	As incurred	Your Franchise Agreement requires you to provide us with the profit and loss statement, balance sheet and certain other financials related to the performance of your Franchised Business no later than the 10 th day of the month following the applicable reporting period.

Name of Fee¹	Amount	Due Date	Remarks
Unapproved Advertising Enforcement Fee	As of the Issue Date, the fees for an infraction are as follows: 1 st infraction: \$250 2 nd infraction: \$500 3 rd infraction: \$1,000	Upon notice of infraction. Will be collected by EFT.	See Section 9 of the Franchise Agreement for requirement on approval of advertising you develop. These fines would apply to any advertising materials or techniques used without following the procedures outlined in the Agreements. Any fine is in addition to other remedies under franchise agreement.
Other Enforcement-Related Fines ³	Up to \$1,000 per infraction.	Upon notice of infraction. Will be collected by EFT.	Enforcement-Related Fines may be charged by us in connection with your (a) failure to operate in accordance with operating standards, (b) unapproved disclosure of any portion of the Manual or other similar infraction related to the confidentiality of the Manual contents, and/or (c) a failure to timely submit the financials and other reports associated with the Franchised Business operations.
Failure to attend required training/convention	Increase in your Royalty Fee in an amount equal to up to an additional 1% of the Gross Sales generated by your Franchised Business for the remainder of the calendar year when the training or conference event was held and not attended.	Upon notice of infraction. Will be collected by EFT.	Additional royalty to compensate us for your failure to attend training/convention.
Insufficient Funds	\$50 plus any fee charged us for uncollected funds.	Upon notice.	Failure to have sufficient funds available for payments to us.
Step-In Fee	Up to \$500 per day	Upon notice of infraction. Will be collected by EFT.	Upon an event of default by you and failure to cure such default within the applicable time period (if any), we or our affiliate has the right, but not the obligation, to exercise complete authority with respect to the operation of your Restaurant until such time as we determine that the default has been cured, and you are otherwise in compliance with the Franchise Agreement. In the event we exercise these rights, you must reimburse us or our affiliate for all reasonable costs and overhead, if any, incurred in connection with the operation of your Restaurant including, without limitation, costs of personnel for supervising and staffing your Restaurant

Name of Fee ¹	Amount	Due Date	Remarks
			and their travel and lodging accommodations, plus a fee not to exceed \$500 per day.

Note 1: All fees and expenses described in this Item 6 are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. All flat fees described in this Item 6 are subject to adjustment due to inflation. Unless we have noted differently, we may increase these amounts based upon changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees. During our last fiscal year, all fees were uniformly applied to all franchisees.

Note 2: “Gross Sales” means the total gross revenue that you derive from the operation of the Restaurant, including, but not limited to, revenue from services rendered by the Restaurant and from the sale of products or merchandise based on retail price before coupon, whether from sales for cash or credit and regardless of the collection thereof. Gross Sales does not include: (i) sales taxes and service charges that a franchisee collects from customers and pays to the appropriate agency or party; (ii) gift card sales (but will include redemption); (iii) *bona fide* refunds and/or discounts provided to customers in accordance with our System standards and specifications; or (iv) sales to other franchisees and company-owned Restaurants. To be clear, Royalty Fees incurred in connection with gift cards are assessed when the gift card is redeemed versus sold.

Note 3: By way of example, if you fail to submit certain financial reports related to the operation of the Franchised Business on the date we prescribe in your Franchise Agreement or otherwise in a prior written communication, we have the right to assess an enforcement-related fee amounting to \$500 to \$1,000 (if multiple infractions within any 12-month period of operations). In cases where a given report is more than 30 days delinquent, you may be required to pay an additional \$10/day until said report is provided (Franchise Agreement 11(m)).

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. SINGLE-UNIT RESTAURANT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$40,000 - \$40,000	One lump sum payable upon execution of the franchise agreement.	Franchise fee is due on signing franchise agreement.	Us
Inventory ²	\$9,000 - \$23,020	Vendor terms.	Within 0 - 30 days of order.	Approved vendors
Pre-Opening Inventory Package	\$750 - \$1,000	Lump sum	Within 0 – 30 days of order	Us

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Leasehold Improvements ³	\$174,768 - \$700,000	Lump sum or (possibly) amortized by landlord.	Varies depending on your contract with supplier.	Supplier or Landlord
Lease-Related Payments - 3 Months ³	\$7,000 - \$12,500	As arranged with landlord	As arranged with landlord; deposit normally due upon Lease signing	Landlord/Lessor
Architecture/Project Management ⁴	\$0 - \$19,875	Varies	Varies depending on contract with suppliers	Vendor
Professional Fees ⁵	\$0 - \$10,000	Varies	Varies.	Vendor
Signage	\$5,500 - \$23,000	Lump sum	Varies depending on contract with supplier.	Approved Suppliers
Furniture and Fixtures ⁶	\$17,200 - \$45,000	50% upon order then pay balance upon delivery or as otherwise invoiced	Varies depending on contract with approved supplier.	Approved Suppliers and Third-Party Suppliers
Equipment & Smallwares	\$100,000 - \$233,000	50% upon ordering and 50% prior to delivery or as otherwise invoiced	Varies depending on contract with supplier.	Approved Supplier and/or Leasing Company; Commissary
Artwork & Décor	\$4,500 - \$10,000	As agreed	Prior to, upon or after installation as agreed to by supplier	Approved Supplier
POS Computer System ⁷	\$4,500 - \$7,500	As agreed	Varies depending on contract with supplier.	Approved Supplier
Video Surveillance System; Audio-Visual Equipment, Music and Entertainment System ⁸	\$2,450 - \$29,000	As agreed	Before opening.	Vendor
Deposits ⁹	\$2,500 - \$5,000	Lump sum.	Usually before opening.	Landlord, utility company, etc.

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Technology Fee	\$1,200 - \$2,400	Lump sum.	Upon first EFT draft by us.	Us (if established)
Expenses Associated with Initial Training ¹⁰	\$2,500 - \$10,000	As incurred.	Before opening.	Air travel, hotels, meals, incidentals
Fund Contribution — 3 months	\$2,450 - \$12,000	Payable by EFT	5 days after end of month.	Us
Initial Marketing Expense	\$7,500 - \$10,000	As Incurred	Upon Invoicing	Us
Government Permits ¹¹	\$2,000 - \$5,000	As incurred	Before opening	State, local and municipal government agencies
Additional Funds—3 Months ¹²	\$10,000 - \$20,000	As agreed	(Money to work with through first 90 days – as incurred.)	Vendors, employees, utilities, landlord, suppliers, insurers, tradesmen, city, county
Royalty – 3 Months	\$14,550 - \$14,550 or percentage of revenue	Payable by EFT	As incurred	Us
TOTAL¹²	\$408,368 - \$1,232,845			

Explanatory Notes

Note 1: *General*. Unless negotiated with a third-party, non-affiliated vendor, all payments disclosed in this Item are non-refundable. We will not finance any part of your initial investment (see Item 10 for additional details). Our standard franchise offering expects and assumes that you will secure the approved site for your Restaurant and timely open and commence operations of this Restaurant within the time periods prescribed in your Franchise Agreement.

Note 2: *Initial Inventory*. Because of the need for fresh inventory, a substantial amount of inventory turns over on a daily basis. The inventory estimate is for an initial supply of inventory and staff uniforms to commence operation as well as training and mock night. As inventory is used, more inventory will need to be purchased with the capital allocated to inventory.

Note 3: *Leasehold Improvements; Lease*. These are expenses to lease and improve the Premises of your Restaurant in accordance with brand-specific standards. These projections assume the space is being leased. If you elect to own your own location, additional costs will be incurred. Impact fees vary in each jurisdiction (if and as applicable). Our high estimate includes the average impact fees paid by our franchisees in operation. Your jurisdiction may impose different fees. We encourage you to research the

fee structure in your jurisdiction. You must lease or provide a suitable facility for the operations of the franchised Restaurant. You may choose a larger facility, but it will increase your operating costs. Our estimate in this category is based on you leasing the facility and on you leasing a facility based on the square footage of a typical Restaurant location, which is typically approximately 2,400 to 3,400 square feet. Your cost to lease is difficult to quantify because there are factors that will impact what you pay. These factors include the facility's location, its square footage, cost-per-square foot, renovation costs and any required maintenance fees. Your landlord may refund your security deposit, but most will not refund rental payments. You should ask your leasing agent or landlord about their refund policy before you sign a lease agreement. We do not require you to purchase or build a facility to house the franchise.

Though the range above does not specifically account for all tenant improvement credits or allowances that Franchised Business and other Restaurant owners have been afforded by their landlords, we encourage you to inquire about and discuss such allowances with our System franchisees directly – as well as any free rent that they might have been afforded – in connection with their buildouts and/or lease if and when you get the opportunity to speak with them about their experience with us and our System as part of your due diligence prior to entering into a Franchise Agreement with us.

Note 4: Architecture and Project Management. You will need to incur architecture and project management expenses in connection with the development and build-out of your Restaurant and you must use our designated supplier for such services. If you choose not to obtain such services, you will not incur expenses in this category.

Note 5: Professional Fees. We recommend that you retain an attorney, an accountant and other consultants to help you to establish your franchised Restaurant. Your cost will depend on the location of the franchised Restaurant and the prevailing rates of local attorneys, accountants and consultants. Your costs for these services are typically nonrefundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring. If you choose not to obtain such services, you will not incur expenses in this category.

Note 6: Furniture and Fixtures. We control the ordering of all furniture, fixtures and equipment. You will pay for and approve the order at the time specified by us.

Note 7: POS System; Software Fees and Telephone – 3 Months. You must purchase and install our cloud-based point-of-sale system, which is described in detail in Item 11. The amounts you pay for the POS System are typically non-refundable, or if refundable, you may be subject to a “re-stocking” fee. You should inquire about the return and refund policy of the supplier at or before the time of purchasing. In connection with the point-of-sale system, you must pay our approved supplier the ongoing fees described more fully in Items 6 and 11 of this Disclosure Document, and we account for the related software fees you will pay in connection with your first 3 months of Restaurant operations in this range.

Given our current System standards and requirements, the range also accounts for certain technology components that are designed to protect against (a) chargebacks to the Franchisee (you), (b) cyber-theft for customer information generally, as well integrate into possible “pay at table” technology that we may introduce as part of our System in the future.

This range also include the amounts you will likely be required to expend over your first 3 months of Restaurant operations on a telephone system that meets our standards and specifications. Telephone pricing will vary depending upon local vendors and, as of the Issue Date, your current System standards require your franchised Restaurant to have at least 3 telephone lines for use with the Restaurant.

Note 8: *Video Surveillance System; Music and Entertainment System.* These figures include costs for video surveillance, security, television, alarms systems, music and entertainment system and the cost of installing the necessary equipment.

Note 9: *Deposits.* Market conditions will dictate whether landlord can obtain last month's rent and security deposit up front. You may be required to pay deposits with your local utility companies if you are a new customer. Your utilities may include electric, telephone, gas and water. You may or may not receive a refund of your deposit. You should ask your local utility companies about the circumstances under which they refund deposits.

Note 10: *Expenses Associated with Initial Training.* We do not charge to provide you with initial training; the cost is covered under the franchise fee you pay to us in Item 5 above. You are responsible for the costs associated with attending training at the location we specify in Item 11 below. These costs include transportation, meals, and lodging. Your total cost will vary based on who you choose to attend, how far they have to travel, and the type of accommodations you choose. These costs are typically non-refundable, but you should ask about refund policies before you patronize any vendor.

Note 11: *Government Permits (and/or Licenses).* Our estimate for the cost of the ABC permit assumes the permit is purchased directly from the government and is based upon our experience. Alcohol licenses that are required to be purchased on the open market from an individual are not included in this range and can be very expensive. You should investigate the permitting costs in your jurisdiction. Other State and local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses. Your actual costs may vary based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

Note 12: *Additional Funds.* Prior to opening, you will be required to provide us with a bank approval letter showing sufficient start up working capital and additional funds. Credit terms will be negotiated by you directly with each vendor. You should have a 3-month cash reserve to cover the operations of the franchised Restaurant. Your cash reserves should be based on the total monthly cost of operating the franchised Restaurant. You should consider rent, salaries, utilities, maintenance, supplies, payroll, taxes, loan payments, insurance and other related operating costs to arrive at your 3-month reserves. Your costs will be affected by factors in the local market, local economic conditions, local competition where your franchised Restaurant is located, which we cannot predict. For example, the wages and rental rates in the area where your franchised Restaurant is located will affect the size of your cash reserve. You may need to have additional working capital to cover for low sales or high operating costs. You should speak with a financial advisor to get a more accurate estimate of the amount you should have in reserve. The operating costs on which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. The payments made to third parties may be refundable depending on the terms offered by each third party. These estimates do not include any finance charges, interest or debt service obligations. We relied upon the experience of our existing franchisees as reported to us. The figures in this Table are estimates and we cannot assure you that you will not have additional expenses. Variances may result from local economic conditions, availability of materials and labor, the applicable state laws regarding liquor licensing and supply/demand associated with the same, and other conditions beyond our control. In particular, equipment, materials, and labor have increased dramatically in recent years, and may continue to increase. You must also pay the royalty and other related fees described in this Disclosure Document. Your actual costs will depend on factors like your management skills, experience and business acumen. You should review these figures carefully with your business advisor.

B. Multi-Unit Offering (Utilizing a Development Agreement Awarding the Right to Developer 3 Franchised Restaurants as an Example) ¹

YOUR ESTIMATED INITIAL INVESTMENT¹

TYPE OF EXPENDITURE	AMOUNT LOW	AMOUNT HIGH	METHOD OF PAYMENT	WHEN PAY	TO WHOM PAYMENT IS TO BE MADE
Development Fee ²	\$80,000	\$80,000	Lump Sum	Upon execution of Development Agreement	Us
Initial Investment to Open Initial Restaurant ³	\$368,368	\$1,192,845	See Chart A of this Item 7 for estimated initial investment to open a full-service Restaurant.		
TOTAL⁴	\$448,868	\$1,272,845	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three (3) Restaurants, as well as the costs to open and commence operating your Initial Restaurant for the first three (3) months (as described more fully in Chart A of this Item 7). See Note 3.		

Explanatory Notes

Note 1: All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate three (3) Restaurants, as well as the initial investment to open your Initial Restaurant under your Development Schedule.

Note 2: The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three (3) Restaurants (provided you comply with your development obligations under the Development Agreement). If you choose to open three (3) or more Restaurants, your Development Fee will be calculated as the sum of the following: (i) \$40,000 for the initial Restaurant you are granted the right to open; plus (ii) \$20,000 for the second and each Additional Restaurant you are granted the right to open.

Note 3: This figure represents the total estimated initial investment required to open the initial full-service Restaurant you agree to open and operate under the Development Agreement. You will be required to enter into our current form of franchise agreement to govern this Initial Restaurant at the same time you sign your Development Agreement. The range includes all the items outlined in Chart 7.A. of this Item, except for the \$40,000 Initial Franchise Fee because, upon full payment of the Development Fee, you will not be required to pay any Initial Franchise Fee in connection with your Initial Restaurant. Please see Chart 7.A. for more details on this initial investment range.

Note 4: Please note that this row does not include the initial investment you will need to undertake in connection with opening your second and any other Additional Restaurants you are granted the right to open under your Development Agreement (including the Pre-Opening Support Fee that must be paid at the time you secure a lease or enter into a franchise agreement for each Additional Restaurant). These amounts were not included because you are not likely to incur such amounts until more than three (3) months after you have opened your Initial Restaurant.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products and Services.

You may only market, offer, sell and provide the Approved Products, as well as any services we authorize, from or through your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products, along with their corresponding proprietary recipes and standards and specifications for storage/preparation/presentation, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Restaurant other than our Approved Products, or use any item in connection with your Restaurant that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Our franchisees guarantee the satisfaction of our customers. Therefore, if a customer complains about the food or another aspect of their dining experience, we have established certain procedures you are required to follow to resolve the concern, which could result in not charging the customer for the services provided or providing discounts for future services.

Approved Suppliers.

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our Affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

As of the issuance date of this Disclosure Document, our affiliate Commissary is our sole Approved Supplier for certain of the operating supplies, gift cards, loyalty cards, small wares, apparel and certain other inventory and equipment you will need to operate your Restaurant. In addition to routine purchases throughout the franchise relationship, you will purchase an initial supply of the inventory and supplies described above from the Commissary, as a Pre-Opening Inventory Package. Some of these products will only be available from the Commissary or other approved vendor. We reserve the right to require you to purchase additional supplies, inventory, equipment and products not described here from the Commissary in the future.

As of the issuance date of this Disclosure Document, Mid-Carolina has been designated as an optional/potential Approved Supplier to provide site selection assistance in connection the premises of your Franchised Business. Mid-Carolina is owned by our President, Sam Ballas. If available and you have retained Mid-Carolina as your real estate broker, Mid-Carolina will receive a commission from the lessor of the property you lease for your Restaurant. Except for commissions paid to Mid-Carolina, we do not derive any revenue or any other material consideration from any lease you sign.

As of the issuance date of this Disclosure Document, Ethos is managing the transition to a new POS System for our Restaurants and also may provide IT support to franchisees as a back-up to support provided by other third-party suppliers.

We also have approved suppliers for the following items you must purchase in connection with your Restaurant as of the issuance date of this Disclosure Document: (i) certain furniture, fixtures, equipment and supplies you must purchase to buildout and/or operate your Restaurant; (ii) site selection and other real estate services (recommended but not necessarily required); (iii) credit card and merchant processing services, including (a) gift/loyalty cards and related programs and processing services and (b) other credit card processing services; (iv) the POS hardware and software (including updated technology we introduce in the future), and other items, software and technology we designate for use in connection with the System; (iv) signage and décor items for your Restaurant; (v) inventory items and paper goods; (vi) spices, sauces and other foodstuffs; (vii) branded items and merchandise; (viii) marketing materials and services; and (ix) project management and related services associated with the buildout and design of your Restaurant.

You are required to purchase and maintain in good working order a laptop or desktop computer with standard productivity software and access to the internet for use in the back office in connection with all work not conducted via the POS System. You are not required to purchase this office computer from an approved supplier. Since you accept credit cards as a method of payment at your Franchise, you must comply with payment card infrastructure (“PCI”) industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Notwithstanding the credit card processing requirement, we do not represent, nor certify to you or your customers that the credit card processing service approved or provided by us or an affiliate is compliant, whether or not certified as compliant, with the PCI Data Security Standards.

Other than the Commissary, Mid-Carolina, and Ethos neither we, any affiliate nor our owners are currently approved suppliers or own an interest in an approved supplier or receive any benefit from required purchases. However, we reserve the right to do so in the future.

We do not provide Franchisees with any material benefits based upon a Franchisee’s use of approved suppliers, but you must use such suppliers if you want to comply with your obligations under your Franchise Agreement with us.

Method of Approving Suppliers.

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Restaurant that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request. If you make such a proposal, we reserve the right to charge you the greater of (a) the costs/expenses we incur in evaluating/testing your proposal, and (b) \$1,000 per proposal. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular

product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 90 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. If you do not receive a notification from us within that 90-day period, the supplier is deemed disapproved. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Revenue Derived.

We, Mid-Carolina, and the Commissary may derive revenue from (a) the sale of products, supplies, and equipment to you by the Commissary and our other approved suppliers, and (b) services provided by Mid-Carolina to you.

Over its past fiscal year ending December 31, 2023, the Commissary generated \$1,242,434.08 in revenue in connection with our franchisees' required purchases.

For our last fiscal year ending December 31, 2023, we received revenue from franchisee purchases in the amount of \$669,848, or 21% of our total revenue of \$3,264,536 over our past fiscal year.

Except as disclosed above, our affiliates did not generate revenue from franchisees' required purchases or leases in the fiscal year ended December 31, 2023.

Required Purchase Percent of Revenue.

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 90% to 95% of your total costs incurred in establishing your Franchised Business, and approximately 40% to 60% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

Purchasing or Distribution Cooperatives.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the System Restaurants in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate

sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our Affiliates may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

We do not currently have any purchasing or distributing cooperatives, but we reserve the right to create such cooperatives in the future.

Insurance.

You are obligated to obtain and maintain at your own expense, such insurance that we require from time to time from a nationally-recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of public liability insurance with complete operations coverage, with limits of liability for bodily injury, personal injury and advertising injury of not less than \$2,000,000, with limits of liability for property damage of not less than \$1,000,000 in each occurrence, \$2,000,000 of public and product liability coverage, non-owned vehicle coverage of at least \$500,000 for full-service Restaurants, and business interruption insurance covering at least one full year of interrupted operations. You are currently required to maintain, in the amounts we prescribe from time to time, cyber liability coverage in the amount we specify in the Franchise Agreement, including, but not limited to, property damage, fraud, and business interruption, and the policies must name us and our designees as additional insured parties.

Approved Location and Lease.

You must obtain our approval of the premises for your Restaurant before you acquire the site ("Premises"). You must also obtain our approval of any contract of sale or lease for the Premises before you execute the contract or lease. You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at the Premises. In the future, we may provide you with a template form of Letter of Intent or proposed Lease to use in connection with your Lease negotiations.

As previously discussed, we currently have Approved Suppliers for certain project management as well as construction/build-out services, which we may require you to use in the establishment of your Restaurant.

ITEM 9. FRANCHISEE’S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 2, 5 and 6	Section 1 and Exhibit A of the Development Agreement	Items 7, 8, and 11
b. Pre-opening purchases/leases	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Item 8
c. Site development and other pre-opening requirements	Sections 2, 5 and 6	Sections 1, 5 and Exhibit A of the Development Agreement	Items 7, 11
d. Initial and ongoing training	Sections 5 and 6	Section 6 of the Development Agreement	Item 11
e. Opening	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Items 5, 7, 11
f. Fees	Sections 3, 4, 9 and 13(E)	Section 2	Items 5, 6, 7, and 17
g. Compliance with standards and policies/Operations Manual	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Items 13 and 15
h. Trademarks and proprietary information	Section 7	Nothing Additional (see Franchise Agreements signed)	Items 13 and 14
i. Restrictions on products/services offered	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Item 16
j. Warranty and customer service requirements	Section 6	Nothing Additional (see Franchise Agreements signed)	Item 15
k. Territorial development and sales quotas	Not Applicable	Section 1 and Exhibit A of the Development Agreement	Not Applicable
l. Ongoing product/service purchases	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Not Applicable

OBLIGATION	SECTION IN AGREEMENT	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
m. Maintenance, appearance and remodeling requirements	Section 6	Nothing Additional (see Franchise Agreements signed)	Item 9
n. Insurance	Sections 6 and 11	Nothing Additional (see Franchise Agreements signed)	Items 6 and 9
o. Advertising	Sections 4, 5, 6 and 9	Nothing Additional (see Franchise Agreements signed)	Items 6 and 9
p. Indemnification	Section 11	Nothing Additional (see Franchise Agreements signed)	Item 6
q. Owner's participation/management/staffing	Section 6	Section 6 of the Development Agreement	Item 15
r. Records and reports	Sections 4, 6 and 10	Nothing Additional (see Franchise Agreements signed)	Items 6, 16 and 17
s. Inspections and audits	Section 5 and 10	Nothing Additional (see Franchise Agreements signed)	Item 6
t. Transfer	Section 13	Section 9	Item 17
u. Renewal	Section 3	Nothing Additional (see Franchise Agreements signed)	Item 17
v. Post-termination obligations	Sections 14(B) and 16	Nothing Additional (see Franchise Agreements signed)	Item 17
w. Non-competition covenants	Section 14	Nothing Additional (see Franchise Agreements signed)	Item 17
x. Dispute resolution	Sections 19 and 21	Sections 13 through 22	Items 6 and 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

Except as disclosed below, we need not provide any assistance to you.

Pre-Opening Assistance

1. If you have entered into a Development Agreement, we will discuss and agree upon your Development Area under your Development Agreement when it is executed. (Development Agreement, Section 1 of Data Sheet);

2. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Restaurant(s). We will also review, and subsequently approve/reject, any proposed lease or purchase agreement for each location that you propose as a Premises for any Franchised Business. (Franchise Agreement, Sections 2(B) and 5(F));

3. Once you secure a Premises that we approve for a Restaurant, we will define your Designated Territory for that Restaurant and include its boundaries in a Data Sheet attached as Exhibit A to your Franchise Agreement. (Franchise Agreement, Section 2(D));

4. We may provide on-site assistance and training at your Premises (the "On-Site Assistance"). We may also decide, at our reasonable discretion, that you require more than the standard seven (7) to fourteen (14) days of On-Site Assistance. If we provide such additional On-Site Assistance, you will be required to pay the salary and expenses of our representatives for each additional day of On-Site Assistance. (Franchise Agreement, Section 5(B)).

5. We will provide you with a list of our Approved Products and Services and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(E));

6. We will review and approve your signage, the proposed layout and design of your Premises (which must be prepared by our Approved Supplier unless we agree otherwise in writing), as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 6(F));

7. We will assist in managing the process and designating the appropriate furniture, fixtures, and equipment ("FF&E") for your restaurant based on the specific requirements of your Premises. You will be responsible for ordering the FF&E we designate. You will be responsible for the cost of such items. Subject to the requirements of the Approved Suppliers, you may be required to pay 50% of the cost upon ordering and the balance upon delivery of the FF&E. (Franchise Agreement, Section 6.)

Initial Training Program and Related Training Disclosures

We will provide you and other management personnel you designate with our proprietary initial training program (the "Initial Training Program") regarding our System methods and techniques related to the establishment and operation of a franchised Restaurant. We will provide this training to you and two (2) managers tuition-free, but you are solely responsible for all costs and expenses you (and all other attendees) incur in connection with attending the Initial Training Program. You may be required to engage at least one (1) operations manager ("Operations Manager"), and the Operating Manager(s) you do hire must attend and complete our training program. If we approve your franchise operating with an Operations

Manager, all said managers must successfully complete the training program, unless we waive this requirement. Other managers may attend such said training, you the franchisee will be required to pay for the extra managers to attend such said training. (See Item 6 — Initial Training for more information.)

We plan to conduct the training program on demand, with prior notification to balance your convenience with the efficiencies achieved by training several classes at a time. All phases of training will be conducted at our corporate office or at an alternate location we designate (e.g., a franchisee restaurant), and it is generally 35 days in duration (3 weeks on, 1 week off, 2 weeks on). You must complete the training program to our satisfaction before we will authorize you to open your Restaurant, typically between 60 and 90 days prior to opening.

This Initial Training Program does not include the seven (7) to fourteen (14) days of On-Site Assistance we will also provide at your Restaurant prior to opening.

There is a charge for this training program, however the Initial Franchise Fee includes the cost of initial training for up to three persons pre-opening. You bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals, and other living expenses you and your designees incur.

The training program will typically be provided in “phases” as follows:

- Phase 1: Serve Safe, food binder, prime vendors, primary food vendors, PAR manual, POS and related reporting, marketing, rewards, unit level economics, manager duties, ECW consultations, guest services, hiring talent, and mock/grand opening overview.

- Phase 2: In store training working in all positions, orientation, menu breakdown, prep station, grill station, make-up station, fry station, wing station, expo station, bartending, host, and server.

- Phase 3: In-Restaurant training using Phase 1 and Phase 2, putting it all together. Front of house opening, shift change, and closing procedures. Back of house opening, shift change, and closing procedures. Managing lunch, dinner, both FOH & BOH.

The exact amount of time spent on each part of the training will depend on the time required for mastery by the student participating in the training and achieving 90 percent on all training materials and tests. We use various trainers throughout the training program, but all of the trainers will be certified by us as having mastered the subject matter they are teaching and have a minimum of 5 years of restaurant experience. In addition to our training program, you will be required to obtain while in training your Serve Safe Certificate. Your managers will be required to pass this required test prior to your opening day.

The following table provides a basic overview of the topics of instruction comprising our initial training:

TRAINING PROGRAM			
SUBJECT	HOURS OF ON THE JOB TRAINING	HOURS OF CLASSROOM TRAINING	LOCATION
Serve Safe	0.0	8.0	Third-Party Training Provider’s Designated Training Location for

SUBJECT	HOURS OF ON THE JOB TRAINING	HOURS OF CLASSROOM TRAINING	LOCATION
			this Third-Party Training
Marketing	0.0	2.0	Corporate Office, Winston-Salem, NC
Unit Level Economics	0.0	7.0	Corporate Office, Winston-Salem, NC
Paytronix/Rewards	0.0	1.0	Corporate Office, Winston-Salem, NC
Guest Services	0.0	1.0	Corporate Office, Winston-Salem, NC
Hiring Talent	0.0	1.0	Corporate Office, Winston-Salem, NC
Mock Night Grand Opening	0.0	1.0	Corporate Office, Winston-Salem, NC
Food Binder	18.0	8.0	Corporate Office, Winston-Salem, NC
POS and Reporting	18.0	5.0	Corporate Office, Winston-Salem, NC/Training Store
Par Binders and Operations Manuals	7.0	4.0	Corporate Office, Winston-Salem/Training Store
FOH Training	50.0	0.0	Training Store
BOH Training	120.0	0.0	Training Store
Vendors U.S. Food Order	7.0	6.0	Corporate Office, Winston-Salem/Training Store
Manager Duties	20.0	4.0	Corporate Office, Winston-Salem/Training Store
TOTAL	195.0	48.0	

The initial training program will be provided by an East Coast Wings Corp Educator, and will be supervised by Whitney Mann. Whitney has over four years' experience with us in a senior operations role and approximately fifteen years' experience with us and in the industry.

Before we approve or schedule you (or any of your initial personnel) to attend any portion of the Initial Training Program, you must: (i) submit, and obtain our approval of, your Initial Marketing Spend; (ii) undertake all steps to establish the EFT Account to use in connection with your Restaurant, including ensuring that both we and our designee has all authorizations and approvals necessary to access this EFT Account; (iii) demonstrate that you have all required insurance policies in place and that such policies name us and our designees as additional insureds; and (iv) provide us with completed and signed copies of all exhibits to your Franchise Agreement, to the extent such exhibits have not been signed or need to be updated/completed. (Franchise Agreement, Section 5(B)).

In the event that you are unable to, or fail to, provide the personnel training required by the Franchise Agreement, we may provide such training, at your expense, which (in this context) will amount will be \$140 to \$180 per day per trainer, plus expenses, including reimbursement for mileage at the then-current IRS reimbursement rate, provide the training to your employees.

In addition to Initial Training Program, we will make an online training course available for your staff if and when such a training course is established. The cost of this course will be included in the Technology Fee.

While we are not required to do so, at about the time of opening we may send an officer, staff member, or a designated Franchisee or contractor to attend if possible, the opening of your Restaurant, to assist you. (Franchise Agreement Section 5. We typically will provide a front and back operations trainer from our staff 3-4 days prior to the scheduled opening date, opening day, and 6 consecutive days thereafter.

Special Note Regarding Training in Connection with Developers within a given Development Area

If you enter into a Development Agreement with us to operate multiple franchised Restaurants, then please be advised that you must make certain of the management in connection with your first or other existing franchised Restaurant operations as follows to help or handle the training of the initial personnel of the Additional Restaurant at issue:

1. Second Franchised Restaurant (first Additional Restaurant) – you must supply a “front of house” trainer and a “back of house trainer” to complete the training team requirements at the time of initial training in connection with your second franchised Restaurant, who will in turn (a) work with our trainers in connection with the provision of the on-site training and assistance, and (b) receive, as we determine appropriate, additional training and guidance from our training personnel;
2. Third Franchised Business (second Additional Restaurant) – you must supply 2 “front of house” trainers and 2 “back of house” trainers to complete the training team requirements in connection with the third franchised Restaurant and any Additional Restaurant at the time that the initial training program must be completed in connection with that Restaurant, who will in turn be responsible for providing all instruction and training to the personnel of that Restaurant; and
3. Fourth Franchised Business (third Additional Restaurant) and Each Subsequent Restaurant Developed – you must supply 1 additional “front of house” and “back of house” trainer (2 total) times the total number of Additional Restaurants you are required to have open as of that date (i.e. fourth Additional Restaurant would require you to provide 4 front of house and 4 back of house trainers – or 8 total). (Development Agreement, Section 6).

Operations Manual

We will loan you one copy of our confidential and proprietary Manuals. You must operate your Restaurant in accordance with the Manuals and all applicable laws and regulations. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control.

If you lose any hard copy and/or otherwise compromise access to any of our Manuals, you must pay us \$1,000. Your employees are to see them only on a need to know basis, subject to confidentiality

agreements. We may modify this material from time to time and its modified terms are binding on you. Most of the volumes of the Operations Manual are provided electronically and not in paper format. The Operations Manuals primarily consist of our Training Manual and standard Operating Manual, which contain a total of approximately 594 pages, and the tables of contents of each manual are set forth in Exhibit F.

We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. We may periodically amend, update or replace the contents of the Manuals. Beginning on the 30th day (or any longer time we specify) after our delivery of written notice, you will comply with each amended, updated or replaced provision. Revisions to the Manuals will be based on what we, in our sole discretion, deem is in the best interests of the System, including promoting quality, enhancing good will, increasing efficiency, decreasing administrative burdens, or improving our and our franchisees' profitability.

Site Selection

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing a Premises for your Restaurant; and (ii) constructing, equipping, remodeling and/or building out the Premises for use as a Restaurant, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. We do not typically own the premises and lease it to you, but we reserve the right to do so.

In deciding whether to approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar products and services within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site.

We must also have the opportunity to review and approve/reject any lease or purchase agreement for a proposed Premises before you enter into such an agreement. We may condition our approval on a number of conditions, including: (i) providing a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business throughout the term of your Franchise Agreement; and (ii) executing our current form of consent and agreement of landlord attached to the Franchise Agreement as Exhibit C. (Franchise Agreement, Sections 5(F), 6(A) and Exhibit C).

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within thirty (30) days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements

for a Restaurant. (Franchise Agreement, Section 5). If you are unable to find a suitable site within the timeline detailed below, your Franchise Agreement will be subject to termination.

Typical Length of Time to Open Your Business

The typical length of time we estimate between your signing of the Franchise Agreement or Development Agreement (or first paying us money) and opening your Restaurant is approximately 12 months. Prior to opening your business, you must perform the following tasks. We may assist you in this effort. You must open your Restaurant no later than 12 months after you sign the Franchise Agreement. If you fail to open with the required time period, your Franchise Agreement will be subject to termination. (Franchise Agreement, Section 6.)

TASK	TIME FRAME	FORM OF HELP
Complete Business Plan	8-12 months before opening	Guidance from us as we deem appropriate
Sign Development Agreement	8-12 months before opening	Assistance from us as we deem appropriate
Sign Franchise Agreement	8-12 months before opening	Assistance from us as we deem appropriate
Discovery Day- Observing Operations	8-12 months before opening	Assistance and Guidance from us as we deem appropriate
Conduct Site Research	6-8 months before opening	Assistance from us as we deem appropriate
Establish Vendor Relationships	5-6 months before opening	Assistance from us as we deem appropriate
Complete Lease Negotiations	3-5 months before opening	Assistance from us as we deem appropriate
Build Out Space	3-4 months before opening	Guidance from us as we deem appropriate
Attend Phase 1 Training Academy	1-2 months before opening	Manuals and Classroom Training from us, as we deem appropriate
Attend Phase 2 Training Academy	1-2 months before opening	Manuals and Classroom Training from us as we deem appropriate
Submit Opening Orders	1-2 weeks before opening	Assistance from us as we deem appropriate

The factors that may increase or decrease the time periods discussed above are: the amount of time and effort you commit to the site selection process and the construction of your Restaurant; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials, zoning, and licensing requirements. Delays or a lack of effort by you, your contractors, or your prospective landlord will increase these time periods, and will result in the delayed training of your staff. We will only send trainers after you pass your last inspection and you are permitted to open by state and local regulations.

If you have entered into a Development Agreement to open and operate multiple Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule

may depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement, Section 6).

If you fail to open any Restaurant within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Restaurant(s) that were already open and operating as of the termination date. We must approve of the Premises you choose for each Restaurant you are required to open under the Development Agreement.

If you change your employment, business or financial status before the opening of your Restaurant, you do so at your own risk. Any and all such changes should be made only as a result of careful thought and advanced planning after obtaining advice from appropriate professional advisors.

Post-Opening Obligations

1. We may require you and, if applicable, your Operations Manager to attend annual additional/refresher courses, as we deem necessary in our sole discretion (“Additional Training”). You will be required to pay our then-current Additional Training Fee, which is currently \$140 to \$180 per trainer, per day, for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 5(D)).

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, or intranet communication, as we deem advisable and subject to the availability of our personnel. (Franchise Agreement, Section 5(H)).

3. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(I)).

4. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 5).

5. We may schedule and hold an annual conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.), but we will not charge you an attendance/registration fee. If you do not attend a scheduled required event, you will be charged 1% percent of your annual revenue for the balance of the calendar year. (Franchise Agreement, Section 5(Q)).

6. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote our brand, our Proprietary Marks and other Restaurant locations, provided you are in compliance with the terms of your Franchise Agreement. We will also have the right to discontinue operation of the Website at any time without notice to you. We may require that you maintain and utilize a specific e-mail account in connection with the Restaurant. You may not establish or operate a website, web page, domain name, Internet address, blog, forum or email address that in any way concerns, discusses or alludes to us, the System or your Restaurant without our written

consent. The Proprietary Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Proprietary Marks, or the Restaurant that (a) does not comply with our social networking guidelines described in the Operating Manuals, (b) is derogatory, disparaging, or critical of us, the System, or the Proprietary Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Proprietary Marks. You may not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer generated advertising or communication arrangement which we may create. Subject to the terms of the Franchise Agreement and Operations Manual, we may make available to you a sub-page on the Website that will be located at a sub-domain of the Website to be specified by us (the “Subpage”). You will be permitted to upload content onto the Subpage solely to promote, and provide customers information related to your Restaurant. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications (collectively, “Subpage Standards”) issued by us. The Subpage may not contain content which references any other Restaurants other than your Restaurant. You may not upload, publish, display, or otherwise include or use any content on the Subpage without receiving our approval. Once we approve the initial content of the Subpage, you must submit any changes to us before you make any changes. We may, at any time, cease to make the Subpage available to you or the public. We may also design the Website for taking delivery orders from customers and routing that to you. We will be solely responsible for the development of all online ordering. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload, content, onto, or otherwise use, the Subpage shall immediately cease and we may cease to make the Subpage available to you. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Section 5(J)).

7. We also may maintain one or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Proprietary Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles to be maintained by you. You must adhere to the social media policies established from time to time by us and you will require all of your employees to adhere to the social media policy as well

8. We may administer and maintain a System-wide brand development and marketing fund (the “Fund”) for the benefit of the System, as we deem necessary in our sole discretion. (Franchise Agreement, Section 5(M)).

9. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications as well as to consult in the development and growth of your Franchised Business. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of your franchised Restaurant, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. If any inspection reveals any deficiencies, you will be responsible for our costs in conducting such inspection. (Franchise Agreement, Section 5(L)).

10. We may supplement, revise or otherwise modify the Manuals, as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet. (Franchise Agreement, Section 2(G)).

11. If we deem appropriate, establish and maintain a Mystery Shops Program and/or Quality Assurance/Food Audits Program, as we deem appropriate in our discretion. (Franchise Agreement, Section 5(L)).

12. We may: (i) research new recipes, ingredients, equipment, products, services and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and services to be offered or provided as Approved Products and Approved Services at or from a Restaurant, including proprietary products and services sold under the marks we designate. (Franchise Agreement, Section 2(G) and 5(K)).

Advertising and Marketing

Advertising Generally

All advertising and promotion materials that you use in connection with your Restaurant must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least ten (10) days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 30 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

Failure to follow our instructions regarding pre-approval of advertising materials will result in fines. These fines will be as follows: 1st infraction: \$250, 2nd infraction: \$500 and third infraction: \$1,000. Imposition of these fines will in no way waive our right to consider your use of unapproved advertising as a default-triggering event, such as that described at Franchise Agreement Section 15(B).

Brand Development Fund

We currently administer a brand development fund (the “Fund”) for the benefit of the entire System. We use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System. The Fund is supported by a fee not to exceed 3% of your gross sales. The current required contribution level is 2% of gross sales (the “Fund Contribution”). Currently, affiliate-owned Restaurants contribute to the Fund in the same amount and manner as franchised Restaurants.

Other franchisees Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Fund fees. We have the sole discretion to settle or forgive any accrued and unpaid Fund contributions owed by a franchisee. With any advertising funds paid, we have sole discretion as to how and where the money is spent to promote, enhance, or further the growth of the system, including, without limitation, promotional marketing, public relationships, and advertising expenses, hiring marketing, public relations and advertising agencies and internal personnel to assist in developing the brand name and average unit volumes, expenses associated with listings in telephone books, subsidies of premiere/marquis restaurants designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of Proprietary Marks and trademarked materials, production of circulars, media, advertisements, coupons, and promotional materials (including point of purchase materials), market research, developing training tools designed to assist System franchisees, the cost of developing and maintaining an Internet website and other digital marketing tools, developing and deploying mystery shopper programs and for any other use we determine. Additionally, we can use the Fund to pay for expenses incurred in developing and maintaining non-franchise sales portion of our corporate website. We are not required to spend any advertising funds in your specific area or territory. Materials provided by the Fund to all Franchisees may include video and audio tapes, mats, posters, banners, and miscellaneous point-of-sale items. You will receive one sample of each at no charge. If you want additional copies, you must pay duplication costs.

We occasionally provide for placement of advertising on behalf of the entire franchise system, including Franchisees. However, most placement is on a local basis, typically by local advertising agencies hired by individual Franchisees or advertising cooperatives. While we have not yet done so, we have the right in the future to use advertising fees paid by our Franchisees to place advertising in national media (including broadcast, print or other media). Advertising funds are used to promote the products sold by Franchisees. A brief statement regarding the availability of information regarding the purchase of a franchise may be included in advertising and other items produced using the Fund; provided that we will not use Fund funds principally to sell franchises.

Currently, the advertising funds are payable to us. We have the right to establish in the future a nonprofit corporation or other business entity to collect Fund advertising contributions from our Franchisees. The Fund is administered by our accounting and marketing personnel under our direction. We may have the Fund borrow from us or other lenders to cover any Fund deficits. We may have the fund invest any surplus for the Fund's future use. You will be able to obtain an accounting annually upon written request to our Chief Executive Officer at our principal place of business 120 days after our latest fiscal year end. We claim no power to require that advertising cooperatives be formed, changed, dissolved or merged. (Franchise Agreement - Section 9.)

We will not be required to spend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an unaudited accounting of the Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we do not spend all Fund Contributions in a given year, any excess funds will rollover into the Fund for use during the following year. We will have the right to modify or discontinue the Fund (if established), as we deem appropriate in our sole discretion.

Use of Fund Contributions in Most Recent Fiscal Year Ending December 31, 2023
(Percentage of Total Fund Expenditures)

USE	PERCENTAGE
Digital, Social and other Media Placement	57%
Events/Sponsorships	7%
New Menus	7%
Unit Promotions	19%
Administrative/Supplies	10%
TOTAL	100%

Regional Cooperatives

We reserve the right to establish regional cooperatives that are comprised of a geographical market area that contain two (2) or more Restaurants (whether a Franchised Business or Affiliate-owned) (each a “Cooperative”). If we assign your Restaurant to a Cooperative we establish, you must work with the other Restaurant owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Restaurants within the geographical boundaries of the Cooperative. We have not established any Cooperatives as of the issuance date of this Disclosure Document, and have not contemplated how much a Franchised Business might be required to contribute to such a Cooperative. We will have the right to establish, modify, merge and dissolve Cooperative as we deem appropriate. Any amounts you expend on Cooperatives will be credited towards your Local Advertising Requirement and the amount you could be required to contribute will not exceed the maximum Local Advertising Requirement of four percent (4%) of the monthly Gross Sales of the Franchised Business. (Franchise Agreement, Section 9(H))

Franchise Advisory Council

While we are not required to do so, we currently maintain a Franchise Advisory Council (“FAC”) that has five members. The FAC will provide advice to us on various matters, including advertising. The FAC will serve in an advisory capacity only and will have no operational or decision-making power. Four of the members are elected by franchisees and one member is appointed by our CEO. We have the power to change or dissolve it at any time. Only owners of franchises can serve as members of the FAC. Managers cannot be elected to the FAC. (Franchise Agreement, Section 9(F))

Initial Marketing Spend

You are required to spend at least \$7,500 to \$10,000, depending on the size of unit and trade area, on the initial marketing “Initial Marketing Spend”). We may require that you pay this amount to us and, with your input, we will spend it on marketing activities for you. These expenditures will occur approximately 60 days prior to opening and continuing through the first 30-60 days after opening.

Local Advertising Requirement

In addition to the Initial Marketing Spend, you will be required to expend such amounts as we may designate from time to time for advertising and marketing the Franchised Business within the Designated Territory (the “Local Advertising Requirement”), Currently, you are required to spend two percent (2%) of monthly Gross Sales as your Local Advertising Requirement; provided, that the aggregate amount that you will be required to spend on the Local Advertising Requirement, together with your Fund and Cooperative contributions, will not exceed four percent (4%) of the monthly Gross Sales of the Franchised Business.

Computer System/Point of Sale System

You are required to use point of sale hardware and accounting software approved by us, including, without limitation, touchscreens, printers, cash drawers, a server and modem, and assorted cables and mounting hardware. We estimate that the costs of the hardware associated with your POS System will be between \$4,500 and \$7,500 depending on the number of POS terminals you use (as well as the design/layout) at your Restaurant. You are also required to have an office scanner to scan documents to us, and you must provide us with electronic and independent access to your security cameras (which you must purchase from our approved supplier). You are required to license our designated POS software, which currently involves a monthly SAAS fee disclosed in Item 6 of this Disclosure Document. This rate is offered when a 2-year contract with our approved supplier is signed. As of the issuance date of this Disclosure Document, you must expend \$600/year in connection with an annual maintenance service agreement, with the first yearly subscription being free, which is paid directly to our approved supplier.

The software for your point of sale system may be either proprietary to us or commercially produced software. While the hardware and software are not proprietary, you are required to purchase the approved hardware and software we require from either our Approved Supplier or a supplier you select. In order to promote system-wide compatibility, we may, at our option, in the future require you to purchase the software and/or computer hardware from us or a different Approved Supplier. You must purchase or lease the required hardware, modem, and communications software as designated by us. As the current computer system requirements change, you may be required to upgrade or update your hardware and software. There are no restrictions on the frequency or the cost of upgrading. If the software you are required to use is proprietary to us, we will grant you a license to use the software upon signing the software licensing agreement and payment of the license fee. Currently, we do not have any proprietary software, but we may develop some in the future. We have the right to impose a monthly maintenance for such proprietary software. You must pay the monthly maintenance fee if you wish to use the proprietary software (which we may raise upon 90 days' notice). We will have independent access to the information that will be stored on the computer system. There are no contractual limitations on our right to access this information.

ITEM 12. TERRITORY

Franchise Agreement

Upon the latter of your execution of the Franchise Agreement or Site Selection Addendum – which will depend on whether we have agreed and approved your Restaurant location when you sign your Franchise Agreement – you will be awarded a geographical area around your premises wherein we will not open or locate, or license any third party the right to open or locate, another Restaurant that utilizes the Proprietary Marks and System for so long as you are not in default of your Franchise Agreement (your “Designated Territory”) and subject to our reserved rights set forth in this Item below

Typically, your Designated Territory will be a radius around your Restaurant premises but we may base your Designated Territory on an area around your premises that contains a certain population. If your Designated Territory is not based on the population and other demographics of the region wherein your Restaurant is located, then your radius will typically be between a radius of 1 to 3 miles around that premises, unless your Restaurant is located in (a) a city or other urban area, or (b) other densely-populated business district. If that is the case, your Designated Territory will typically be anywhere from 2 blocks to 1 mile around your Restaurant premises.

Upon termination or expiration of your Franchise Agreement, you will no longer have any rights within the Designated Territory. We may also terminate your territorial rights within your Designated

Territory in lieu of terminating your Franchise Agreement if your Franchise Agreement is subject to termination. Otherwise, the territorial rights granted within your Designated Territory under a Franchise Agreement are not contingent upon achieving a certain sales volume, market penetration, or any other contingency and cannot be altered.

The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Premises. The factors that we consider in determining the size of your Designated Territory include current and projected market demand, demographics and population based on our research and experience, median household income, presence of other businesses, location of competitors, traffic patterns, access and visibility, location of other Restaurants, our future development and other market conditions.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

Your Designated Territory is protected only to the extent that no one may locate another Restaurant utilizing our then-current Proprietary Marks and System from a traditional location within the boundaries of your Designated Territory. We and our affiliates reserve the right, however, to open and operate, or license a third party the right to open or operate, another Restaurant within your Designated Territory if it is located at a Non-traditional Site (as described more fully below in this Item). For this reason, 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.

Relocation of a Franchised Restaurant

You may not relocate the site of the original Restaurant without our express written permission. Should you relocate the Restaurant without such permission the new location will be treated as an entirely new franchise sale subject to new initial franchise fees as provided in the Franchise Agreement and to such other provisions as would apply to a new franchise sale. If your landlord terminates your right to possession of your approved business premises before the term of your Franchise Agreement expires, then you and we must determine a new location within 60 days.

Development Agreement

When you sign your Development Agreement, you will receive a Development Area that is mutually agreed upon by the parties, and you will maintain certain territorial rights within this Development Area until the earlier of (i) the date you have executed a franchise agreement for each Restaurant you were granted the right to open under your Development Agreement, (ii) the date your Development Agreement is terminated for breach or failure to meet your development obligation, or (iii) the date your Development Agreement would otherwise naturally expire. During the term of the Development Agreement, we will not operate, nor allow any other party to operate, a Restaurant using the Proprietary Marks and System, from a physical location in your Development Area (except at Non-traditional Sites as described in this Item). Your Development Area under the Development Agreement will most likely be larger than the Designated Territory granted in connection with a typical Franchise Agreement (but that may not always be the case).

You will lose your territorial rights within the Development Area you are granted under your Development Agreement if your Development Agreement is terminated on the grounds set forth in your agreement. Otherwise, you will not lose your territorial rights until the expiration of your Development

Agreement (as described in the paragraph above). We have the right to terminate the Development Agreement if you fail to meet your development schedule and fail to cure this default within 30 days of receiving notice from us.

Your Development Agreement does not grant to you a license to (a) operate a franchised Restaurant, or (b) utilize our Proprietary Marks, both of which may only be granted through a franchise agreement with us. The Development Agreement simply grants to you the right to develop of a certain number of Restaurants within your Development Area in accordance with the agreed-upon development schedule.

Your Development Area is protected only to the extent that we will not grant development rights to another franchisee within the boundaries of your Development Area. We and our affiliates reserve the right, however, to open and operate, or license a third party the right to open or operate, another Restaurant within your Development Area if it is located at a Non-traditional Site (as described more fully below in this Item and in Item 1). For this reason, 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.

Permitted and Restricted Sales and Advertising Activities

All Restaurants may sell their products and services to any customer that visits the Restaurant location, regardless of whether that customer resides within the Designated Territory granted in connection with that Restaurant. You are not permitted to advertise and promote the Restaurant outside of the Designated Territory, unless the area where you wish to advertise is contiguous to the Designated Territory and has not been granted to another franchisee or developer, or we otherwise provide our consent in writing.

Each Restaurant, however, is to be operated solely as a retail restaurant business, and you agree not to: (i) offer or sell any items through any alternative channels of distribution, including e-commerce, telemarketing, mail order catalogs, computer and/or Internet marketing or any other system (in other words, in any fashion other than selling to the patrons visiting your Restaurant, unless we authorize a specific off-site event that your Restaurant may service); or (ii) to sell any product at a lower price to persons who do not dine in your Restaurant than you charge at the time in connection with regular dine-in customers (to the extent this is enforceable under applicable laws).

You may not sell any products through group buying services such as Groupon or Living Social or otherwise offer discounts or coupons without our prior written approval.

Reserved Rights

We and our affiliates reserve the right to open and operate, as well as license third parties the right to open and operate, any Restaurant or other location that utilizes the Proprietary Marks and System at non-traditional locations such as hospitals, malls, mobile food trucks/carts, institutions (such as hospitals and schools), airports, casinos, parks (including theme parks), military installations, sports arenas and/or other captive venues (collectively, the “Non-traditional Sites”), within or outside the Designated Territory. If we develop any Non-traditional Sites in your Designated Territory, you will not be entitled to any compensation.

We and our affiliates also reserve the right to: (i) open and operate, or license third parties the right to open and operate, Restaurants or other locations utilizing the Proprietary Marks and System from any location outside of your Designated Territory or, if appropriate, Development Area; (ii) market, offer and sell products that are similar to the menu items offered and sold by a Restaurant under a primary mark that

is different than the Proprietary Marks, regardless of location; (iii) manufacture, offer, sell and distribute chicken wings, burgers and other menu items, as well as our proprietary sauces, mixing sauces and dips/rubs, in any alternative channel of distribution, within or outside the Designated Territory or Development Area (including the Internet and other e-commerce channels, wholesale stores, grocery stores, mail order, catalog sales, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by the Restaurant (but under different marks), within or outside your Designated Territory or Development Area; (v) otherwise offer and sell our proprietary Wing sauces, mixing sauces and dips/rubs to other retail chains, provided such chains are operated under mark(s) that are different than the Proprietary Marks, regardless of location; and (vi) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, Development Agreement.

The Franchise Agreement does not grant you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders inside your Designated Territory. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Restaurants at Non-Traditional Sites, either directly or through our affiliates, licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Restaurants at Non-Traditional Sites.

Other Relevant Disclosures

Except as described in Item 1 of this Disclosure Document, neither we nor our affiliates sell similar goods or services to the Approved Products and Approved Services offered by Franchised Businesses under our Proprietary Marks or a different mark or brand, but we reserve the right to do so as described in this Item.

Neither the Franchise Agreement nor the Development Agreement provide you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

Neither your Development Agreement nor your Franchise Agreement grants to you any option, right of first refusal, or similar rights to acquire additional franchises within the Development Area or Territory (as applicable) or otherwise.

You may purchase additional franchises from us on our then-current terms, provided you meet our then-current criteria for a new franchisee and/or multi-unit owner. Besides the rights listed here, you have no other rights of first refusal or option rights on additional territory.

ITEM 13. TRADEMARKS

You will have the limited right to use the Proprietary Marks we designate for use in connection with the System. We are the owner of the following Proprietary Marks that are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

REGISTRATION NO.	EFFECTIVE DATE OF REGISTRATION	MARK
5419258	March 6, 2018	 EAST COAST WINGS+GRILL
3388392	February 26, 2008	EAST COAST WINGS & GRILL
2930225	March 8, 2005	EAST COAST WINGS
4483389	February 18, 2014	
3924102	February 22, 2011	FEEL THE FLAVOR...TASTE THE HEAT
3932152	March 15, 2011	CARNIVAL FRIES
4261978	December 18, 2012	LAVA RANCH
4176023	July 17, 2012	FRESH CRAFTED NEVER FROZEN
4482722	February 11, 2014	SKINNY WING
3932146	November 20, 2009	BUFFALAJITAS

REGISTRATION NO.	EFFECTIVE DATE OF REGISTRATION	MARK
5747463	May 7, 2019	GIFT OF FLAVOR

We may also license our franchisees any additional marks that we develop or designate for use in connection with the operation of a Restaurant. In addition to the principal marks, we have other secondary trademarks used to promote the business, including certain menu items or design marks using our logo, which marks we also license to you. Some of these marks are registered trademarks and others we claim common law trademark protection.

Presently, there are no agreements in effect that significantly limit our rights to use or license the use of the Proprietary Marks listed in this Item in a manner material to the franchise. We are not aware of any infringing use of our primary Proprietary Marks that could materially affect your use of them. There are not currently any pending infringement, opposition or cancellation proceedings regarding the Proprietary Marks, nor any pending litigation regarding our ownership rights. We have filed all required affidavits and/or renewals in connection with the Proprietary Marks.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including the right to settle the proceedings or litigation. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Proprietary Marks.

We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

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

We are the lawful and sole owner of the domain name www.eastcoastwings.com. You cannot register any of the Proprietary Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue using of a website using the Proprietary Marks. You may access our website thru your assigned Restaurant web page. Except as we may authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; and (iii) create or register any Internet domain name in connection with your franchise.

You may use only the Proprietary Marks which we designate, and may use them only in the manner we authorize and permit. Any goodwill associated with Proprietary Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Marks only for the operation of the Restaurant and only at the Franchisee Location or in advertising for the Restaurant. You must use all Proprietary Marks without prefix or suffix and in conjunction with the symbols “SM,” “TM,” “S” or “R,” as applicable. You may not use the Proprietary Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. You may not use the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “D/B/A” and a business name containing one or more of the Proprietary Marks we designate. You must promptly register at the office of the county in which your Restaurant is located, or such other public office as provided for by the laws of the state in which your Restaurant is located, as doing business under such assumed business name.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. You must discontinue using all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Proprietary Marks at your expense.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the franchise System including our Operations Manual, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our Franchise System and any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise Agreement or Development Agreement, as applicable, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any trade secrets including our proprietary recipes, sauces and ingredients, operating systems, other standards and specification for the preparation and presentation of food and beverages, price marketing mixes related to products and services offered under the System, supplier networks, copyrighted materials including the Operations Manual, and other methods, techniques, and know-how concerning the operation of the Restaurant (“Confidential Information”) you will acquire in your capacity as our franchisee. You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations. You must require your manager and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right to work for a competitor while they are employed by you. Such agreement, which will be in a form that we prescribe, will identify us as a third party beneficiary to the agreement and give us independent enforcement rights.

The Franchise Agreement or Development Agreement provide that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the

Restaurant, including variations on proprietary recipes or other food and beverage items, you must promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that such provisions of the Franchise Agreement and/or Development Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

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

We encourage but do not require you to personally supervise the Restaurant, and prefer to select Franchisees who favor and appear committed to a “hands on” and well-informed approach to the business. We strongly recommend that you devote a substantial amount of time to your Restaurant, whether or not you engage a manager. Franchisees who do not devote their full time and efforts to the establishment and operation of their Restaurants may have lower gross sales, higher operating costs and lesser name recognition in their areas than those franchisees who do devote their full efforts to the business. Examples of the types of functions which you might perform include supervisions of employees, inventory checks, review of sales and food costs, bookkeeping and all reasonable efforts to ensure smooth and efficient operations. The Restaurant must be directly supervised and managed by a person, identified to us who has undergone our training program. Based on his or her experience, we may choose to waive this requirement in our sole discretion. If you are not willing to be the full-time operator of your business, then you will be required to engage a manager and have them complete our training program (the “Operations Manager”). The Operations Manager is not required to hold equity interest in the franchisee entity.

You must have a bonus plan where the Operations Manager is eligible to receive up to ten percent (10%) of the restaurant’s net operating income (“NOI”) for achieving benchmarks you establish, and any and all Operations Manager(s) must sign our prescribed form of Confidentiality and Non-Competition Agreement. If and when an Operations Manager leaves his or her employment at your Franchised Business, you must recruit a new Operations Manager within thirty (30) days and submit the replacement’s qualifications to us for our review and approval (which may be conditioned on completion of all Management Criteria) before substituting a new Operations Manager at any of your locations (unless you resume taking over the day-to-day operations of the Franchised Business on a full-time basis).

Your Restaurant must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Restaurant, you must have a properly trained Operations Manager at each Restaurant you own and operate.

In addition to the Franchise Agreement, both you and your spouse will be required to sign guarantees of performance in which you will guarantee the performance of your Restaurant’s obligations

to us. The only restriction we place on the manager of your business is that the manager must execute a confidentiality and non-competition agreement similar to the one you will execute if you purchase a franchise from us.

We expect that you will keep your Restaurant open and operating during those hours where the majority of our franchised Restaurants are open or as otherwise recommended in our Operations Manual, but as an independent contractor you may deviate from our recommended hours if (a) there are local regulations or landlord restrictions that affect your ability to actively operate your Restaurant, or (b) you otherwise provide us with notice in writing of your hours of operation and an explanation regarding any material deviation from our recommended hours of operation. Once you have been open and operating for a period of six (6) months, you must maintain at least \$25,000 in the bank account you designate for EFT and otherwise for use in connection with your Restaurant.

Each of your principal owners and their spouse must sign the franchise agreement, in the form of Exhibit B, as either the franchisee or the guarantor. In either event, by signing the franchise agreement each Principal and their spouse agrees to perform, and guarantees, all of the franchisee's obligation to us and our affiliates (including the obligations under this Agreement) and agrees to be bound by the restrict covenants, the confidentiality provisions and certain other provisions contained in the Franchise Agreement.

You may not use any Mark as part of any corporate name or with modifying words, terms, designs, or symbols except for those licensed by us. You may not use any Trademark in connection with any business or activity, other than the business conducted by you according to Franchise Agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us.

All personnel employed by you in connection with the operation of your Restaurant must maintain standards of sanitation, cleanliness and demeanor as may be established by us. All personnel must wear uniforms or other clothing approved by us. In addition, you must ensure that all employees whose duties include customer service have sufficient literacy and fluency in the English language (or such other language that is the primary language in your market) to adequately serve the public at your Restaurant.

You will be solely responsible for all employment-related decisions associated with your Franchised Business personnel, including hiring, firing, scheduling and compensation. Nothing in the Franchise Agreement or Development Agreement is intended, or may be construed to, establish or create any kind of employer-employee or joint employer relationship between (a) us, and (b) you and your personnel.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all of the products which we require and only the products which we authorize for the System, in the manner we prescribe. You will not offer to sell or provide at or through the Restaurant any merchandise, products or services that have not approved in advance in writing, or use the premises for any other purpose other than the operation of the Restaurant. You may not use nor sell any products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, or equipment which do not meet our standards and specifications, unless approved in writing.

You will prepare and present all menu items in accordance with our standards and specifications, using the ingredients and preparation techniques we prescribe. We have the right to require you to offer and sell additional goods or services as we may designate. There are no limits on our right to do so. You are not allowed to solicit customers outside of your Marketing Area without our prior written approval. You will at all times maintain sufficient levels of inventory to adequately satisfy consumer demand. You

must stop using offering disapproved products or services immediately upon notice that such services or products have been discontinued. You must offer and sell all private label food and beverage items which we may now or in the future designate for sale by System franchisees, including prepackaged or frozen food and beverage items, and related merchandise. We reserve the right to charge you a fine up to \$1,000 per occurrence if you sell or offer disapproved products or services. If the law prohibits the use or sale of any product or service, use must cease immediately.

Your grant of a Franchised Business does not include: (i) any right to offer any services via e-commerce except through a website designated by us; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; or (iii) any right to distribute, market, or implement our services in any channel of distribution not specifically identified in the Franchise Agreement.

Any off-site catering must be done in accordance with procedures we establish and must not be provided in a shopping center or mall where we or another franchise operate a Restaurant. Although there are no restrictions on the retail customers or trade area you may serve from your Restaurant, as a practical matter, you will be limited to serving customers who choose to visit the Restaurant.

You will be obligated to offer and sell those new products and to participate in all local, regional and promotional program initiatives and campaigns adopted by us in which we require you to participate. We have the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or to participate in those programs, initiatives and campaigns.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise, and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

A. Franchise Agreement

	Provision	Section in Franchise Agreement	Summary
a.	Term of the Franchise	Section 3	The initial term is for ten (10) years commencing on the date we execute your Franchise Agreement.
b.	Renewal or extension of the term	Section 3	You have the right to be considered for 2 additional (and successive) five (5) year renewal terms.
c.	Requirements for franchisee to renew or extend	Section 3	In order to renew (which means renewing your franchise relationship with us), you must: not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Premises; not have received three (3) or more separate, written notices of material default from

	Provision	Section in Franchise Agreement	Summary
			Franchisor with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices within the 12-month period preceding the renewal request date or renewal date; be in good financial standing; have continued right of possession to the Premises; complete required renovation and modernization of your Franchised Business; pay us our then-current Renewal Fee; execute our then-current form of franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); complete our then-current refresher training course and pay the appropriate training fee (currently, \$250/day per trainee); pay a renewal fee amounting to \$3,500, and execute a general release in our favor (as well as related parties).
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with “cause”	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g.	“Cause” defined – curable defaults	Section 15(B) Section 15(C)	You must cure all monetary defaults under your Franchise Agreement within 10 days of being provided with notice by us, as well as the following defaults: failure to purchase any Required Item; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized; failure to pay us, our Affiliates, or our Approved Suppliers any amount due, and failure to obtain any necessary permit/certificate/approval to operate the Franchised Business. If you receive notice that you have failed to provide us with access to your POS system, you must cure such a default within 3 days. Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).
h.	“Cause” defined - defaults which cannot be cured	Section 15(A)	Your Franchise Agreement may be terminated automatically and without notice from us if: you become insolvent or make a general assignment for the benefit of creditors; a bankruptcy petition if filed by or against you and not dismissed within 30

	Provision	Section in Franchise Agreement	Summary
		Section 15(B)	days; a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; a receiver or custodian of your assets of property is appointed; a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement. Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if: you commit and fraud or misrepresentation in connection with your Franchised Business; you or other required attendees fail to timely complete our Initial Training Program; you receive three (3) or more notices to cure defaults under Section 15(C) of your Franchise Agreement in any 24-month period, or you receive two (2) or more such notices in any 12-month period (whether or not subsequently cured); you violate any in-term restrictive covenants; you misuse the Proprietary Marks, Proprietary Information or other confidential information provided to you; misuse an proprietary software that might be developed; you fail to cure any default under any other agreement you have with our affiliates or any Approved Supplier within the appropriate cure period; you default under your lease for the Premises and fail to timely cure; you fail to open and commence operations within the required time period; you abandon your Franchised Business; you are convicted of a felony or any other crime of moral turpitude or offense that will adversely affect the System; you take any property of the Franchised Business for personal use; there are insufficient funds in your EFT Account on three (3) or more occasions in any 12-month period; or if you commit repeated violations of any applicable law.
i.	Franchisee's obligations on termination/non renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Proprietary Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; return of the Manuals of any other Proprietary Information to us; provide us with all customer information, lists and applicable contracts; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the lease for the Premises to us; pay us all outstanding amounts; comply with our option to purchase the business, if we so choose; and provide us with written confirmation of compliance with these obligations within 30

	Provision	Section in Franchise Agreement	Summary
			days.
j.	Assignment of contract by franchisor	Section 13	No restrictions on our right to assign.
k.	“Transfer” by franchisee – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you.
l.	Franchisor approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m.	Conditions for franchisor approval of transfer	Section 13(E) Section 13(F)	We have the right to impose the following conditions on any transfer by you: all of your obligations under the Franchise Agreement have been satisfied; you cure all existing defaults; the new franchisee must meet our then-current qualifications and criteria for a new franchisee; transferee must assume all of your obligations under the Franchise Agreement; transferee must complete our training program; transferee must execute our then-current form of franchise agreement; transferee must pay our Transfer Fee and successfully complete our Initial Training Program (and pay the applicable training fee); and you must execute a general release in our favor (as well as related parties). You will not be required to pay any transfer fee in the event: (i) you wish to transfer your rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by you and established solely for purposes of operating the Franchised Business under that Franchise Agreement; or (ii) you are required to encumber certain assets of the Franchised Business (or subordinate Franchisor’s security interest with respect to the Franchised Business) in order to receive SBA or other traditional bank financing, provided we otherwise approve of the transfer.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 13(D)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party bona fide offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not

	Provision	Section in Franchise Agreement	Summary
			other Development Area granted by Franchisor to open Restaurants under the Proprietary Marks as of the date this Agreement expires or is terminated. During this two (2) year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business (subject to and as permitted by applicable laws where the Franchised Business is located); (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) soliciting any employees of us, our affiliates or any other System franchisee to discontinue their employment.
s.	Modification of the agreement	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Manuals as we deem appropriate in our discretion from time to time.
t.	Integration/merger clause	Sections 18 and 22	Only the terms of the Franchise Agreement and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 21(B) Section 21(C)	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place in Winston-Salem, North Carolina. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.
v.	Choice of forum	Sections 21(D) and 21(E)	Winston-Salem, North Carolina; North Carolina courts (subject to state law)
w.	Choice of law	Section 21(A)	North Carolina law, except federal Lanham Act (subject to state law)

B. Development Agreement

	Provision	Section in Development Agreement	Summary
a.	Term of franchise	7.1	The Development Agreement will commence on the date it is fully executed and end on the earlier of (a) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule or (b) the day that the final Franchised Business is opened.
b.	Renewal or extension of the term	Not Applicable	Not Applicable.
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable.
d.	Termination by you	Not Applicable	Not Applicable.
e.	Termination by us without cause	Not Applicable	Not Applicable.
f.	Termination by us with cause	7.2	We may terminate your Development Agreement with cause.
g.	Cause defined - default which can be cured	Not Applicable	Not Applicable.
h.	Cause defined - default which cannot be cured	7.2	Your Development Agreement can be terminated by us if: (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the Development Area; (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by Franchisee, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; (iii) you fail to meet your development obligations under the Development Schedule for any single Development Period, and fail to cure such default within 30 days of receiving notice thereof; and (iv) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i.	Your obligations on termination/non-renewal	Not Applicable	Not Applicable.
j.	Assignment of contract by us	9	We have the right to assign our rights under the Development Agreement.

	Provision	Section in Development Agreement	Summary
k.	“Transfer” by you - definition	9	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l.	Our approval of transfer by franchisee	9	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m.	Conditions for our approval of transfer	Not Applicable	Not Applicable.
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable.
o.	Our option to purchase your business	Not Applicable	Not Applicable.
p.	Your death or disability	Not Applicable	Not Applicable.
q.	Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement. If the Development Agreement is terminated prior to its natural expiration, then the geographic scope of the post-term non-competition covenants will also include the Development Area, and a ten (10) mile radius around the perimeter of the Development Area.
s.	Modification of the Franchise Agreement	29	Any modification of the Development Agreement must be in writing and signed by both parties.
t.	Integration/ merger clauses	29	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.
u.	Dispute resolution by mediation	15	You must first notify us of any disputes arising under or related to your Development Agreement and attempt to resolve the dispute through internal dispute resolution with our management. At our option, any disputes or claims that are not resolved by internal dispute resolution must, at our option, be subject to non-binding mediation that will take place in Winston-Salem, North Carolina. We will notify you if we decide to mediate any claim or dispute under the Franchise Agreement and/or Development Agreement, but we are not required to mediate any claim or dispute we have with you if we do not wish to do so.
v.	Choice of forum	17	Litigation in Winston-Salem, North Carolina; North Carolina courts

	Provision	Section in Development Agreement	Summary
			(subject to state law)
w.	Choice of law	13	North Carolina law, except federal Lanham Act (subject to state law)

ITEM 18. PUBLIC FIGURES

We use no public figures to promote the franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATION

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item, for example, by providing information about possible performance at a particular location or under particular circumstances.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with an attorney and other advisors prior to executing the Development Agreement or Franchise Agreement.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you’ll sell as much.

Please note that, at times, this Item 19 refers specifically to Restaurants that were open and operating over the 2023 calendar year as a “2.0 Model,” which means the Restaurant has operated since its opening utilizing (a) our current operational model and System standards we introduced in 2017 and early 2018 emphasizing cost-effectiveness and utilizing modified décor, construction elements, menu, logo and trade dress, and (b) the other System components that comprise our current franchise offering as of the Issue Date (each, a “2.0 Model Restaurant”).

There were a total of 20 franchised Restaurants that operated over the entire 2023 calendar year as 2.0 Model Restaurants, and their historical performance is broken down separately in these Parts of Item 19.

A. GROSS SALES AND CERTAIN EXPENSE INFORMATION FOR 2023 CALENDAR YEAR

In Chart A below, we disclose the average and median historical Gross Sales generated over the 2023 calendar year (the “Measurement Period”) amongst: the 20 franchised Restaurants that were actively operated by the same ownership group as a 2.0 Model Restaurant throughout the Measurement Period.

Chart A excludes: (i) two (2) franchised Restaurants that opened in 2023 and therefore did not operate for the entire 2023 calendar year; (ii) one (1) franchised Restaurant that is operated as a “University Model” that (a) does not operate in a substantially similar manner to a typical franchised Restaurant, and (b) we no longer offer in this Disclosure Document; (iii) one (1) franchised Restaurant that does not report full financial information to us; (iv) one (1) franchised Restaurant that operates under a management agreement and temporarily closed in 2023; (v) four (4) company-owned Restaurants, including one (1) company-owned Restaurant that was acquired from a franchisee during the 2023 calendar year; and (vi) four (4) franchised Restaurants that have not yet converted to the 2.0 model.

CHART A – ECW SALES AND EXPENSE INFORMATION, 2023 CALENDAR YEAR

	Average	Median	High	Low	#/% Exceeding Average
Revenue ¹	\$2,040,117.37	\$1,801,694.15	\$3,541,567.58	\$1,182,529.52	9 of 20 (45%)
Revenue per Sq. Ft. ¹	\$537.05	\$492.36	\$885.79	\$252.46	8 of 20 (40%)
Cost of Sales % ²	36.68%	36.57%	40.28%	31.58%	9 of 20 (45%)
Payroll % ³	25.60%	26.52%	34.40%	12.97%	13 of 20 (65%)
Net Operating Income ⁴	\$305,614.74	\$248,631.70	\$1,156,377.63	-\$15,291.79	8 of 20 (40%)
NOI % ⁴	15.13%	14.53%	32.65%	-0.94%	8 of 20 (40%)

Explanatory Notes to Part A:

1. Revenue. For Part A above, the term “Revenue” means the total sales generated by that Restaurant, less any sales taxes or service charges collected from customers and paid out by the owner of that Restaurant to the appropriate agency or other party. “Revenue per Sq. Ft.” was calculated by dividing Revenue by the square footage of the Restaurant.
2. Cost of Sales (COS). This line represents the average cost of sales (food, liquor, beer, wine, and paper products), divided by Revenue and converted into a percentage. The cost of items such as produce, which are often purchased locally, may vary according to the location of a given Restaurant. Additionally, freight and shipping costs and the amount of mark-up imposed by suppliers will also vary.
3. Payroll. This line represents the average cost of labor, divided by Revenue and converted into a percentage. Average cost of labor for a full-service Restaurant generally necessitates a range of 25-40 employees/personnel, including both full-time and part-time workers. This category includes amounts for payroll and payroll taxes for the employer’s share of federal, state, and local withholdings, such as FICA, Social Security, unemployment taxes, and Medicare taxes. The costs of labor and related payroll expenses may vary substantially depending on the geographic location of the Restaurant. This amount does not include owner’s salary or draws.

4. **Net Operating Income.** For purposes of this Part A, the term “Net Operating Income” or “NOI” means Gross Sales, less (a) the COS and Payroll described in this Part A Chart, and (b) the other operating costs and expenses traditionally used to calculate “Earnings Before Income Tax”), over the Measurement Period. Please note the NOI does not account for any costs or expenses incurred in connection with (a) depreciation or amortization, (b) the amounts expended by a Restaurant owner in connection with meals, entertainment, transportation and/or cell phone, or (c) any salary, draw or other distribution/compensation to the owner of a given Restaurant. “NOI %” was calculated by dividing NOI by Revenue and converting the result into a percentage.
5. Please recall that all Restaurants disclosed in this Part A have been open and operating under the Proprietary Marks and System for at least 12 months as of December 31, 2023. This means these Restaurants have been open for some time and have likely garnered goodwill and reputation/visibility within their respective territories, which is something you may not have when you open a new franchised Restaurant in a market where there are not already Restaurants operating under our Proprietary Marks.
6. Please be advised that the majority of the Restaurants disclosed in Part A are located in North Carolina (which is not surprising given that the majority of our Restaurant locations are located in this state). This is important to note, however, since these Restaurants are operating in a state/region where our Proprietary Marks, menu items and brand generally may have already garnered significant goodwill and reputation.

B. RATIO OF FIRST YEAR REVENUE TO NET INVESTMENT

Part B of this Item discloses the average ratio of: (i) the Revenue generated of the five (5) Restaurants that were (a) newly developed (rather than an existing Restaurant), and (b) open and operating as a 2.0 Model Restaurant (each, an “Applicable 2.0 Model Restaurant”) over its entire first 12-month period of operations; as compared to (ii) the net investment expended in connection with the construction and other development of these Applicable 2.0 Model Restaurants up until the date such Restaurants opened after accounting for any tenant improvement allowances or credits actually received from the applicable landlord.

Part B **Average Ratio of Revenue¹ to Investment Amongst** **Applicable 2.0 Model Restaurants**

Number of Restaurants included in Subset	Average Revenue¹ to Net Buildout Investment² Ratio³ Amongst Restaurants⁴
5	2.70 to 1

Explanatory Notes to Part B:

1. **Revenue.** For each Restaurant described in this Part B, the term “Revenue” means the total sales generated by that Restaurant in its first 12-month period of operations, less any sales taxes or service charges collected from customers and paid out by the owner of that Restaurant to the appropriate agency or other party.

2. Net Investment. For each Restaurant described in this Part B, the term “Net Investment” means the total amount expended in connection with the construction and other development of that Restaurant up until the time that Restaurant opened for business after accounting for actual Tenant Improvement allowances and credits received from the landlord of the Restaurant at issue. This information was provided to us by the owner of each Restaurant disclosed in this Part B.
3. Revenue to Net Investment Ratio (for each Restaurant). For each Restaurant, the Revenue to Net Investment Ratio is calculated by (a) taking that Restaurant’s Revenue generated in its first 12 months of operation, and (b) dividing that figure by that Restaurant’s Net Investment.
4. Overall Ratio. Of the five (5) “2.0 Model Restaurants” disclosed in Part B, two (2) (or 40%) exceeded the Overall Revenue to Net Investment Ratio of 2.70 to 1.

Other than the financial performance representation contained in this Item, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the our management by contacting Sam G. Ballas, President and Chief Executive Officer in writing at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104, or by phone at (336) 760-4985, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. LIST OF OUTLETS AND FRANCHISE INFORMATION

Table 1
System-wide Outlet Summary for years 2021, 2022, and 2023

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2021	32	31	-1
	2022	31	29	-2
	2023	29	30	+1
Company Owned	2021	2	2	0
	2022	2	3	+1
	2023	3	4	+1
Total Outlets	2021	34	33	-1
	2022	33	32	-1
	2023	32	34	+2

Table 2
Transfers from Franchisees to New Owners (Other than the Franchisor)
for years 2021, 2022, and 2023

STATE	YEAR	NUMBER OF TRANSFERS
North Carolina	2021	1
	2022	1
	2023	1
Totals	2021	1
	2022	1
	2023	1

Table 3
Status of Franchised Outlets
For years 2021, 2022, and 2023

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
North Carolina	2021	26	0	0	0	0	0	26
	2022	26	0	0	0	1	0	25
	2023	25	0	0	0	1	0	24
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
	2023	0	0	0	0	0	0	0
Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Totals	2021	32	0	0	0	0	1	31
	2022	31	0	0	1	1	0	29
	2023	29	2	0	0	1	0	30

Table 4
Status of Company-Owned Outlets
For years 2021, 2022 and 2023

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
North Carolina	2021	2	0	0	0	0	2
	2022	2	0	1	0	0	3
	2023	3	0	1	0	0	4
Totals	2021	2	0	0	0	0	2
	2022	2	0	1	0	0	3
	2023	3	0	1	0	0	4

Table 5
Projected Openings as of December 31, 2023

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY- OWNED OUTLETS IN THE NEXT FISCAL YEAR
Virginia	1	1	0
TOTALS	1	1	0

Among the attached Exhibits you will find:

- Exhibit H lists the names of all (a) open System franchisees and the addresses and telephone numbers of their franchised Outlets (if open), (b) System franchisees that signed a Franchise Agreement with us for a franchised Restaurant that was not yet open and actively operating, as of December 31, 2023.
- Exhibit I lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with current or former franchisees that may restrict their ability to share their experience with the System.

There are no independent franchisee organizations that have requested and require disclosure in this Disclosure Document.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit D to this Disclosure Document are copies of our audited financial statements for our last three (3) fiscal years ending December 31, 2023, 2022, and 2021. Our fiscal year ends on December 31.

ITEM 22. CONTRACTS

Copies of the following contracts or documents are also attached as Exhibits to the disclosure agreement:

Franchise Agreement (and Exhibits)	Exhibit B
Area Development Agreement (and Exhibits)	Exhibit C
State Specific Addenda	Exhibit E
Sample Termination and Release	Exhibit G
Compliance Certification	Exhibit J

ITEM 23. RECEIPTS

Exhibit L of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Sam Ballas at East Coast Wings Corporation, 100 Cambridge Plaza Drive, Winston-Salem, NC 27104, or at telephone number (336) 760-4985.

EXHIBIT A
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

California Department of Business Oversight
TOLL FREE 1-(866) 275-2677

LA Office

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento Office

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(866) 275-2677

San Diego Office

1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

San Francisco Office

One Sansome St., #600
San Francisco, CA 94104
(415) 972-8559

Florida Department of Agricultural
and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-11
Indianapolis, IN 46204
(317) 232-6681
Kentucky Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankford, KY 40602
(502) 573-2200
Maryland Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410) 576-6360

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48933
(517) 373-7117

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
(651) 539-1600

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8236

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

Wisconsin Commissioner of Securities
345 W Washington Ave., 4th Floor
Madison, WI 53703
(608) 266-8550

Oregon Department of Consumer
and Business Services
Division of Finance and Corporate
Securities Labor and Industries
350 Winter Street, NE, Room 410
Salem, OR 97310-3881
(503) 378-4140

Director, Department of Business Regulations
Rhode Island Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903-4232

Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501
(605) 773-3563

Statutory Document Section
Texas Secretary of State
P.O. Box 12887
Austin, TX 78711
(512) 475-1769

State of Utah
Division of Consumer Protection
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

State of Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

AGENTS FOR SERVICE OF PROCESS

Attn: Thomas Scalese
East Coast Wings Corporation
100 Cambridge Plaza Drive
Winston-Salem, NC 27104

California Commissioner of the Department of
Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Commissioner of the Department of Business
Oversight
One Sansome St., #600
San Francisco, California 94104

Commissioner of the Department of Business
Oversight
1515 K Street., Suite 200
Sacramento, CA 95814

Commissioner of Securities of the State of
Hawaii
Department of Commerce and Consumer
Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P.O. Box 30054, 6546 Mercantile Way
Lansing, MI 48909

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

New York Department of State
Attention: UCC
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231
(518) 473-2492

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505

Director, Department of Business Regulation
Division of Securities
Suite 232
233 Richmond Street
Providence, RI 02903-4232

Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501

Clerk of the State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, VA 23219

Director, Department of Financial Institutions
Securities Division
150 Israel Road, Southwest
Olympia, WA 98501

Wisconsin Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

EXHIBIT B
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

EAST COAST WINGS CORPORATION
FRANCHISE AGREEMENT

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Exhibit A: Data Sheet

Exhibit B: Form of Personal Guaranty

Exhibit C: Form of Landlord Consent and Agreement

Exhibit D: EFT Withdrawal Authorization Form

Exhibit E: Form of Confidentiality and Non-Competition Agreement (for use by Franchisee for Management Personnel of the Franchised Business and Officers/Directors of the Franchisee)

Exhibit F: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names

Exhibit G: Franchisee Questionnaire/Compliance Certification

EAST COAST WINGS CORPORATION FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this ____ day of _____, 20____ (“Effective Date,”) by and between: (i) East Coast Wings Corporation, a North Carolina corporation with its principal place of business at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Franchisee”).

RECITATIONS

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed a unique system (the “System”) for operating retail eating establishments specializing in dine-in and carry-out featuring a menu of chicken wings, burgers, ribs and other food and beverage items that Franchisor authorizes (collectively, the “Approved Products”), utilizing the System and proprietary marks (each, a “Restaurant”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Restaurant; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Restaurant; standards and specifications for the furniture, fixtures and equipment located within a Restaurant; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Restaurant. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Restaurants are identified by the Franchisor’s then-current proprietary marks, including the current mark EAST COAST WINGS + GRILL and certain other trade names, trademarks, service marks and trade dress that Franchisor designates for use in connection with each Restaurant (collectively, the “Proprietary Marks”), all of which Franchisor may modify, update, supplement or substitute in the future as Franchisor deems appropriate. The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified parties a franchise for the right to independently own and operate a single Restaurant utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Restaurant from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Restaurant based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE

- A. Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as set forth in the Franchise Disclosure Document.
- B. The business venture contemplated by this Agreement involves business risks.
- C. Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson.
- D. Franchisee has received, read, and does understand this Agreement and any attachments.
- E. Franchisee understands and agrees that the restaurant industry is highly competitive with constantly changing market conditions.
- F. Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction.
- G. Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Franchisee either has consulted with such advisors or has deliberately declined to do so.
- H. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- I. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).

- J. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not (a) presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing, or (b) violating any existing contractual obligations by entering into this agreement.
- K. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- L. Franchisee's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with the Franchise Disclosure Document given to Franchisee by Franchisor.
- M. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- N. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including, but not limited to alcohol and liquor licenses and those that are specifically required to offer and provide restaurant services, that are necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.
- O. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a Restaurant; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

2. **GRANT OF FRANCHISE**

- A. **Grant of Franchise**. Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single Restaurant (the "Franchised Business").
- B. **Approved Premises; Site Selection Area**. The Franchised Business must be operated from a single location that Franchisor reviews and approves (the "Premises"). If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the "Site Selection Area") on the data sheet attached

to this Agreement as Exhibit A (the “Data Sheet”) wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised Restaurant within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Restaurant, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.

- C. **Relocation of Premises.** Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor’s prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor’s then-current site selection criteria for the premises of a Restaurant; and (ii) Franchisee reimburses Franchisor for all costs incurred in connection with reviewing and approving the relocation and new premises. If Franchisee’s landlord terminates Franchisee’s right to possess the Premises before the term of the Franchise Agreement expires, then Franchisee must find and receive Franchisor’s approval of a suitable replacement location within 60 days.
- D. **Designated Territory.** Upon locating and securing a Premises, Franchisor will designate a geographical area surrounding the Premises wherein Franchisor will not open or operate, or license a third party the right to open or operate, another Restaurant utilizing the System and Proprietary Marks (the “Designated Territory”), for so long as Franchisee is in compliance with this Agreement. The boundaries of the Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.
- E. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Restaurants and that Franchisee does not have any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Restaurants, each of which will be governed by a separate form of Franchisor’s then-current franchise agreement.
- F. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Restaurants utilizing the Proprietary Marks and System outside the Designated Territory; (ii) market, offer and sell the Approved Products offered by the Franchised Business and other Restaurants through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, grocery stores, direct mail or wholesale, at any location; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services offered by a Restaurant, located within or outside your Designated Territory, and subsequently operate (or license a third party the right to operate)

these locations; (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location; (v) open and operate, or license third parties the right to open or operate Restaurants in non-traditional sites, including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls, other shopping outlets, food courts, and train stations and airports, both within and outside of Franchisee's Designated Territory, with determination of what constitutes a non-traditional site subject to Franchisor's sole discretion; and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement.

- G. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Operations Manual or otherwise).

3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date.
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to two (2) additional terms of five (5) years each, and must provide each request to renew no less than six (6) months and no more than nine (9) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received three (3) or more separate, written notices of material default from Franchisor with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices in the 12-month period preceding the renewal request date or renewal date.
 2. Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.
 3. Franchisee pays Franchisor a renewal fee equal to Three Thousand Five Hundred Dollars (\$3,500), at least ninety (90) days prior to the expiration of the then-current

term. Franchisee will not be required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal.

4. Franchisee and/or the Operations Manager (as defined in this Agreement and as applicable) attends any training refresher course prescribed by Franchisor at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays Franchisor's then-current refresher training tuition fee for each attending trainee. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training.
5. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising out of or related to (a) this Agreement, or (b) any federal, state, or local law, rule, or ordinance.
6. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
7. Franchisee or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Franchised Business within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly opened Restaurant.

4. FEES AND PAYMENTS

- A. **Fees.** In consideration of the rights and license granted herein, Franchisee shall pay the following amounts:
 1. Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Forty Thousand Dollars (\$40,000.00) (the "Initial Franchise Fee"). The parties acknowledge and agree that the Initial Franchise Fee will be deemed fully earned and non-refundable under any circumstances upon payment.
 2. Each month the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee must pay Franchisor an ongoing royalty fee amounting to the greater of: (i) five percent (5%) of the Gross Sales (as defined in Section 4(D)) generated by the Franchised Business during the preceding calendar month; or (ii) Four Thousand Eight Hundred Fifty Dollars (\$4,850) (the "Royalty Fee"). If Franchisee fails to attend Franchisor's annual conference, Franchisor reserves the right to increase the Royalty Fee in an amount equal to up to an additional 1% of the Gross Sales generated by the Franchised Business for the remainder of the calendar year when the training or conference event was held and not attended.

3. On or before the Tuesday of each week the Franchised Business is open, Franchisee shall contribute to the System-wide marketing fund (the "Fund") established by Franchisor. Franchisee must contribute such amount as Franchisor may designate from time to time, in an amount equal to between two percent (2%) and three percent (3%) of the Gross Sales (as defined in this Section 4(D)) generated by the Franchised Business in the preceding Business Week.
 4. If Franchisor allocates certain portions of the Fund to create/product advertising materials to be used by System franchisees, then Franchisee must cover the costs associated with shipping such materials to the Restaurant.
 5. In connection with the required computer software to be used in connection with the point-of-sale system at the Restaurant (the "POS System"), Franchisee shall pay the then-current license and support fees charged by third party providers in connection with such POS System.
 6. All other training/tuition fees, evaluation fees, as well as all amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates must be paid on an ongoing basis, as described more fully in this Agreement.
- B. **Method of Payment.** With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the "EFT Program"), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the "EFT Account"). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account.
- C. **Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee's computer system used in connection with the Franchised Business (the "Computer System") via the Internet, other electronic means or by visiting the Restaurant, in order to obtain Gross Sales, tenant occupancy rates and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised

Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System.

- D. **Gross Sales.** “Gross Sales” means the total revenue generated by your Restaurant, including all revenue generated from the sale and provision of any and all Approved Products and Services offered at your Restaurant, as well as all proceeds from any business interruption insurance related to the non-operation of your Franchised Business. “Gross Sales” does not include (a) tips received by employees of the Franchised Business, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (c) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services offered in connection with the Franchised Business.
- E. **Gross Sales Reports.** Franchisor reserves the right to require Franchisee to send Franchisor a signed weekly or monthly Gross Sales report (a “Gross Sales Report”) detailing the following information: (i) Gross Sales of the Franchised Business from the preceding Business Week; (ii) Franchisee’s calculated Royalty Fee and Fund Contribution (if appropriate) based on the Gross Sales from the preceding Business Week; and (iii) any other information Franchisor may require for that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Sales Reports from time to time. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee’s Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a monthly rather than weekly basis). In such event, Franchisee’s reporting obligations may also be modified by Franchisor accordingly.
- F. **Late Payments.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate of one and one-half percent (1.5%) per month, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay Fifty Dollars (\$50.00) for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.
- G. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.
- H. **Non-Reporting Enforcement Fee.** In the event Franchisee (1) fails to provide to Franchisor any (a) profit and loss statement or balance sheet, or (b) any other financial report or document that Franchisor requires hereunder, and (2) does not cure the foregoing default by providing any such financials and/or other report within seven (7) days of the date Franchisor provides notice to Franchisee of said default, then Franchisee will be required to pay Franchisor a non-reporting enforcement fee amounting to \$1,000 (the “Non-Reporting Enforcement Fee”). This fee requirement is in addition to all other

remedies that Franchisor has hereunder and/or under applicable law in connection with Franchisee's reporting violation.

- I. **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.
1. Notwithstanding anything contained in Section 4(I) of the Franchise Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
 2. The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(I) of the Franchise Agreement unless Franchisee fails to cure a material default under the Franchise Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).
- J. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different approved location within the Designated Territory), with said waiver period not to exceed one hundred and twenty (120) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.
- K. **Compliance with Gift Card Redemption Policies.** Franchisee agrees and acknowledges that Franchisor has set forth policies and guidelines regarding Franchisee's redemption of gift cards at the Franchised Business that were purchased at an EAST COAST WINGS + GRILL Restaurant other than the Franchised Business (and vice versa), along with directives and guidelines for how any compensation will be allocated amongst the Franchised Business and the other EAST COAST WINGS + GRILL Restaurant(s) at issue. Franchisee agrees and acknowledges that such policies and guidelines may affect Franchisee's payment obligations under this Agreement, whether to Franchisor and/or to a different Restaurant location, but agrees to strictly comply with such directives, policies

and guidelines as set forth and updated by Franchisor in the Manuals or otherwise in writing.

- L. **Technology Fee.** Franchisor may charge Franchisee an on-going technology fee to pay for certain aspects of Franchisee's computer system and/or software ("Technology Fee"). Franchisor may designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time providing reasonable notice to Franchisee.

5. **DUTIES OF FRANCHISOR**

- A. **Initial Training Program.** Franchisor shall offer and make available an initial training program (the "Initial Training Program") for Franchisee and other management personnel Franchisee designates, provided the parties attend at the same time. One of the trainees must be Franchisee (or one of Franchisee's principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, one (1) of the other attendees must be Franchisee's operations manager that will be responsible for the day to day management of the Franchised Business (the "Operations Manager"). The Initial Training Program will be conducted at Franchisor's corporate headquarters or other facility that Franchisor designates, subject to the schedules and availability of Franchisor's training personnel. Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor's staff), provided Franchisee pays Franchisor its then-current additional training fee for each individual that attends in addition to the first three (3) individuals (as well as any expenses incurred).
- B. **On-Site Assistance Training.** If and as Franchisor deems appropriate in its discretion, Franchisor may provide seven (7) to fourteen (14) days of on-site assistance and training at the Premises prior to the opening of the Franchised Business (the "On-Site Assistance Training"). Franchisor may determine, in its reasonable discretion, that Franchisee requires more than the standard seven (7) to fourteen (14) days of On-Site Assistance Training if Franchisee or Franchisee's personnel are not able to demonstrate that they adequately understand and can follow the System standards and specification for operation as conveyed by Franchisor in the Initial Training Program and the first seven (7) to fourteen (14) days of On-Site Assistance Training. In the event Franchisor or its personnel provides additional On-Site Assistance Training due to Franchisee's inability to follow System standards and specifications, Franchisee will be responsible for the costs and expenses incurred by Franchisor and its personnel in connection with providing such additional training.
- C. **Replacement Personnel Training.** Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor's then-current additional training fee (as well as any expenses incurred).
- D. **Additional and Refresher Training.** Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor will require Franchisee and its designated attendees to pay Franchisor's then-current additional training fee (in addition to Franchisee's obligation to pay for any expenses incurred).

- E. **Manuals.** Franchisor will loan Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the “Manuals”). Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the “Required Items”); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the “Approved Suppliers”); and (iii) a list of the Approved Products and Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business, including membership programs and services. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you. Franchisor may also establish and maintain Franchisor’s website portal, wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed as part of the manuals on such website portal.
- F. **Site Selection Assistance.** Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee’s selection of a Premises for the Franchised Business, including Franchisor’s then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may require that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee’s proposed location, as well as the lease for the Premises (the “Lease”) or purchase agreement for the location, prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord’s execution of Franchisor’s form of Consent and Agreement of Landlord attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee.
- G. **Initial Marketing Assistance.** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the initial marketing program (as described more fully in Section 9 of this Agreement), which program shall be conducted at Franchisee’s expense.
- H. **Opening Assistance/Continuing Assistance.** Franchisor may, as it deems appropriate and advisable in its sole discretion, provide opening assistance and continuing advisory assistance in the operation of the Franchised Business. Franchisor’s determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.
- I. **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement. Failure to follow our instructions regarding pre-approval of advertising materials will result in the following fines: 1st infraction: \$250; 2nd infraction: \$500; and third infraction: \$1,000.

- J. **Website.** For so long as Franchisor has an active website containing content designed to promote Franchisor's brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement. Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business.
- K. **Private Label Products.** Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be sold at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier Franchisor designates.
- L. **Inspections of the Franchised Business and Premises.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include inspections of the Premises, taking photographs and/or videotape of the Restaurant's common area, taking samples of any Approved Products for sale at the Restaurant, interviewing and surveying Franchisee's personnel and customers, inspecting any and all books and records, and conducting mystery shop services. Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- a. Franchisor may establish a mystery shops program ("Mystery Shops Program") whereby a third-party vendor will patronize the Franchised Business and grade its experience based on criteria established by Franchisor or the third-party vendor. If established, Franchisee shall pay for the costs of the surveys conducted under the Mystery Shops Program to either Franchisor or a third-party vendor.
- b. Franchisor may also conduct quarterly service evaluations of the Franchised Business. Franchisee shall comply with any changes requested by Franchisor based on the quarterly evaluations.
- M. **Administration of Fund.** Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- N. **No Assumption of Liability.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.

- O. **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- P. **Pre-Opening Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within ninety (90) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor complied with all of its pre-opening and opening obligations set forth in this Agreement.
- Q. **Annual Conference.** Franchisor may establish and conduct an annual conference for all System Restaurant owners and operators, and may require Franchisee to attend this conference for no more than five (5) days each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages).

6. **DUTIES OF FRANCHISEE**

- A. **Secure a Premises.** Franchisee must secure a Premises and open and commence operating the Franchised Business within one (1) year of executing this Agreement, unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, the form of Lease must be approved by Franchisor and Franchisee must ensure that the Lease contains the following terms as a condition to Franchisor's approval thereof:
 - 1. The leased Premises will only be used as a System Restaurant offering only the Approved Products and Services that Franchisor designates;
 - 2. Franchisor has the right to enter the Premises to make any modifications necessary to protect Franchisor's Proprietary Marks;
 - 3. Upon Franchisor's request, the landlord shall supply Franchisor with a current copy of the Lease;
 - 4. The landlord will notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and provide Franchisor with an opportunity to cure the default on behalf of Franchisee within a reasonable period of time;
 - 5. Franchisor will have the option, but not the obligation, to assume or renew the Lease and the occupancy of the business premises, including the right to sublease to another party operating a System Restaurant, for all or any part of the remaining term of the Lease only if: (i) the Franchise Agreement or Lease is terminated for cause; (ii) Franchisee is in default under the Lease and, if applicable, fails to cure within the time period provided for in the Lease; (iii) Franchisee is in material default of the Franchise Agreement and fails to cure said default(s) within the applicable time period (if any) thereunder; or (iv) either the Franchise Agreement or Lease expires (and Franchisee does not renew in accordance with the respective terms of those agreements). Franchisor will not have the right to assume any Lease

in the event Franchisee is relocating the Franchised Business from the Premises governed by the Lease in accordance with the terms of this Agreement. In the event Franchisor assumes the Lease under this Section, Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and/or other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days upon termination of Franchisee's rights under the Lease to exercise this option, which Franchise must do in writing; and

6. The Lease may not be materially amended, assigned, or terminated without Franchisor's prior written approval.

B. **Access to Franchisor for Inspection of Premises.** Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.

C. **Compliance with Lease.** Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the termination or expiration of the Lease, the future operation of that Restaurant by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.

D. **Construction and Build-Out.**

1. Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than nine (12) months after the date this Agreement is executed. Franchisor may recommend that Franchisee use an Approved Supplier for construction management services. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.
2. The parties further agree and acknowledge that if Franchisee is opening and operating the Franchised Business pursuant to its development obligations under an Area Development Agreement ("ADA") with Franchisor, then that ADA will control the timeline for opening and operating the Franchised Business in the event there is an inconsistency between the ADA and this Agreement. Franchisee must open and commence operations of the Franchised Business within the time period prescribed in the development schedule set forth in the ADA (even if Franchisor does not require

Franchisee to execute this Agreement until Franchisee has secured an approved Premises for the Franchised Business).

- E. **Required Licenses and Permits.** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to operation of a restaurant or establishment offering food and the other Approved Products and Services provided at the Franchised Business.
- F. **Approved Products and Services.** Franchisee must only offer and sell only the Approved Products and Services at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Products and Services are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products and Services from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute.
- G. **Other Devices Prohibited at Premises.** Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, internet kiosks, public telephones (or payphones), or any other electrical or mechanical device in the Restaurant other than those Franchisor prescribes or approves.
- H. **Fixtures, Furniture, Signs and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. Franchisor will not require Franchisee to make material renovations or refurbishments to the Premises of the Franchised Business in excess of Twenty Thousand Dollars (\$20,000) during the first two (2) years of the Term, unless the expenditure is (a) necessary for menu item production as determined by Franchisor, and (b) associated with the modification of the Marks used at Franchisee's Outlet. FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT. In addition, we reserve the right to require you to purchase and install a vehicle wrap approved by us for the vehicle to be used in connection with the catering services.
- I. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to operating restaurants or businesses serving food. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees

and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

- J. **Required Items.** Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- K. **Alternative Supplier Approval.** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and pay Franchisor's then-current product/supplier evaluation fee (the "Evaluation Fee"). At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments

from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- L. **Computer Issues.** Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.
- M. **Promotional Materials Display.** Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates.
- N. **Initial Training.** Franchisee and each of its management personnel must attend and successfully complete the Initial Training Program prior to opening the Franchised Business, and pay Franchisor the appropriate additional training fees for any additional person(s) that attend the program other than the first three (3) individuals. Franchisee must also cover all costs associated with personnel of Franchisee attending the Initial Training Program. Before Franchisor approves or schedules Franchisee (or any of Franchisee's initial personnel) to attend any portion of the Initial Training Program, Franchisee must: (i) submit, and obtain Franchisor's approval of, Franchisee's initial marketing spend; (ii) undertake all steps to establish the EFT Account to use in connection with the Restaurant, including ensuring that both Franchisor and its designee has all authorizations and approvals necessary to access this EFT Account; (iii) demonstrate that Franchisee has all required insurance policies in place and that such policies name Franchisor and its designees as additional insureds; and (iv) provide Franchisor with completed and signed copies of all exhibits to your Franchise Agreement, to the extent such exhibits have not been signed or need to be updated/completed. Franchisee must also complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and Franchisee must attend Franchisor's annual conference if conducted.
- O. **Training of Employees.** Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one person that has completed the Initial Training Program must manage the Franchised Business at all times.
- P. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- Q. **Image.** Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that the Premises is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every ten (10) years (unless the change is required in

connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor's then-current System standards and specifications for a new System Restaurant.

- R. **Customer Lists.** Franchisee must (i) maintain a list of all of its current and former customers, as well as their purchase history and any membership agreements associated therewith, at the Premises, and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly provide this information, which is deemed "Confidential Information" hereunder, to Franchisor upon expiration or termination of this Agreement for any reason.
- S. **Promotional/Maximum Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must follow Franchisor's general pricing guidelines, including any promotional or maximum prices set by Franchisor for a particular Approved Product or Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition, offering specials, and adapting to local market conditions. Franchisor may request information from Franchisee that has been used to substantiate any reduction in pricing to meet market conditions.
- T. **Operation of Franchised Business and Customer Service.** Franchisee will be responsible for the day-to-day operation of the business. Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.
- U. **Access to Restaurant.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.
- V. **Personal Participation by Franchisee.** Franchisee shall designate an individual to serve as the "Operations Manager" for the Outlet. The Operations Manager shall meet the following qualifications:
 - (i) The Operations Manager must have a bonus plan where the manager is eligible to receive up to ten percent (10%) of the restaurant's net operating income ("NOI") for achieving benchmarks you establish.

(ii) The Operations Manager shall devote full time and best efforts to the supervision and conduct of the development and operation of the Outlet and shall agree in writing to be bound by the non-competition and confidentiality covenants set forth in this Agreement at such time he or she becomes an owner of an interest in Franchisee.

(iii) The Operations Manager shall be approved by Franchisor and shall complete Franchisor's initial training requirements and shall participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by Franchisor. If at any time for any reason the Operations Manager no longer qualifies to act as such, Franchisee shall promptly designate another Operations Manager subject to the same qualifications set forth in this Section 6. Franchisor may choose to waive all or any training requirements for the Operations Manager if it deems appropriate in its sole discretion.

- W. **Management of the Outlet.** The Operations Manager and one or more competent managers approved by Franchisor (who shall have completed Franchisor's initial training program to Franchisor's satisfaction) shall personally devote their full time and best efforts to the management and operation of the Outlet in order to ensure compliance with this Agreement and to maintain Franchisor's high standards. Management responsibility shall include, without limitation, presence of the Operations Manager, manager, or an assistant manager who has successfully completed any training required by Franchisor before being designated as an Operations Manager, manager, or assistant manager at the Outlet during all business hours; maintaining the highest standards of product quality and consistency; maintaining the Outlet in the highest condition of sanitation, cleanliness and appearance; and supervising employees to ensure that the highest standard of service is provided and to ensure that Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. The Franchisor shall receive advance written notice of any change in the Operations Manager or assistant manager.
- X. **Credit Cards.** Franchisee must accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express, Discover and any other major credit cards designated by Franchisor.
- Y. **Payments to Franchisor.** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Z. **Employment Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained. Franchisee agrees and acknowledges that: (i) nothing in this Agreement or franchise relationship shall create any kind of joint employer or employer-employee relationship between (a) Franchise, and (b) Franchisee and any Restaurant personnel; and (ii) Franchisee must indemnify, defend and hold harmless in connection with any costs or damages arising out of any such claim or cause of action.
- AA. **Bookkeeping Software.** Franchisor may require Franchisee to use a third-party provider (other than QuickBooks) for bookkeeping services if Franchisee (i) fails to timely and

accurately provide any and all required reports under this Agreement, or (ii) underreports the Gross Sales of the Restaurant at any time.

- BB. **Annual Conference.** Franchisee must attend the annual business conference held by Franchisor, if conducted. This obligation cannot be delegated to non-shareholder managers. Franchisee will be responsible for all transportation, lodging, food and other costs incurred by the manager in attending the annual business conference. If you do not attend the annual business conference, you will be charged 1% percent of your annual revenue for the balance of the calendar year.

7. **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks.** Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. **Permitted Use.** It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.
- C. **Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
 2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
 3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, EAST COAST WINGS + GRILL® (or other Proprietary Mark we designate), under a license agreement with East Coast Wings Corporation."
- D. **Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to

Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, special recipes, ingredients, menu items, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.

- E. **Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals, special recipes, ingredients, menu items, and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- F. **Confidential Information.** Franchisee agrees that all documents, papers, notes, and other materials, as well as work products containing or derived from the proprietary information or from the knowledge of, or in connection with, the operation of the Franchised Business, will be Confidential Information (as defined in this Agreement) that is the exclusive property of Franchisor. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.
- G. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.
- H. **Modification or Substitution of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's

rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark or good offered, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages

- I. **Other Modification or Substitution of Proprietary Marks.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- J. **Cease Use of Marks on Termination/Non-Renewal.** Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- K. **Disconnection of Telephone Number upon Termination/Renewal.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory or online under or containing the Proprietary Marks or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.
- L. **Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- M. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:

1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
 2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
 3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- N. **No Unauthorized Use.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- O. **Notification of Infringement.** Franchisee shall notify Franchisor within five (5) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- P. **Indemnification Regarding Marks.** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.
- Q. **Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:

1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the internet except as approved in writing by Franchisor; and
2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

8. **OPERATIONS MANUALS AND CONFIDENTIAL/CONFIDENTIAL INFORMATION**

- A. **Compliance with Manuals.** In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.
- B. **Control of the Franchised Business.** Franchisee acknowledges the Manuals provided by Franchisor to Franchisee is intended to protect Franchisor's standards, systems, names, and marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that the Franchised Business will be under the control of the Franchisee at all times.
- C. **Confidential Information.** In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, special recipes, ingredients, menu items, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business.
- D. **Trade Secrets and Confidential Information.** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:
 1. The Manuals, as well as information related to the following: (i) site-selection criteria for Restaurants; (ii) methods, techniques and trade secrets for use in connection with the System for the establishment and operation of a Restaurant; (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business and Restaurants generally; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business and Restaurants generally; (v) knowledge of the operating results and financial performance of any Restaurant utilizing the System; (vi) customer communication and loyalty programs, along with data used or generated in connection with those programs; (vii) Franchisor's other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of the Proprietary Marks; (ix) information generated by, or used or developed in, the operation of the Franchised Business, including customer names, addresses, telephone numbers

and any other information contained in the Franchised Business's computer system; and (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business and Restaurants generally;

2. The special recipes, ingredients, menu items, and storage/preparation/cooking/presentation techniques and methodology associated with the Approved Products; and
3. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").

E. **Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.

F. **Information Not Proprietary.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as hereinafter defined) is information that:

1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.

G. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.

H. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, spouses of employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the "Confidentiality and Non-Competition Agreement"). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking

its role and/or employment or association with Franchisee or the Franchised Business. Franchisee's spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor's request.

- I. **Loan of Manuals.** Franchisor will loan one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- J. **Modification of Manuals.** In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Out-of-date pages must be returned to Franchisor immediately upon replacement. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

9. **ADVERTISING**

- A. **Advertising and Sales Promotion Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Restaurants operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. **Approval for all Advertising/Promotional Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have thirty (30) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this thirty (30) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee

or to be used by a Cooperative, including, but not limited to, the phrase “Franchises Available” and references to Franchisor’s telephone number and/or website.

- C. **Initial Marketing Spend.** Franchisee must spend such amounts as Franchisor may reasonably require, at minimum Seven Thousand Five Hundred Dollars (\$7,500) to Ten Thousand Dollars (\$10,000) depending on the size of the Franchised Business and Designated Territory, to promote and advertise the grand opening of the Franchised Business within the Designated Territory (“Initial Marketing Spend”), which must be expended during the time period beginning approximately thirty (30) days prior to the opening of the Franchised Business through the first sixty (60) days following the opening of the Franchised Business. Franchisor reserves the right to collect the Initial Marketing Spend directly from Franchisee in order to implement the initial marketing campaign on Franchisee’s behalf.
- D. **Local Advertising Requirement.** In addition Initial Marketing Spend, Franchisee shall expend such amounts as Franchisor may designate from time to time for advertising and marketing the Franchised Business within the Designated Territory (the “Local Advertising Requirement”) provided, that the aggregate amount that Franchisee may be required to spend on the Local Advertising Requirement, together with Franchisee’s Fund and Cooperative contributions, will not exceed four percent (4%) of the monthly Gross Sales of the Franchised Business.
1. Upon Franchisor’s request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing.
 2. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other EAST COAST WINGS + GRILL franchise); (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates.
 3. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted to any other EAST COAST WINGS + GRILL location or EAST COAST WINGS + GRILL franchisee/developer, or (b) Franchisor otherwise provides its prior written consent in writing.
- E. **Brand Development Fund.** Franchisor has established a brand development Fund designed to promote the System, Proprietary Marks and EAST COAST WINGS + GRILL brand generally. Franchisee must contribute such amount as Franchisor may designate from time to time, which will in all cases be between two percent (2%) and three percent (3%) of the Gross Sales (as defined in this Section 4(D)) generated by the Franchised Business in the preceding Business Week, as described in Section 4. All payments by Franchisee to the Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund. The Fund will be maintained and administered by Franchisor or Franchisor’s designee as follows:
1. Franchisor will use Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services.

2. Franchisor is not obligated to spend monies from the Fund in any particular Franchisee's market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.
 3. The Fund may be used to meet any and all costs of: maintaining, administering, directing, and preparing advertising, including any and all digital marketing/advertising content, as well as employing technology designed to enhance the System or that is otherwise associated with training tools designed to assist Restaurant owners. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website, employing advertising and public relations agencies, purchasing promotional items, providing other marketing materials and services to the Restaurants operating under the System, and any other activities that Franchisor determines appropriate to develop the brand and/or System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those Franchisor allocates to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.
 6. Franchisor shall administratively segregate all contributions to the Fund on its books and records. All such payments to the Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Fund in any one (1) fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.
 7. Franchisor shall, on an annual basis, account for the operation of the Fund and prepare an unaudited financial statement evidencing such accounting, which will be available to Franchisee upon its written request ninety (90) days after the Franchisor's fiscal year end. Franchisor will not be required to provide an audit with respect to the Fund, and Franchisor may dissolve the Fund at any time after it is established.
- F. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Counsel, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Restaurants,

or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.

- G. **Website.** Franchisor agrees that it will establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.
- H. **Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Restaurant owners located within a geographical region that Franchisor designates (each, a "Cooperative"). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed Franchisee's Local Advertising Requirement each month. All amounts paid to a Cooperative will be credited towards Franchisee's Local Advertising Requirement. Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative.

10. **ACCOUNTING AND RECORDS**

- A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).

- B. **Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business or any amount due to Franchisor by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.
- C. **Computer System for Records.** Franchisee shall record all transactions and Gross Sales of the Franchised Business on a Computer System that is approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement.
- D. **Computer System Files and Passwords.** Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement.
- E. **Current Contracts, Listings and Projects.** At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects that Franchisee is involved in or working with.
- F. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. **Submission of Performance Reports.** Franchisee shall submit to Franchisor, for review or auditing, financial statements, including a balance sheet and income statement prepared on a monthly basis, Gross Sales reports and performance reports for monthly periods, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and place reasonably required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manuals or otherwise in writing. Such reporting shall be submitted no later than the tenth (10th) day of the month following the reporting period or such other date specified in writing by Franchisor. Failure to do so will result in Franchisor's assessment of a penalty of Five Hundred Dollars (\$500.00) and an administrative fee of Fifty Dollars (\$50.00) per day until such reporting is received. If Franchisee prepares and submits to Franchisor monthly profit and loss statements, Franchisor may require Franchisee to have a certified public accountant review such statements on a quarterly

basis, the expense of which shall be borne entirely by the Franchisee, and then submit such quarterly reviews to the Franchisor. Franchisee also shall immediately notify Franchisor in writing when one or more liens or judgments are filed against the Franchisee, the Franchised Business and/or any of the personal guarantors (if any) under this Agreement.

- H. **Submission of Financial Statements and Tax Returns.** Franchisee shall submit, within (a) copies of a balance sheet, profit and loss statement and cash flow report for the Franchised Business operations that, at Franchisor's option, is prepared and certified by a certified public accountant which cover the previous twelve (12) months of operations of the Franchised Business within 45 days of each calendar/fiscal year-end, and (b) monthly profit and loss statements each month on or before the 5th of each month for the immediately preceding month of operations. Each financial submission shall be certified by Franchisee as true and correct. The fiscal year of the Franchised Business must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Franchised Business. Franchisee's failure to provide any report will result in Franchisee being charged the Non-Reporting Enforcement Fee if Franchisee fails to provide such report(s) within the time period discussed in Section 4(H).
- I. **Right to Require Audit if Franchisee Underreports.** In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has been underreporting the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end.
- J. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any Operations Manager that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.
- K. **Payroll.** Franchisee acknowledges the Franchisor's stated best practice is to utilize a payroll service which will include as part of its service the impounding and payment of all employee withholding taxes payable to the Internal Revenue Service and state and local taxing authorities. Franchisee will be responsible for all charges related to the payroll service. In addition, upon Franchisor's request Franchisee must submit copies of all quarterly form 941s and all proofs of payment related thereto to Franchisor within ten (10) days of the date such forms and payments are submitted to pertinent governmental agencies.
- L. **Minimum Operating Account Balance.** Once the Franchised Business has been open and operating for a period of six (6) months, Franchisee must maintain an average daily balance of \$25,000 in the bank account that Franchisee designates for use in connection with the Franchised Business. Franchisor may request that Franchisee provide all information

necessary to evidence that Franchisee is complying with this obligation, including without limitation, bank statements that have (a) been verified by the bank, and (b) signed and certified as accurate by Franchisee.

11. **INSURANCE AND INDEMNIFICATION**

A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

- 1) fire, extended coverage, vandalism, malicious mischief and special extended peril insurance at not less than ninety percent (90%) of the actual replacement value of the building (if owned), and contents, and improvement.
- 2) workers' compensation and other insurance required by law;
- 3) comprehensive general liability insurance on an occurrence basis naming Franchisor and its officers, directors and employees as an additional insured as follows;
- 4) Bodily injury to or death of one or more persons with minimum coverage of Two Million Dollars (\$2,000,000);
- 5) property damage or destruction with minimum coverage of One Million Dollars (\$1,000,000) per occurrence;
- 6) public and product liability with minimum coverage of Two Million Dollars (\$2,000,000); and
- 7) non-owned vehicle coverage with minimum coverage of Five Hundred Thousand Dollars (\$500,000).
- 8) Cyber security insurance coverage with minimum coverage of One Million Dollars (\$1,000,000).
- 9) Any other insurance Franchisor requires.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional

insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.
- C. **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's ownership, construction, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

12. **INDEPENDENT CONTRACTOR**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This Restaurant is independently owned and operated pursuant to a license agreement." Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor.

13. **TRANSFER AND ASSIGNMENT**

- A. **Franchisee Right to Transfer.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.
- B. **Death or Disability.**
1. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.
 2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.

3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).
- C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).
- D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.
- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
 2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement;
5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;
6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, assuming all of Franchisee's obligations under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee or transferee shall pay Franchisor a transfer fee equal to Seven Thousand Dollars (\$7,000).
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and pay Franchisor then-current initial training fee for transferee and one other person to attend training (the transferee will also be responsible for all costs and expenses associated with attending the initial training program);
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.
- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and

techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Operations Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Operations Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lease space to, lend money or extend credit to, or have any other interest in or involvement with: (i) any other restaurant or business that (a) is a fast-food or quick-casual restaurant specializing in chicken wings, burgers, ribs and sandwiches, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of chicken wings, burgers, ribs and sandwiches (each, a "Competing Business"); or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include the following: any business operated by Franchisee under a Franchise Agreement with Franchisor; or any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;
2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or
3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

B. **After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement or assignment of this Agreement by Franchisee, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any immediate family member of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

- a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, or otherwise have any interest in or involvement with any other Competing Business: (i) within the Designated Territory; or (ii) within a ten (10) mile radius of (a) the perimeter of the Designated Territory, (b) any other Restaurant (whether franchised or company-owned) that is open or under development as of the date this Agreement is terminated or expires (or as of the date Franchisee assigns this Agreement), or (c) any other development area territory granted by Franchisor to open Restaurants under the Marks as of the date this Agreement expires or is terminated; or
 - b. To the extent permitted by and subject to applicable law, solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.
- C. **Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 14 shall be tolled during any default under this Section 14.
- D. **Confidentiality and Non-Competition Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Exhibit E). Franchisee must furnish Franchisor a copy of each executed agreement.
- E. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute “good cause” and “reasonable cause” for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
5. A final judgment in excess of Ten Thousand Dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

B. **Termination upon Notice.** Franchisor has the right to terminate this Agreement upon notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure any defaults or violations under Section 15(C) of this Agreement during any twenty

four (24) month period, or two (2) or more such notices during any twelve (12) month period, whether or not these breaches were timely cured;

4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);
9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; or (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than three (3) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
12. If Franchisee fails to provide Franchisor with access to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under

this Agreement, and fails to remedy this default within three (3) business days of being notified by Franchisor;

13. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period; or
19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers; or if Franchisee loses its approval from any city, state, or other regulatory agency to operate a business that provides restaurant services or offers food.

C. **Termination upon Notice and 30 Day Cure Period.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.

D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time

that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these “step-in rights,” Franchisee must reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. Additionally, Franchisor will be entitled to a management fee amounting to Five Hundred Dollars (\$500) per day. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor’s operation of the Franchised Business.

16. POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Operation of Franchised Business and Affiliation with Franchisor.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of Franchise at or with respect to the Premises;
- B. **Return Manuals and Confidential Information.** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including customer lists and information) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Customer Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as may that Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date customer list and any membership contracts to Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F;
- D. **Cease using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for

such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor;

- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- G. **Payment of Outstanding Amount.** Pay Franchisor all amounts owed to Franchisor under the terms of this Agreement.
- H. **Purchase of Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).

17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.

- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all EAST COAST WINGS + GRILL franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

19. **ENFORCEMENT**

- A. **Full Access to Premises for Inspection.** In order to ensure compliance with this Agreement and enable Franchisor to carry out its obligation under this Agreement, Franchisee agrees that Franchisor and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Premises and all records thereof, including but not limited to, records relating to Franchisee's customers, suppliers, employees, and agents. Franchisee shall cooperate fully with the Franchisor and its designated agents requesting such access.
- B. **Injunctive Relief.** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- C. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.

- D. **Costs and Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

20. **NOTICES**

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: EAST COAST WINGS CORPORATION
Attn: Chief Operating Officer
100 Cambridge Plaza Drive
Winston-Salem, NC 27104

With a copy to: William R. Graefe, Esq.
Fisher Zucker, LLC
21 South 21st Street
Philadelphia, PA 19103

To Franchisee: _____

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

21. **GOVERNING LAW AND DISPUTE RESOLUTION**

- A. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to this state's conflict of laws principles.
- B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may

bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

- C. **Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor's principal offices in North Carolina under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.
- D. **Injunctive Relief.** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

- E. **Venue.** Subject to Section 21(C) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Winston-Salem, North Carolina, or, if appropriate, the United States District Court for the Middle District of North Carolina (unless settled by the parties after such action is initiated). Franchisee acknowledges that this Agreement has been entered into in the State of North Carolina, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in North Carolina, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of North Carolina as set forth in this Section.
- F. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within sixty (60) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- J. **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver

of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

- K. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.
- L. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

22. **SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this

Agreement shall be construed independently of any other Section or provision of this Agreement.

23. ACKNOWLEDGMENTS

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document ("FDD"), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.
- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.

FRANCHISOR:

EAST COAST WINGS CORPORATION

By: _____

Print Name: Thomas Scalese

Title: Chief Operating Officer

Date: _____

FRANCHISEE:

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

**IF A PARTNERSHIP, CORPORATION, OR
OTHER ENTITY:**

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT
DATA SHEET AND STATEMENT OF OWNERSHIP

1. SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

2. PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises:

3. DESIGNATED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

4. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name:

Daytime Telephone No.:

Evening Telephone No.:

Cellular Telephone No.:

Facsimile No.:

E-mail Address:

5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE. THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN EXHIBIT.

THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED.

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this ____ day of _____, 20____.

FRANCHISEE

By: _____

Name: _____

Title: _____

FRANCHISOR

EAST COAST WINGS CORPORATION

By: _____
Thomas Scalese, Chief Operating Officer

EXHIBIT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

ARTICLE I PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to East Coast Wings Corporation, a North Carolina corporation (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named _____ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the franchise agreement entered into between Franchisee and Franchisor (the "Franchise Agreement"), as well as any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

ARTICLE II CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria for a franchise restaurant operated utilizing Franchisor's proprietary marks (the "Proprietary Marks") and System (as defined below) (each, a "Restaurant"); (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the "System") for the establishment and operation of a franchised business (hereafter, a "Franchised Business"); (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business; (v) knowledge of the operating results and financial performance of other Restaurants; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for

use in connection with the System; (viii) information regarding the development of Franchisor's proprietary marks (the "Proprietary Marks"); (ix) information generated by, or used or developed in, the Restaurant's operation, including customer names, addresses, telephone numbers and related information and any other information contained in the Franchised Business's computer system; (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business; (xi) Franchisor's proprietary Operations Manual and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; and (xii) any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, "Confidential Information"). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor's copyrighted materials; price marketing mixes related to the offer and sale of restaurant products and other Approved Services and Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Products and other merchandise or services offered or authorized for sale by System franchisees; methods, special recipes, ingredients, menu item preparation, and other techniques and know-how concerning the operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section: (i) former, current and prospective customer information, including customer names and addresses, contracts/agreements (collectively "Customer Lists"), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

ARTICLE III

NON-COMPETITION

You acknowledge that as a participant in the Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor's franchisees, you agree as follows:

1. During the Term of the Franchise Agreement and this Guaranty. During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lease space to, lend money or extend credit to, or have any other interest in or involvement with: (i) any other restaurant or business that (a) is a chicken wing or grill themed fast-food or quick-casual eating establishment, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of chicken wings, burgers, ribs, or sandwiches (each, a "Competing Business"); or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; provided, however, that this Section does not apply to your operation of an EAST COAST WINGS + GRILL franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly traded company.

1.2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2. After the Term of This Agreement.

2.1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in offering or granting franchises or licenses, or establishing joint ventures, for the ownership or operation of a Competing Business. The scope of the non-compete described in this Section shall be the geographical area where Franchisor can demonstrate that it has offered and sold franchises as of the date the Franchise Agreement is terminated or expires (or, if applicable, as of the date Franchisee assigns/transfers the Franchise Agreement).

2.2. For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lease space to, lend money or extend credit to, or have any other interest in or involvement with, any Competing Business that is located within a ten (10) mile radius of: (i) the perimeter of the Designated Territory granted under the Franchise Agreement; (ii) any other Restaurant that exists as of the date the Franchise Agreement is terminated or expires (or, if applicable, as of the date Franchisee assigns/transfers the Franchise Agreement); or (iii) any other development area territory granted by Franchisor to open Restaurants under the Marks as of the date this Agreement expires or is terminated;

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.3. Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment (to the extent permitted by and subject to applicable law).

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

ARTICLE IV DISPUTE RESOLUTION

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of North Carolina.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, in Franchisor's principal offices in North Carolina, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** Subject to the other dispute resolution provisions in this Personal Guaranty, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located closest to Winston-Salem, North Carolina or, if appropriate, the United States District Court for the Middle District of North Carolina. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights

respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor’s sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns or transferees.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.

PERSONAL GUARANTORS

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

EXHIBIT C TO THE FRANCHISE AGREEMENT

CONSENT AND AGREEMENT OF LANDLORD FORM AND
COLLATERAL ASSIGNMENT OF LEASE FORM

CONSENT AND AGREEMENT OF LANDLORD

The undersigned Landlord hereby:

- A. Agrees that the leased Premises will only be used in connection with the operation of Franchisee's EAST COAST WINGS + GRILL franchised business;
- B. Agrees that Franchisor has the right to enter the Premises to (a) make any modifications necessary to protect Franchisor's Proprietary Marks, or (b) otherwise exercise or enforce Franchisor's rights under the Franchise Agreement;
- C. Agrees to allow Franchisee, upon written request from Franchisor, to provide Franchisor with a current copy of the lease;
- D. Agrees to notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and also provide Franchisor with the right to cure said default under the Lease within thirty (30) days of being notified (but Franchisor is under no obligation to do so);
- E. Agrees that Franchisor will have the option, but not the obligation, to assume or renew the lease and the occupancy of the business Premises, including the right to sublease to another Franchisee, for all or any part of the remaining term of the lease, upon Franchisee's default or termination hereunder or upon Franchisee's default or termination or expiration of the Franchise Agreement, and in connection with said assumption Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days, upon termination of Franchisee's rights under the lease, to exercise this option; and
- F. Agrees that the lease may not be materially amended, assigned, or sublet without Franchisor's prior written approval.

Dated: _____

LANDLORD
CORPORATE SIGNATURE:

a/an _____ corporation

By: _____

By: _____

Its: _____

Its: _____

SIGNED and SEALED this ____ day of _____, 20____

Notary Public

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) hereby assigns and transfers to East Coast Wings Corporation (“Assignee”), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Schedule 1 (the “Lease”) respecting premises commonly known as _____ (the “Premises”).

This Assignment is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor's rights, title and interest under the Lease pursuant to this assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default and failure to cure (within the appropriate time period) by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (the “Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 120 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

Dated: _____

SIGNED AND SEALED this ____
day of _____, 20____

EXHIBIT D TO THE FRANCHISE AGREEMENT

EFT AUTHORIZATION FORM

Bank Name: _____
ABA# : _____
Acct. No.: _____
Acct. Name: _____

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes East Coast Wings Corporation (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated _____ (the “Franchise Agreement”) for the franchised business located at: _____ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions (if a Fund is established); (iii) (iii) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE

[INSERT FRANCHISEE NAME]

By: _____

Name (Print): _____

Its: _____

FRANCHISOR APPROVAL

EAST COAST WINGS CORPORATION

By: _____
Thomas Scalese, Chief Operating Officer

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT E TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for trained employees, officers, directors, general partners, members, Operations Managers and any other management personnel of Franchisee)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from East Coast Wings Corporation (the “Company”) to: (i) establish and operate an EAST COAST WINGS + GRILL franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of EAST COAST WINGS + GRILL Restaurant businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other EAST COAST WINGS + GRILL Restaurant businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, special recipes, ingredients, menu item preparation, methods, and know-how related to the operation of EAST COAST WINGS + GRILL Restaurant business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential

Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in: (i) any other restaurant or business that (a) is a chicken wing or grill themed fast-food or quick-casual eating establishment, or (b) otherwise generates twenty percent (20%) or more of its revenue from the combined sale of chicken wings, burgers, ribs, or sandwiches (each, a “Competing Business”); or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for any Competing Business. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

6.1 *Post-Term Restrictive Covenant for Operations Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two (2) years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a five (5) mile radius of the Premises; or (ii) within a five (5) mile radius of any other EAST COAST WINGS + GRILL Restaurant that exists at the time my employment with Franchisee ceases. During the two (2) year period described in this Section, I also agree that I will not: (a) be involved in the franchising or licensing of any Competing Business at any location within the United States where the Company can demonstrate it has offered or sold franchises as of the date my employment ceases with Franchisee; (b) undertake any action to divert business from the Franchised Business to any Competing Business; or (c) solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of North Carolina. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

EXHIBIT F TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1. _____, doing business as EAST COAST WINGS + GRILL Restaurant (the “Assignor”), in exchange for valuable consideration provided by East Coast Wings Corporation (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its EAST COAST WINGS + GRILL franchised business located at _____ (collectively, the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): _____

Facsimile Number(s): _____

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): _____

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

ASSIGNOR

By: _____

Date: _____

Title: _____

ASSIGNEE

EAST COAST WINGS CORPORATION

By: _____
Thomas Scalese, Chief Operating Officer

Date: _____

EXHIBIT G TO THE FRANCHISE AGREEMENT

FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH, A REGULATED STATE): FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

As you know, East Coast Wings Corporation (“we”, “us”), and you are preparing to enter into a Franchise Agreement for the right to open and operate one (1) or more EAST COAST WINGS + GRILL franchises (each, a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You must sign and date this certification the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes____ No ____ 1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?
- Yes____ No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes____ No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes____ No ____ 5. Have you reviewed the Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes____ No ____ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes____ No ____ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes____ No ____ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the EAST COAST WINGS + GRILL mark or any other mark at any location outside your

Designated Territory under the Franchise Agreement without regard to the proximity of these activities to you're the premises of your Franchised Business(es)?

- Yes____ No ____ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our principal offices in North Carolina?
- Yes____ No ____ 10. Do you understand the Franchise Agreement provides that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes____ No ____ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement is us?
- Yes____ No ____ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Operations Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes____ No ____ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes____ No ____ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?
- Yes____ No ____ 15. Do you understand that we will send written notices, as required by your Franchise Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes____ No ____ 16. Do you understand that we will not approve your purchase of a franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes____ No ____ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes____ No ____ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes____ No ____ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing

penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

EXHIBIT C
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement (“Agreement”) entered into this ___ day of ___, 20___, between: (i) East Coast Wings Corporation, a North Carolina corporation with its principal place of business at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Developer”).

BACKGROUND

A. Franchisor and its principals and affiliates have expended a considerable amount of time, effort, and money to develop a system for the operation of unique retail eating establishments specializing in dine-in and carry-out featuring a menu of chicken wings, burgers, ribs and other food and beverage items that Franchisor authorizes under the name “East Coast Wings + Grill” and/or other proprietary marks we designate (the “Franchised Business” or “Restaurant”).

B. Restaurants are established and operated using a unique operating system, the distinguishing characteristics of which include: (i) unique proprietary recipes (the “Proprietary Recipes”); (ii) uniform specifications for food and beverage preparation and presentation; (iii) distinctive interior and exterior Restaurant design, decor and color schemes; (iv) uniform specifications for furniture, fixtures, equipment, and signage; (v) merchandising, marketing, advertising, and inventory management systems; and (vi) other standards and procedures for operation and management of a Restaurant in the manner set forth in this Agreement and in the Operations Manual provided by Franchisor, as modified from time to time (the “System”).

C. The System is identified by proprietary trademarks, service marks, trade dress, logos and other indicia of origin including, without limitation, the trade name and service mark “East Coast Wings + Grill” (the “Proprietary Marks”). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System will be owned exclusively by Franchisor or its affiliates and be used for the benefit of Franchisor, its affiliates and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder. Franchisor continues to develop, expand, use, control, and add to the Proprietary Marks and System for the benefit use of itself, its affiliates, and its franchisees and licensees in order to identify for the public the source of products and services marketed thereunder and to represent the System’s high standards of quality and service.

D. Franchisor offers franchises to qualified individuals for the right to operate a single or multiple Restaurants under the System and Proprietary Marks.

E. Area Developer desires to obtain the exclusive right to develop the designated territory granted hereunder (“Development Area”) by opening multiple Area Developer-owned Restaurants pursuant to the Mandatory Development Schedule set forth herein (the “Area Development Business”).

F. Area Developer understands and acknowledges the importance of Franchisor’s uniformly high standards of quality and service and the necessity of ensuring that Area Developer operates Area Developer’s Restaurants in strict conformity with Franchisor’s quality control standards and specifications.

G. Franchisor hereby grants to Area Developer the right to operate multiple Restaurants, in reliance upon all of the representations made in Area Developer’s application and in this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Development Area.

1.1 Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish _____ Franchised Businesses within the Development Area defined in the Data Sheet attached hereto as Exhibit A (the “Data Sheet”), provided Developer opens and commences operations of such Franchised Businesses in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the “Development Schedule”) and otherwise subject to the terms and conditions set forth herein.

1.2 Except as provided in Section 1.3 and otherwise herein, during the term of this Agreement Franchisor will not open or operate, or license any third party the right to open or operate, any Restaurant utilizing the Proprietary Marks and System within the Development Area.

1.3 Developer agrees and acknowledges that Franchisor will have the right to modify the boundaries of the Development Area upon written notice to Developer to account for any designated territory that is granted to another System franchisee or developer in connection with a premises for a Restaurant at a location that (a) Developer secures, and (b) is close to the outer boundaries of the Development Area, to the extent necessary to avoid overlap between that designated territory and the Development Area. In the event Franchisor notifies Developer that it is modifying the Development Area as set forth in this Section, Developer agrees to work in good faith with Franchisor to enter into an addendum to this Agreement detailing the modified Development Area.

2. Development Fee; Pre-Opening Support Fee.

2.1 Developer shall pay Franchisor the development fee set forth in the Data Sheet (the “Development Fee”) for the right to develop the foregoing Franchised Businesses within the Development Area under this Agreement, with the parties agreeing and acknowledging that this Development Fee is: (i) deemed fully earned upon payment and is not refundable under any circumstances; and (ii) payable in accordance with the schedule set forth in this Section 2.2 below. The parties further agree and acknowledge that the Development Fee is consideration solely for the territorial rights that are being granted to Developer within the Development Area under this Agreement, and that such Development Fee is not tied to (a) any particular franchise, or (b) the pre-opening or other obligations of either party in connection with any particular franchise.

2.2 Once the Development Fee is paid, Developer shall not be required to pay Franchisor any type of franchise fee in connection with the initial Franchised Business that Developer is granted the right to open under this Agreement (the “Initial Franchised Business”).

2.3 Developer will be required to pay Franchisor a fee amounting to \$20,000 (the “Pre-Opening Support Fee”) in connection with each additional franchised business granted hereunder (“Additional Franchised Business”), which is due and owing to Franchisor upon the earlier of (a) 10 days from the date that a lease or Franchise Agreement is executed in connection with that Additional Franchised Business, or (b) 90 days prior to the scheduled opening of that Additional Franchised Business.

2.4 While only the Development Fee will be due upon execution of this Agreement, the parties agree and acknowledge that both the Development Fee and all Pre-Opening Support Fees will be

deemed fully earned and non-refundable upon execution of this Agreement.

3. **Initial Franchise Agreement.** Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the Initial Franchised Business that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each Additional Franchised Business that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed-upon Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Franchised Businesses during each of the development periods defined in the Development Schedule (each, a "Development Period"); and (ii) has the minimum cumulative number of Franchised Businesses open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 6.2 of this Agreement (and any future development rights granted hereunder).

6. **Training.** With regards to training, the following terms shall apply, in addition to the training provisions detailed in Sections 5 and 6 of the Franchise Agreement signed in connection with each Franchised Business:

6.1 Second Franchised Business: Developer must supply a "front of house" trainer and a "back of house trainer" to complete the training team requirements at the time of initial training in connection with Developer's second Franchised Business, who will in turn (a) work with Franchisor's trainers in connection with the provision of the on-site training and assistance, and (b) receive, as Franchisor determines appropriate, additional training and guidance from Franchisor's training personnel;

6.2 Third Franchised Business: Developer must supply 2 "front of house" trainers and 2 "back of house" trainers to complete the training team requirements in connection with the third Franchised Business and any additional Franchised Business at the time that the initial training program must be completed in connection with that Franchised Business, who will in turn be responsible for providing all instruction and training to the personnel of that Franchised Business; and

6.3 Fourth Franchised Business and Each Subsequent Business Developed: Developer must supply 1 additional "front of house" and "back of house" trainer (2 total) times the total number of additional Franchised Businesses Developer is required to have open as of that date.

7. **Term and Termination.**

7.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule; or (ii) the date

Developer actually opens the last Franchised Business that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any “Designated Territory” associated with a Franchised Business that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (as such rights are granted by Franchisor under the respective Franchise Agreement(s) into which Developer has entered for such Franchised Business(es)).

7.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three (3) consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Franchised Businesses within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period (including any corresponding Pre-Opening Support Fee or other payment obligations), and fails to cure such default within 30 days of receiving notice thereof; or (iv) if any Franchise Agreement that is entered into in order to fulfill Developer’s development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

8. **Reservation of Rights.** Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

9. **Sale or Assignment.** Developer’s rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor’s prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer’s initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

10. **Option to Purchase.** Franchisor has the option to purchase all of the rights granted to Developer under this Agreement, along with the Franchise Agreement and assets associated with any Restaurant that is opened within the Development Area as of the date Franchisor provides Developer with the “Option Notice” defined below (each, an “Existing Restaurant”) in accordance with the terms of this Section (the “Option”).

10.1 *Option Period.* Franchisor may exercise the Option at any point during the term of this Agreement. Franchisor must provide Developer with written notice of its intention to exercise the Option (the “Option Notice”).

10.2 *Purchase Price.* Franchisor agrees to pay Developer a purchase price that will be calculated based on (a) the development and other rights granted under this Agreement, and (b) any Existing Restaurant that Developer has opened and the assets associated therewith (the “Purchase Price”). The Purchase Price shall be calculated as follows:

10.2.1 if Developer has not opened or entered into a lease for any Restaurant, then the Purchase Price for all rights granted under this Agreement and any signed Franchise Agreements described herein will be 200% of the Development Fee described in Section 2.1 above;

10.2.2 if Developer has developed or opened an Existing Restaurant as of the date Franchisor provides Developer with the Option Notice, then: (i) the Purchase Price for each such Existing Restaurant, including (a) all furniture, fixtures, equipment, unused inventory and supplies (as of the date of the contemplated sale) and other operating assets used in connection with that Existing Restaurant, (b) all franchise rights, leasehold or ownership rights in the premises of that Existing Restaurant, and (c) any and all licenses (including any license to sell any type of alcohol), permits and approvals associated with that Existing Restaurant (collectively, the “Restaurant Assets”), will be calculated as set forth in purchase option provision in the Franchise Agreement governing that Existing Restaurant; and (ii) the Purchase Price for all remaining development and other rights granted under this Agreement will amount to \$40,000 multiplied by the number of Franchised Businesses that Developer still has the right to open as of the date Franchisor provides Developer with the Option Notice.

10.2 *Exercising the Option and Related Terms.* Once Franchisor has provided Developer with the Option Notice, Franchisor will have a 90-day period within which to conduct its due diligence on any Restaurant Assets that might be part of the purchase. In the event that Franchisor elects to proceed with the purchase after the satisfactory conclusion of Franchisor’s due diligence, Franchisor will have 60 days from the completion of its due diligence investigation within which to tender the Purchase Price and close on the transaction (“Closing”). At Closing, Developer agrees to deliver possession and title to all the assets and rights described in this Section 9 (the “Acquired Assets and Rights”) to Franchisor pursuant to a prescribed form of asset purchase agreement, free and clear of all liens and encumbrances. Franchisor may elect to rescind its election to exercise the Option at any time prior to Closing. Franchisor’s failure to exercise the Option on one or more occasions will not preclude Franchisor from exercising the Option at a later date. Franchisor will not be obligated to assume any liabilities in connection with Franchisor’s purchase of the Acquired Assets and Rights. Franchisor shall be entitled to offset the total Purchase Price by: (i) any amounts owed by Developer to Franchisor; and (ii) any liabilities (contingent or otherwise) which Franchisor agrees, at its discretion, to undertake in connection with exercising the Option. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor’s purchase of the Acquired Assets and Rights, including, without limitation: representations and warranties as to ownership and condition of and title with respect to any Restaurant Assets; liens and encumbrances with respect to any Restaurant Assets; validity of contracts and agreements; and liabilities affecting the Acquired Assets and Rights, contingent or otherwise. Upon Closing, this Agreement and any Franchise Agreement governing an Existing Restaurant will be deemed terminated (or transferred, at Franchisor’s option), and Developer must comply with all post-term obligations associated with this Agreement and such Franchise Agreements. The parties acknowledge and agree that the Option and the Purchase Price set forth herein are fair and reasonable.

11. **Acknowledgment.** Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor’s Proprietary Marks or System.

12. **Notices.** All notices, requests and reports to be given under this Agreement are to be in writing, and delivered either by hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

13. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to this state’s conflict of laws principles.

14. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor’s management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute

resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

15. **Mediation.** At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 13 above, must be submitted first to non-binding mediation, in or near Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor.

15.1 The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 14 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential/proprietary information of Franchisor (as such information is defined more fully in the Franchise Agreements); (ii) any of the restrictive covenants contained in this Agreement or any other Franchise Agreements executed in connection with the Franchised Businesses opened within the Development Area; and (iii) any of Developer's payment obligations under this Agreement or any such Franchise Agreement.

15.2 This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation and that any mediation proceeding involving Franchisor and Developer or its principals that arises out of or relates to this Agreement in any manner must be mediated in a proceeding that does not involve any other third party, including any other franchisee or licensee of Franchisor's franchise system.

16. **Injunctive Relief.** Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Proprietary Marks and Franchisor's confidential information; (ii) Developer's covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement or any Franchise Agreement with Franchisor; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) prohibiting any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

17. **Jurisdiction and Venue.** Subject to Sections 14 and 15 of this Agreement, the parties agree

that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Winston-Salem, North Carolina or, if appropriate, the United States District Court for the Middle District of North Carolina (unless settled by the parties after such action is initiated). Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 15 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

18. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

19. **JURY TRIAL WAIVER.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

20. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

21. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

22. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

23. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

24. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it

valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

25. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

26. **Successors.** References to “Franchisor” or “Developer” include the respective parties’ successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

27. **Additional Documentation.** Developer must, from time to time, subsequent to the date first set forth above, at Franchisor’s request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer’s attorney-in-fact to execute any and all documents on Developer’s behalf, as reasonably necessary to effectuate the transactions contemplated herein.

28. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

29. **Entire Agreement.** This Agreement contains the entire agreement between the parties concerning Developer’s development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor’s policies, procedures, standards, specifications or manuals at Franchisor’s discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE***

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

EAST COAST WINGS CORPORATION

Print Name: _____

Date: _____

DEVELOPER:

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

IF LLC, CORPORATION, OR OTHER ENTITY:

By: _____

Print Name: _____

Title: _____

Owner Signature: _____

Owner Name: _____

Owner Signature: _____

Owner Name: _____

Date: _____

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

2. **Development Schedule.** The Development Schedule referred to in Section 5 of the Development Agreement is as follows:

Expiration of Development Period (each, a “Development Period”)	# of New Franchised Businesses Opened Within Development Period	Cumulative # of Franchised Businesses that Must Be Open and Operating	Pre-Opening Support Fee Due in Connection with Franchised Business at Issue	Due Date For Pre-Opening Support Fee
___ Months from Effective Date	1	1	\$0	Not Applicable
___ Months from Effective Date	1	2	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	3	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	4	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	5	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the

				scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	6	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	7	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	8	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	9	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.
___ Months from Effective Date	1	10	\$20,000	On the earlier of: (i) 10 days from the date a lease or Franchise Agreement for this Additional Franchised Business is executed; or (ii) 90 days prior to the scheduled opening date for this Additional Franchised Business.

3. **Development Fee.** The Development Fee that is due and payable to Franchisor immediately upon execution of this Agreement shall be \$_____.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE***

APPROVED AND ACCEPTED BY:

EAST COAST WINGS CORPORATION

Print Name: _____

Date: _____

DEVELOPER

(Individual, Partnership or Corporation Name)

By: _____

Title: _____

Date: _____

EXHIBIT D
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

East Coast Wings Corporation

Financial Statements Years Ended December 31, 2023 and 2022

East Coast Wings Corporation

Financial Statements
Years Ended December 31, 2023 and 2022

East Coast Wings Corporation

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Independent Auditor's Report

Board of Directors and Stockholders
East Coast Wings Corporation
Winston-Salem, North Carolina

Opinion

We have audited the financial statements of East Coast Wings Corporation (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, P.C.

Dallas, Texas
April 29, 2024

Financial Statements

East Coast Wings Corporation

Balance Sheets

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 1,065,855	\$ 840,232
Restricted cash- Gift card escrow	244,353	225,221
Certificates of deposit	-	70,000
Accounts receivable	241,246	246,774
Advances to related parties	118,746	82,375
Total current assets	1,670,200	1,464,602
Property and equipment, net	141,333	133,310
Right of use asset	793,728	885,998
Trademarks	46,241	46,241
Total Assets	2,651,502	2,530,151
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	-	36
Accrued expenses	-	24,752
Gift card payable	243,853	225,221
Lease obligation, current portion	89,642	88,193
Deferred revenue	340,000	180,000
Total current liabilities	673,495	518,202
Lease Obligation, non-current portion	712,239	801,881
Total Liabilities	1,385,734	1,320,083
Stockholders' equity		
Common stock, \$0 par- 100,000 shares authorized and 95,000 shares issued and outstanding	-	-
Additional paid-in capital	21,474	21,474
Retained earnings	1,244,294	1,188,594
Total stockholders' equity	1,265,768	1,210,068
Total Liabilities and stockholders' equity	\$ 2,651,502	\$ 2,530,151

See accompanying notes to financial statements.

East Coast Wings Corporation

Statements of Income

<i>Year ended December 31,</i>	2023	2022
Revenues		
Royalty fees	\$ 2,517,898	\$ 2,319,717
License fees	87,500	25,000
Brand development fund fees	692,301	404,500
Rebates	643,548	429,211
Annual conference and other	29,011	31,337
Total Revenues	3,970,258	3,209,765
Administrative and development expenses	2,755,907	2,207,683
Management Fees	1,176,000	1,010,000
Operating (loss) income	38,351	(7,918)
Other income		
Interest, net	17,349	3,845
Gain on extinguishment of PPP loan	-	212,243
Net income	\$ 55,700	\$ 208,170

See accompanying notes to financial statements.

East Coast Wings Corporation

Statements of Stockholder's Equity

		Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2021	\$	-	\$ 21,474	\$ 980,424	\$ 1,001,898
Net income		-	-	208,170	208,170
Balance, December 31, 2022		-	21,474	1,188,594	1,210,068
Net income		-	-	55,700	55,700
Balance, December 31, 2023	\$	-	\$ 21,474	\$ 1,244,294	\$ 1,265,768

See accompanying notes to financial statements.

East Coast Wings Corporation

Statements of Cash Flows

<i>Years ended December 31,</i>	2023	2022
Cash flows from operating activities		
Net income	\$ 55,700	\$ 208,170
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	18,540	19,214
Extinguishment of PPP loan	-	(212,243)
Non-cash lease expense	4,077	4,076
Change in assets and liabilities:		
Accounts receivable	5,528	18,590
Advances to related parties	(36,371)	(38,332)
Accounts payable	(36)	(54,501)
Accrued expenses	(24,752)	(13,469)
Gift card payable	18,632	17,852
Deferred revenue	160,000	10,833
Net cash provided by (used in) operating activities	201,318	(39,810)
Cash flows from investing activities		
Purchase of property and equipment	(26,563)	(16,116)
Proceeds from redemption of certificate of deposit	70,000	-
Net cash provided by (used in) investing activities	43,437	(16,116)
Net change in cash, cash equivalents, and restricted cash	244,755	(55,926)
Cash, cash equivalents, and restricted cash, beginning of year	1,065,453	1,121,379
Cash, cash equivalents, and restricted cash, end of year	\$ 1,310,208	\$ 1,065,453

See accompanying notes to financial statements.

East Coast Wings Corporation

Notes to Financial Statements

1. Description of Business

East Coast Wings Corporation (the “Company”) was organized under the laws of the State of North Carolina for the purpose of selling development and licensing rights to franchisees wishing to operate East Coast Wings & Grill® restaurants. These franchises specialize in wings, sandwiches and salads in a family eat-in dining experience that provides for healthier casual dining. The Company sells these rights principally in the United States.

The initial term of the franchise is 10 years. The Franchisee has the option to extend the initial franchise term for three additional five-year periods.

2. Summary of Significant Accounting Policies

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At various times throughout the year, the Company has cash balances in financial institutions which exceed the amount that is federally insured. For the years ended December 31, 2022 and 2021, \$803,963 and \$538,559 of the Company’s total cash and restricted cash was uninsured.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash presented within the balance sheets that sum to the total of the same amounts is shown in the statements of cash flows for the years ended December 31, 2023 and 2022:

<i>December 31,</i>	2023	2022
Cash and cash equivalents	\$ 1,065,855	\$ 840,232
Restricted cash	244,353	225,221
Total cash, cash equivalents, and restricted cash	\$ 1,310,208	\$ 1,065,453

Restricted cash includes amounts collected in exchange for gift cards. These amounts are not available to the Company for immediate or general business use.

Accounts Receivable

Accounts receivable consist primarily of royalty billings to franchisees and are due within 30 days. The Company does not recognize an allowance for credit losses due to the historical collectivity of such balances. The Company collected a total of \$221,249 in royalty fees subsequent to December 31, 2023.

Revenue Recognition and Deferred Revenue

The Company recognizes revenue for all entities and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled.

East Coast Wings Corporation

Notes to Financial Statements

The Company elected to apply the practical expedient allowed by ASU 2021-02, *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606)*, and has elected to account for all qualifying pre-opening activities as a single performance obligation. The revenues recognized associated with performing pre-opening services approximated the amount of the franchise fees charged to franchisees. As a result, the amounts subject to deferral and subsequent amortization is considered immaterial.

Pre-opening services per ASU 2021-02 are defined as follows:

1. Assistance in the selection of a site
2. Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
3. Training of the franchisee's personnel or the franchisee
4. Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
5. Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business
6. Inspection, testing, and other quality control programs

The Company's primary cash flows associated with its franchise agreements are as follows:

- License fee revenue - The Company executes franchise agreements that set the terms of its arrangements with each franchisee. Generally, the franchise agreement requires the franchisee pay an initial, non-refundable fee of \$40,000 for the first franchise, and \$20,000 for each additional franchise purchased.
- Royalty Revenue - Royalty revenues are collected from existing franchise owners. These fees are typically the greater of 5% of gross sales generated by the Franchise Business during the preceding month or \$4,850. Royalty revenues represent sales-based royalties that are related entirely to performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.
- Brand Development Fund - The Company established and administers a brand development fund for the benefit of the entire franchise system. Funds are used to meet certain costs related to maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional program materials, and any other services which the Company believes will enhance the image of the franchise. The fund is supported by a fee not to exceed 3% of gross franchise sales. When the Company is determined to be the principal in these arrangements, development fund contributions and expenditures are reported on a gross basis in the Statements of Income. During the years ended December 31, 2023 and 2022, development fund expenditures exceeded contributions.
- Rebates - The Company earns rebates based on product purchase volume. Rebate revenue is recognized when earned.

East Coast Wings Corporation

Notes to Financial Statements

- Annual Conference and Other - The Company may establish and conduct an annual conference for all System Restaurants owners and operators and Franchisees. The Company also receives sponsorships to help defray the cost of hosting the annual conference. Revenue from hosting the annual conference is recognized when the conference is held.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. The franchise agreements include promises to provide a license of Company brand's intellectual property, a list of approved suppliers, certain training programs, an operation manual, and to maintain the development fund. These performance obligations are highly interrelated, not considered to be individually distinct, and therefore the Company accounts for them under Topic 606 as a single performance obligation.

Recognition of the initial franchisee fees is deferred and recognized at a point in time when the pre-opening services have been provided to the franchisees and upon the store opening. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination. For the years ended December 31, 2023 and 2022, the Company recognized \$0 in revenue from such terminations and other related fees.

The components of the change in deferred franchise fee revenue are as follows:

	2023	2022
Balance at beginning of period	\$ 180,000	\$ 140,000
Fees received from franchise owners	7,500	60,000
Fees to be received from franchise owners	-	5,000
Franchise fee revenue recognized	(87,500)	(25,000)
Deferred franchise fee revenue	\$ 100,000	\$ 180,000

Also included in deferred revenue is rebate revenue received from certain vendors but not earned as of December 31, 2023 and 2022. Deferred rebate revenue totaled \$240,000 and \$0 at December 31, 2023 and 2022, respectively.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using a method that approximates straight-line. Long-lived assets held and used by the Company are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Impairments, if any, are measured based on the fair value of the related assets. Based on the Company's analysis, there has not been any impairment of long-lived assets during 2023 and 2022.

East Coast Wings Corporation

Notes to Financial Statements

The estimated useful lives of the Company's property and equipment are as follows:

	Years
Buildings	39
Leasehold improvements	Shorter of lease term or useful life
Equipment	5-10
Furniture and fixtures	7-10
Vehicles	5

Trademarks

Trademarks are carried at cost and considered to be indefinite-lived intangible assets. Management performs an annual impairment test that uses qualitative factors to determine whether events and circumstances indicate that it is more likely than not, that an indefinite-lived intangible asset is impaired. If management concludes that an indefinite-lived intangible is not likely to be impaired, no further action is taken. However, if management concludes otherwise, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceed the fair value of the assets. The Company did not record any impairment charges in 2023 or 2022.

Fair Value of Financial Instruments

Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures," requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

Financial instruments of the Company include accounts receivable, accounts payable and certificate of deposit. The fair value of these instruments approximates the carrying amount because of the short term nature of these instruments and in addition, for the certificates of deposit, the interest rate approximates a market rate of interest.

Gift Cards

The Company offers gift cards through the individual franchise locations within the System. The amount collected is recognized as a liability until the card is redeemed at a franchise location. When the gift card is redeemed at the franchise level, the funds are released to the redeeming franchise with revenue being recorded to the franchise.

Advertising Costs

Advertising costs are expensed as incurred and were approximately \$602,000 and \$588,000 in 2023 and 2022, respectively.

East Coast Wings Corporation

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include useful lives of property and equipment and allowances for doubtful accounts.

Income Taxes

The Company has elected, with the consent of its stockholders, to be taxed under subchapter “S” of the Internal Revenue Code. Accordingly, the stockholders include their respective share of taxable income of the corporation in their individual tax returns. As a result, no federal or state income tax is imposed on the Company. The Company has historically distributed dividends to the stockholders in an amount sufficient to reimburse for income taxes incurred as a result of the subchapter “S” election. There were no dividend distributions to stockholders during 2023 and 2022. The Company had no significant unrecognized tax positions or accompanying interest and penalties during 2023 and 2022. The Company is subject to federal and state income tax examinations for tax years ended in 2017 through 2022; however, no examinations are in process.

Leases

Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, requires entities to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This standard offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The standard became effective for the Company for annual reporting periods beginning January 1, 2022. The Company has elected to use practical expedients allowed to 1) not reassess whether existing contracts are leases, 2) not reassess lease classifications for existing leases, 3) not reassess initial direct costs, 4) not separate lease components from non-lease components for real estate leases, and 5) not recognize short term leases of one year or less on the balance sheet. See Note 6 for additional information.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASC 326 which significantly changed how entities will measure credit loss for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statement with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the company that were subject to the guidance were trade accounts receivables. The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosure only. There was no impact to prior period.

East Coast Wings Corporation

Notes to Financial Statements

Reclassifications

Certain items in the 2022 financial statements have been reclassified to conform to the 2023 presentation. There was no modification to changes in net assets as a result of the reclassifications.

3. Property and Equipment

Property and equipment at December 31, 2023 and 2022 consists of the following:

	2023	2022
Buildings	\$ 55,418	\$ 55,418
Leasehold improvements	85,999	66,633
Equipment	93,126	85,930
Furniture and fixtures	56,983	56,983
Vehicles	36,500	36,500
Total Property and Equipment	328,026	301,464
Less accumulated depreciation	(186,693)	(168,154)
Net property and equipment	\$ 141,333	\$ 133,310

Depreciation expense for the years ended December 31, 2023 and 2022 was approximately \$19,000, respectively.

4. Related Parties

The Company pays a management fee to ECW Enterprises, Inc. the parent holding company, for various management advisory services. The management fee paid was \$1,176,000 and \$1,010,000 for the years ended December 31, 2023 and 2022, respectively.

5. Advances to Related Parties

From time to time, the Company makes advances to stockholders or an entity owned by the stockholders with no associated interest. The Company expects the advances to be repaid during the upcoming year and are therefore shown as a current asset.

6. Leases

The Company has entered into a commercial lease agreement for office space for its corporate headquarters. Leases are classified as operating or finance leases at commencement, based on the characteristics of the lease. Leases with original terms less than one year are not recognized on the balance sheet but are expensed as paid over the short term. The base terms for most of our lease arrangements typically do not extend beyond 10 years, with the option to renew the lease for an additional 5 year term. The Company historically negotiates updated lease terms prior to exercising renewal options therefore the renewal option is not included in the calculated lease obligation and associated right-of-use asset. Additionally, the Company has elected the practical expedient not to separate lease and non-lease components.

East Coast Wings Corporation

Notes to Financial Statements

Due to the implicit rate not being readily available or determined in most leases, the Company has elected the practical expedient for all lease payments to be discounted at a risk-free rate based on the treasury bond rates with maturity dates that most closely match the remainder of the lease either at adoption or commencement if post-adoption.

At December 31, 2023, the Company had one lease classified as an operating lease. The lease has a 10 year term with fixed payment amounts. Additionally, a rent escalation clause is included in the lease. Right of use assets and lease liabilities relating to the operating lease at December 31, 2023 were approximately \$794,000 and \$802,000, respectively.

Supplemental balance sheet information related to leases as of December 31, 2023 is as follows:

Remaining Lease Term (Years)	8
Discount Rate	1.63%
Operating Lease Cost	\$105,982

Operating lease costs are recorded in administrative and development expenses on the Statements of Income. Total operating lease cash payments of \$102,000 were made in 2023 and 2022, respectively. Rent expense paid to an entity related by common ownership was \$10,000 in 2023 and 2022.

Future payments due under operating leases were as follows (in thousands):

December 31,

2024	\$	101,906
2025		101,906
2026		101,906
2027		101,906
2028		112,097
Thereafter		336,290
Total future lease payments	\$	856,011
Less: implied interest		54,130
Less: current portion of lease obligation		89,642
Net lease liabilities	\$	712,239

7. Retirement Plan

The Company has a 401(k) plan for the benefit of its employees. The Company makes a safe harbor matching contribution of 100% of the first 3% of compensation the employee contributes to the plan and 50% of the next 2% of compensation contributed. Profit sharing contributions can be made at management's discretion. Employee participation and vesting are determined by the plan's agreement. The Company contributed/matched approximately \$20,000 and \$14,000 to the plan in 2023 and 2022, respectively.

East Coast Wings Corporation

Notes to Financial Statements

8. Franchise Information (Unaudited)

The Company's franchisees operate principally under the name "East Coast Wings & Grill." Franchise fees for new, single-unit locations, are approximately \$40,000 per unit. There were 34 units operating, of which 34 were in the United States as of December 31, 2023.

The following summarizes the significant changes related to the stores during 2023 and 2022.

	2023	2022
Franchises open, beginning of period	32	33
Franchises opened during the year	2	-
Franchises closed during the year	-	(1)
Franchises open, end of period	34	32

10. Commitments and Contingencies

From time to time, various claims against the Company may arise in the ordinary course of business, including franchisee-related claims. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

11. Subsequent Events

The Company evaluated its December 31, 2023 financial statements for subsequent events through April 29, 2024 the date the financials were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.



East Coast Wings Corporation

Financial Statements Years Ended December 31, 2022 and 2021

East Coast Wings Corporation

Financial Statements
Years Ended December 31, 2022 and 2021

East Coast Wings Corporation

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Independent Auditor's Report

Board of Directors and Stockholders
East Coast Wings Corporation
Winston-Salem, North Carolina

Opinion

We have audited the financial statements of East Coast Wings Corporation (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Company adopted amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, LLP

Dallas, Texas
May 23, 2023

Financial Statements

East Coast Wings Corporation

Balance Sheets

<i>December 31,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 840,232	\$ 914,010
Restricted cash- Gift card escrow	225,221	207,369
Certificates of deposit	70,000	70,000
Accounts receivable	246,774	265,364
Advances to related parties	82,375	44,043
Total current assets	1,464,602	1,500,786
Property and equipment, net	133,310	136,408
Right of use asset	885,998	-
Trademarks	46,241	46,241
Total Assets	2,530,151	1,683,435
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	36	54,537
Accrued expenses	24,752	38,221
Gift card payable	225,221	207,369
Lease obligation, current portion	88,193	-
Deferred revenue	180,000	169,167
PPP Loan, current portion	-	14,150
Total current liabilities	518,202	483,444
PPP loan, non-current portion	-	198,093
Lease Obligation, non-current portion	801,881	-
Total Liabilities	1,320,083	681,537
Stockholders' equity		
Common stock, \$0 par- 100,000 shares authorized and 95,000 shares issued and outstanding	-	-
Additional paid-in capital	21,474	21,474
Retained earnings	1,188,594	980,424
Total stockholders' equity	1,210,068	1,001,898
Total Liabilities and stockholders' equity	\$ 2,530,151	\$ 1,683,435

See accompanying notes to financial statements.

East Coast Wings Corporation

Statements of Income

<i>Year ended December 31,</i>	2022	2021
Revenues		
Royalty fees	\$ 2,319,717	\$ 2,542,200
License fees	25,000	42,500
Brand development fund fees	404,500	345,000
Rebates	429,211	388,910
Annual conference and other	31,337	2,563
Total Revenues	3,209,765	3,321,173
Administrative and development expenses	2,207,683	1,949,938
Management Fees	1,010,000	1,199,000
Operating (loss) income	(7,918)	172,235
Other income		
Interest, net	3,845	522
Gain on extinguishment of PPP loan	212,243	151,602
Net income	\$ 208,170	\$ 324,359

See accompanying notes to financial statements.

East Coast Wings Corporation
Statements of Stockholder's Equity

		Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2020	\$	-	\$ 21,474	\$ 656,065	\$ 677,539
Net income		-	-	324,359	324,359
Balance, December 31, 2021		-	21,474	980,424	1,001,898
Net income		-	-	208,170	208,170
Balance, December 31, 2022	\$	-	\$ 21,474	\$ 1,188,594	\$ 1,210,068

See accompanying notes to financial statements.

East Coast Wings Corporation

Statements of Cash Flows

<i>Years ended December 31,</i>	2022	2021
Cash flows from operating activities		
Net income	\$ 208,170	\$ 324,359
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	19,214	20,254
Loss on disposal of property and equipment	-	5,899
Extinguishment of PPP loan	(212,243)	(151,602)
Non-cash rent and equipment expense	4,076	-
Change in assets and liabilities:		
Accounts receivable	18,590	(51,372)
Advances to related parties	(38,332)	61,391
Accounts payable	(54,501)	20,635
Accrued expenses	(13,469)	25,440
Gift card payable	17,852	22,925
Deferred revenue	10,833	20,000
Net cash (used in) provided by operating activities	(39,810)	297,929
Cash flows from investing activities		
Purchase of property and equipment	(16,116)	(48,541)
Net cash used in investing activities	(16,116)	(48,541)
Cash flows from financing activities		
Proceeds from PPP loan	-	212,243
Net cash provided by financing activities	-	212,243
Net change in cash, cash equivalents, and restricted cash	(55,926)	461,631
Cash, cash equivalents, and restricted cash, beginning of year	1,121,379	659,748
Cash, cash equivalents, and restricted cash, end of year	\$ 1,065,453	\$ 1,121,379

See accompanying notes to financial statements.

East Coast Wings Corporation

Notes to Financial Statements

1. Description of Business

East Coast Wings Corporation (the “Company”) was organized under the laws of the State of North Carolina for the purpose of selling development and licensing rights to franchisees wishing to operate East Coast Wings & Grill® restaurants. These franchises specialize in wings, sandwiches and salads in a family eat-in dining experience that provides for healthier casual dining. The Company sells these rights principally in the United States.

The initial term of the franchise is 10 years. The Franchisee has the option to extend the initial franchise term for three additional five-year periods.

2. Summary of Significant Accounting Policies

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At various times throughout the year, the Company has cash balances in financial institutions which exceed the amount that is federally insured. For the years ended December 31, 2022 and 2021, \$172,123 and \$242,029 of the Company’s total cash and restricted cash was uninsured.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash presented within the balance sheets that sum to the total of the same amounts is shown in the statements of cash flows for the years ended December 31, 2022 and 2021:

<i>December 31,</i>	2022	2021
Cash and cash equivalents	\$ 840,232	\$ 914,010
Restricted cash	225,221	207,369
Total cash, cash equivalents, and restricted cash	\$ 1,065,453	\$ 1,121,379

Restricted cash includes amounts collected in exchange for gift cards. These amounts are not available to the Company for immediate or general business use.

Certificates of Deposit

The Company has a certificate of deposit with a bank that earns interest at 1.60%, compounded quarterly, and matured in December 2022. The funds were withdrawn subsequent to fiscal year 2022.

Accounts Receivable

Accounts receivable consist primarily of royalty and marketing fees due from franchisees. Management believes these amounts to be collectible and historically have not experienced any significant losses from uncollectible receivables. No allowance for doubtful accounts were required for fiscal 2022 or 2021, respectively. The Company collected a total of \$247,000 in royalty fees, license renewal fees, and marketing fees subsequent to December 31, 2022.

East Coast Wings Corporation

Notes to Financial Statements

Revenue Recognition and Deferred Revenue

The Company recognizes revenue for all entities and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled.

The Company elected to apply the practical expedient allowed by ASU 2021-02, *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606)*, and has elected to account for all qualifying pre-opening activities as a single performance obligation. The revenues recognized associated with performing pre-opening services approximated the amount of the franchise fees charged to franchisees. As a result, the amounts subject to deferral and subsequent amortization is considered immaterial.

Pre-opening services per ASU 2021-02 are defined as follows:

1. Assistance in the selection of a site
2. Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
3. Training of the franchisee's personnel or the franchisee
4. Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
5. Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business
6. Inspection, testing, and other quality control programs

The Company's primary cash flows associated with its franchise agreements are as follows:

- License fee revenue - The Company executes franchise agreements that set the terms of its arrangements with each franchisee. Generally, the franchise agreement requires the franchisee pay an initial, non-refundable fee of \$40,000 for the first franchise, and \$20,000 for each additional franchise purchased.
- Royalty Revenue - Royalty revenues are collected from existing franchise owners. These fees are typically the greater of 5% of gross sales generated by the Franchise Business during the preceding month or \$4,850. Royalty revenues represent sales-based royalties that are related entirely to performance obligation under the franchise agreement and are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligations to our franchise owners to maintain the intellectual property being licensed.
- Brand Development Fund - The Company established and administers a brand development fund for the benefit of the entire franchise system. Funds are used to meet certain costs related to maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional program materials, and any other services which the Company believes will enhance the image of the franchise. The fund is supported by a fee not to exceed 3% of gross franchise sales. When the Company is determined to be the principal in these arrangements, development fund contributions and expenditures are

East Coast Wings Corporation

Notes to Financial Statements

reported on a gross basis in the Statements of Income. During the years ended December 31, 2022 and 2021, development fund expenditures exceeded contributions.

- Rebates - The Company earns rebates based on product purchase volume. Rebate revenue is recognized when earned.
- Annual Conference and Other - The Company may establish and conduct an annual conference for all System Restaurants owners and operators and Franchisees. The Company also receives sponsorships to help defray the cost of hosting the annual conference. Revenue from hosting the annual conference is recognized when the conference is held.

Typically, franchise agreements are granted to franchise owners for an initial term of ten years with an option to renew. The franchise agreements include promises to provide a license of Company brand's intellectual property, a list of approved suppliers, certain training programs, an operation manual, and to maintain the development fund. These performance obligations are highly interrelated, not considered to be individually distinct, and therefore the Company accounts for them under Topic 606 as a single performance obligation.

Recognition of the initial franchisee fees is deferred and recognized at a point in time when the pre-opening services have been provided to the franchisees and upon the store opening. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination. For the years ended December 31, 2022 and 2021, the Company recognized \$0 and \$10,000, respectively, in revenue from such terminations and other related fees, which are included in license fees on the income statement.

The components of the change in deferred franchise fee revenue are as follows:

	2022	2021
Balance at beginning of period	\$ 140,000	\$ 70,000
Fees received from franchise owners	60,000	102,500
Fees to be received from franchise owners	5,000	10,000
Franchise fee revenue recognized	(25,000)	(42,500)
Balance at end of period	180,000	140,000
Less: current portion of deferred franchise fee revenue	-	-
Deferred franchise fee revenue, net of current portion	\$ 180,000	\$ 140,000

Also included in deferred revenue is rebate revenue received from certain vendors but not earned as of December 31, 2022 and 2021. Deferred rebate revenue totaled \$0 and \$29,167 at December 31, 2022 and 2021, respectively.

East Coast Wings Corporation

Notes to Financial Statements

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using a method that approximates straight-line. Long-lived assets held and used by the Company are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Impairments, if any, are measured based on the fair value of the related assets. Based on the Company's analysis, there has not been any impairment of long-lived assets during 2022 and 2021.

The estimated useful lives of the Company's property and equipment are as follows:

	Years
Buildings	39
Leasehold improvements	Shorter of lease term or useful life
Equipment	5-10
Furniture and fixtures	7-10
Vehicles	5

Trademarks

Trademarks are carried at cost and considered to be indefinite-lived intangible assets. Management performs an annual impairment test that uses qualitative factors to determine whether events and circumstances indicate that it is more likely than not, that an indefinite-lived intangible asset is impaired. If management concludes that an indefinite-lived intangible is not likely to be impaired, no further action is taken. However, if management concludes otherwise, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceed the fair value of the assets. The Company did not record any impairment charges in 2022 or 2021.

Fair Value of Financial Instruments

Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures," requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

Financial instruments of the Company include accounts receivable, accounts payable and certificate of deposit. The fair value of these instruments approximates the carrying amount because of the short term nature of these instruments and in addition, for the certificates of deposit, the interest rate approximates a market rate of interest.

East Coast Wings Corporation

Notes to Financial Statements

Gift Cards

The Company offers gift cards through the individual franchise locations within the System. The amount collected is recognized as a liability until the card is redeemed at a franchise location. When the gift card is redeemed at the franchise level, the funds are released to the redeeming franchise with revenue being recorded to the franchise.

Advertising Costs

Advertising costs are expensed as incurred and were approximately \$588,000 and \$541,000 in 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include useful lives of property and equipment and allowances for doubtful accounts.

Income Taxes

The Company has elected, with the consent of its stockholders, to be taxed under subchapter “S” of the Internal Revenue Code. Accordingly, the stockholders include their respective share of taxable income of the corporation in their individual tax returns. As a result, no federal or state income tax is imposed on the Company. The Company has historically distributed dividends to the stockholders in an amount sufficient to reimburse for income taxes incurred as a result of the subchapter “S” election. There were no dividend distributions to stockholders during 2022 and 2021. The Company had no significant unrecognized tax positions or accompanying interest and penalties during 2022 and 2021. The Company is subject to federal and state income tax examinations for tax years ended in 2016 through 2021; however, no examinations are in process.

Leases

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which requires entities to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This standard offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The standard became effective for the Company for annual reporting periods beginning January 1, 2022. Additionally, the Company has elected to use practical expedients allowed to 1) not reassess whether existing contracts are leases, 2) not reassess lease classifications for existing leases, 3) not reassess initial direct costs, 4) not separate lease components from non-lease components for real estate leases, and 5) not recognize short term leases of one year or less on the balance sheet. See Note 6 for additional information.

East Coast Wings Corporation

Notes to Financial Statements

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed below, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position, results of operations or cash flows upon adoption.

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) in 2016. The new guidance replaces the incurred loss impairment approach in legacy United States Generally Accepted Accounting Standards (“GAAP”) with a methodology that reflects future credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans and other financial instruments, companies are required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. This ASU is required to be adopted by private companies for the year beginning January 1, 2023. The Company is evaluating the impact of the adoption of this standard to its financial statements.

Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform to the 2022 presentation. There was no modification to changes in net assets as a result of the reclassifications.

3. Property and Equipment

Property and equipment at December 31, 2022 and 2021 consists of the following:

	2022	2021
Buildings	\$ 55,418	\$ 55,418
Leasehold improvements	66,633	61,646
Equipment	85,930	77,994
Furniture and fixtures	56,983	53,789
Vehicles	36,500	36,500
Total Property and Equipment	301,464	285,347
Less accumulated depreciation	(168,154)	(148,939)
Net property and equipment	\$ 133,310	\$ 136,408

Depreciation expense for the years ended December 31, 2022 and 2021 was approximately \$19,000 and \$20,000, respectively.

4. Related Parties

The Company pays a management fee to ECW Enterprises, Inc. the parent holding company, for various management advisory services. The management fee paid was \$1,010,000 and \$1,199,000 for the years ended December 31, 2022 and 2021, respectively.

East Coast Wings Corporation

Notes to Financial Statements

5. Advances to Related Parties

From time to time, the Company makes advances to stockholders or an entity owned by the stockholders with no associated interest. The Company expects the advances to be repaid during the upcoming year and are therefore shown as a current asset.

6. Leases

The Company has entered into a commercial lease agreement for office space for its corporate headquarters. Leases are classified as operating or finance leases at commencement, based on the characteristics of the lease. Leases with original terms less than one year are not recognized on the balance sheet but are expensed as paid over the short term. The base terms for most of our lease arrangements typically do not extend beyond 10 years, with the option to renew the lease for an additional 5 year term. The Company historically negotiates updated lease terms prior to exercising renewal options therefore the renewal option is not included in the calculated lease obligation and associated right-of-use asset. Additionally, the Company has elected the practical expedient not to separate lease and non-lease components.

Due to the implicit rate not being readily available or determined in most leases, the Company has elected the practical expedient for all lease payments to be discounted at a risk-free rate based on the treasury bond rates with maturity dates that most closely match the remainder of the lease either at adoption or commencement if post-adoption.

At December 31, 2022, the Company had one lease classified as an operating lease. The lease has a 10 year term with fixed payment amounts. Additionally, a rent escalation clause is included in the lease. Right of use assets and lease liabilities relating to the operating lease at December 31, 2022 were approximately \$886,000 and \$890,000, respectively.

Supplemental balance sheet information related to leases as of December 31, 2022 is as follows:

Remaining Lease Term (Years)	9
Discount Rate	1.63%
Operating Lease Cost	\$105,982

Operating lease costs are recorded in administrative and development expenses on the Statements of Income. Total operating lease cash payments of \$102,000 and \$92,000 were made in 2022 and 2021, respectively. Rent expense paid to an entity related by common ownership was \$10,000 in 2022 and 2021.

East Coast Wings Corporation

Notes to Financial Statements

Future payments due under operating leases were as follows (in thousands):

<i>December 31,</i>		2022
2023	\$	101,906
2024		101,906
2025		101,906
2026		101,906
2027		101,906
Thereafter		448,386
Total future lease payments	\$	957,916
Less: implied interest		67,842
Net lease liabilities	\$	890,074

As previously disclosed in the Company's 2021 Audited Financial Statements and under the previous lease accounting, the minimum lease payments required under operating leases were as follows as of December 31, 2021:

2022	\$	92,000
2023		92,000
2024		92,000
2025		102,000
2026		102,000
Thereafter		203,000
Total minimum rental payments	\$	683,000

7. Retirement Plan

The Company has a 401(k) plan for the benefit of its employees. The Company makes a safe harbor matching contribution of 100% of the first 3% of compensation the employee contributes to the plan and 50% of the next 2% of compensation contributed. Profit sharing contributions can be made at management's discretion. Employee participation and vesting are determined by the plan's agreement. The Company contributed/matched approximately \$14,000 and \$12,000 to the plan in 2022 and 2021, respectively.

East Coast Wings Corporation

Notes to Financial Statements

8. Franchise Information (Unaudited)

The Company's franchisees operate principally under the name "East Coast Wings & Grill." Franchise fees for new, single-unit locations, are approximately \$40,000 per unit. There are 32 units operating, of which 32 are in the United States as of December 31, 2022.

The following summarizes the significant changes related to the stores during 2022 and 2021.

	2022	2021
Franchises open, beginning of period	33	34
Franchises opened during the year	-	-
Franchises closed during the year	(1)	(1)
Franchises open, end of period	32	33

9. Long- Term Debt

Long-term debt consisted of the following:

December 31,	2022	2021
Paycheck Protection Program Loan	\$ -	\$ 212,243
Less current portion	-	14,150
Total debt less current portion	\$ -	\$ 198,093

On April 24, 2021, the Company received loan proceeds from Pinnacle Bank in the amount of \$212,243 under the Paycheck Protection Program ("PPP"). The PPP was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loans bear interest at a rate of 1% and mature 5 years from the date of the note. On February 9, 2022, the Company's PPP loan was forgiven by the Small Business Administration ("SBA") and the Company recorded a gain on extinguishment in the statement of income for the year ended December 31, 2022.

10. Commitments and Contingencies

From time to time, various claims against the Company may arise in the ordinary course of business, including franchisee-related claims. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

East Coast Wings Corporation

Notes to Financial Statements

11. Subsequent Events

The Company evaluated its December 31, 2022 financial statements for subsequent events through May 23, 2023 the date the financials were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

EXHIBIT E
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA
TO THE FDD, FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “Applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by EAST COAST WINGS CORPORATION and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider

- ☐ Illinois
- ☐ Indiana
- ☐ Maryland
- ☐ Michigan
- ☐ New York
- ☐ Virginia

EAST COAST WINGS CORPORATION

By: Thomas Scalese
Title: Chief Operating Officer

FRANCHISEE (Print Name)

By: _____
Title: _____

ILLINOIS

ADDENDUM TO FDD REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

For info about obtaining a liquor license in Illinois, see: <https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see: <https://www.tipscertified.com/tips-state-pages/illinois/>

See: the Liquor Control Act of 1934, 235 ILCS 5/ (West 2018) for Illinois Dram Shop laws.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

ILLINOIS

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

For info about obtaining a liquor license in Illinois, see: <https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see: <https://www.tipscertified.com/tips-state-pages/illinois/>

See: the Liquor Control Act of 1934, 235 ILCS 5/ (West 2018) for Illinois Dram Shop laws.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Designated Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material

breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement and Development Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement and Development Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement is amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 23 of the Franchise Agreement is hereby deleted in its entirety.

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.).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes and other term of any document executed in connection with the franchise.

MICHIGAN

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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

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

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the Franchise System or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for Franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for Franchisor approval of transfer:**"

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by Franchisee.**”

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of Forum,**” and Item 17(w), titled “**Choice of Law:**”

The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee’s understanding of the law and facts as of the time of the franchisee’s investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

VIRGINIA

Disclosure Document.

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Area Development Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Area Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

EXHIBIT F
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT
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TRAINING MANUAL



ECW+G Education Guide

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EXHIBIT G
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT
SAMPLE TERMINATION AND RELEASE AGREEMENT

SAMPLE TERMINATION OF FRANCHISE AGREEMENT AND RELEASE
UPON TRANSFER TO AN AUTHORIZED FRANCHISEE

This Termination of Franchise Agreement and Release (the “Agreement”) is made this _____ day of _____, 20____, by and between East Coast Wings Corporation, a North Carolina corporation with its principal office located at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104 (“Franchisor”), and _____, a _____ with an address at _____ (“Transferor”).

BACKGROUND

A. On _____, Transferor entered into a franchise agreement (the “Franchise Agreement”) with Franchisor for the right to operate a Restaurant at _____.

B. Transferor has satisfied all conditions of transfer as specified in the Franchise Agreement and now desires to sell the business to _____, who has been approved by Franchisor as an authorized transferee.

C. In order to complete Transferor’s sale of the business, Transferor now desires to terminate the Franchise Agreement and all rights and obligations between the parties relating to the Franchise Agreement, and Franchisor desires to accept such termination, pursuant to the terms of this Agreement.

AGREEMENT

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the terms and conditions contained in this Agreement, the Franchise Agreement and all rights and obligations between Franchisor and Transferor arising from or related to the Franchise Agreement are terminated, effective as of the date of this Agreement.

2. Notwithstanding anything in this Agreement to the contrary, the parties agree that Transferor will remain bound by all of the post-term covenants and obligations contained in the Franchise Agreement including, without limitation, those relating to Confidential Information and Non-competition.

3. Transferor represents and warrants that all of Transferor’s monetary obligations to Franchisor and its subsidiaries and affiliates have been satisfied in full as of the date of this Agreement.

4. Transferor, for itself and all persons and entities claiming by, through or under it, release, acquit and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors and assigns (the “Franchisor Releasees”) from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney’s fees, actions or causes of action whatsoever, whether known or unknown, which Transferor, by itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Franchisor Releasees arising out of or related to the offer, sale and operation of the business, and the parties’ rights or obligations under the Franchise Agreement.

5. Excluding the indemnification obligations set forth in the Franchise Agreement, and Transferor’s obligations as set forth in paragraph 2 of this Agreement, Franchisor, for itself and all persons and entities claiming by, through or under it, releases, acquits and forever discharges Transferor and Transferor’s employees, agents, servants, representatives, affiliates, successors and assigns (the “Transferor

Releasees”) from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney’s fees, actions or causes of action whatsoever, whether known or unknown, which it, by itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Transferor Releasees arising out of or related to the offer, sale and operation of the business, and the parties’ rights or obligations under the Franchise Agreement.

6. This Agreement constitutes the entire integrated agreement of the parties with respect to the subject matter contained in this Agreement, and may not be subject to any modification without the written consent of the parties.

7. This Agreement will be construed under the laws of the State of North Carolina, which laws will control in the event of any conflict of law.

8. This Agreement will be for the benefit of and binding upon the parties and their respective representatives, successors and assigns.

9. Each party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

10. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Agreement, it will be entitled to recover all costs and expenses, including reasonable attorney’s fees, incurred in enforcing the terms of this Agreement.

11. Transferor agrees that Transferor has and had a relationship with Franchisor at its offices in the State of North Carolina and that, with the exception of Franchisor’s right to seek injunctive relief in any appropriate jurisdiction, any action by or against Franchisor arising out of or relating to this Agreement will be commenced and concluded in the State of North Carolina pursuant to the mediation, venue, and jurisdiction provisions of the Franchise Agreement.

12. This Agreement may be executed in multiple counterparts by the various parties and the failure to have the signatures of all parties on a single Agreement will not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement. Executed facsimile copies of this Agreement will be deemed to be effective as original signatures.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

EAST COAST WINGS CORPORATION

By: _____

FRANCHISEE

EXHIBIT H
TO THE TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

List of Franchisees as of December 31, 2023

Name	Address	City	State	Phone Number
Terry Kimrey & Jeff Sepesi	780 Leonard Ave	Albemarle	NC	704-982-3294
Vinod Haval	5220 New Fashion Way	Charlotte	NC	980-888-9464
JD Penland	9711 Northlake Centre Pkwy.	Charlotte	NC	704-494-4174
JD Penland	187 Cross Center Rd	Denver	NC	704-951-8055
Jared Lucas & Seth Lucas	101 N. Berkeley Blvd.	Goldsboro	NC	919-288-1211
Daryl Townsend	1579 A-B New Garden Rd	Greensboro	NC	336-547-9464
Hamid Taheri	338 S. Tate Street	Greensboro	NC	336-398-9464
JD Penland	7236 Caldwell Road	Harrisburg	NC	980-258-0752
Brad Honeycutt	2221 US Highway 70 SE	Hickory	NC	828-323-9464
Rouben Keshguerian	2900 N. Main Street	High Point	NC	336-869-1185
Brandon Hiatt	2703 S. Main Street	High Point	NC	336-885-9464
JD Penland	2263 Spider Drive	Kannapolis	NC	704-720-0511
Daryl Townsend	800 N. Main Street Unit J	Kernersville	NC	336-996-9464
Jared Lucas & Seth Lucas	3021 N. Heritage Street	Kinston	NC	252-686-0922
Ken Millwood & Mike Smith	1112 Yadkinville Rd. Unit 104	Mocksville	NC	336-751-9464
Vinod Haval	5140 J Old Charlotte Highway	Monroe	NC	980-981-9464
Brent Weaver & Sherry Weaver	692 S. Andy Griffith Pkwy	Mt. Airy	NC	336-719-6912
Mike Burkhart	211 Faith Road	Salisbury	NC	704-633-2464
Brad Honeycutt	1875 E. Broad Street, Unit D1	Statesville	NC	704-873-8777
Brandon Hiatt	920 Randolph Street	Thomasville	NC	336-474-2329
Vinod Haval	8121 Kensington Dr., Suite F	Waxhaw	NC	980-800-9464
Jignesh Patel	12646 Capital Blvd., Suite 168	Wake Forest	NC	984-377-3294
Brent Weaver & Sherry Weaver	5014 Peters Creek Pkwy	Winston-Salem	NC	336-784-6700
Brent Weaver & Sherry Weaver	2894 Reynolda Rd	Winston-Salem	NC	336-293-4422
Daryl Ortiz	2539 Castor Avenue	Philadelphia	PA	215-288-8200
Hector Webber	405 College Ave., Ste 300	Clemson	SC	210-488-2308
Charmi Patel	1358 Celebration Blvd.	Florence	SC	843-245-2144
Tim Gillespie	2946 Kate Hyde Blvd, Ste 101	Bartlett	TN	901-409-6191
Bob Feathers	2637 East Stone Drive, Suites F-I	Kingsport	TN	423-765-9000
Mike Morrell & Leah Morrell	19399 Forest Rd. Suite 5	Lynchburg	VA	434-616-6297

**LIST OF FRANCHISEES THAT HAVE SIGNED FRANCHISE AGREEMENTS BUT NOT
YET OPENED AS OF DECEMBER 31, 2023**

Contact Name	Phone Number	City	State
Lisa and David Ware	813-406-3838	Gainesville	Virginia

EXHIBIT I
TO THE TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES THAT LEFT SYSTEM IN PAST YEAR

None. In 2023, one franchisee transferred their business and one franchise was reacquired by the franchisor, but each of the selling franchisees are still a part of the system.

EXHIBIT J
TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT

COMPLIANCE CERTIFICATION

FRANCHISEE COMPLIANCE CERTIFICATION

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH, A REGULATED STATE): FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

As you know, East Coast Wings Corporation (“we”, “us”), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one (1) or more franchises (each a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes____ No ____ 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to this agreement, which you intend to enter into with us?
- Yes____ No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes____ No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes____ No ____ 5. Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business with these professional advisor(s)?
- Yes____ No ____ 6. Do you understand the success or failure of your Franchised Business will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or Development Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes____ No ____ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes____ No ____ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the EAST

COAST WINGS + GRILL mark or any other mark at any location outside your (a) Designated Territory under the Franchise Agreement and (b) Development Area if you have entered into a Development Agreement, without regard to the proximity of these activities to the premises of your Franchised Business(es) or Development Area?

- Yes____ No ____ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, in Winston-Salem, North Carolina?
- Yes____ No ____ 10. Do you understand the Franchise Agreement and Development Agreement provide that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes____ No ____ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?
- Yes____ No ____ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Operations Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes____ No ____ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes____ No ____ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes____ No ____ 15. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes____ No ____ 16. Do you understand that we will not approve your purchase of a franchise from us, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes____ No ____ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes____ No ____ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of

revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER).

EXHIBIT K
TO THE TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT

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, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATES	EFFECTIVE DATE
California	Not Registered
Florida	Effective
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Effective
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Utah	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L
TO THE TO THE EAST COAST WINGS CORPORATION
FRANCHISE DISCLOSURE DOCUMENT
RECEIPTS

RECEIPT

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If EAST COAST WINGS CORPORATION offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or grant or, if you live in New York and Rhode Island, at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If EAST COAST WINGS CORPORATION 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 to the appropriate state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐	☐	☐	☐
Thomas Scalese			
EAST COAST WINGS			
CORPORATION			
100 Cambridge Plaza Dr.			
Winston-Salem, NC 27104			
(336) 760-4985			
Issuance Date: April 29, 2024			

See Exhibit A for our registered agent authorized to receive service of process.

I have received a disclosure document dated April 29, 2024, that included the following:

Exhibit A – List of State Administrators and List of Agents for Service of Process	Exhibit G – Sample Termination and Release Agreement
Exhibit B – Franchise Agreement	Exhibit H – List of Franchisees
Exhibit C – Area Development Agreement	Exhibit I – List of Franchisees that Left the System in the Past Year or That Have Failed to Communicate with Us in the 10 Weeks Preceding the Issue Date
Exhibit D – Financial Statements	Exhibit J – Compliance Certification
Exhibit E – State Specific Addenda	Exhibit K – State Effective Dates
Exhibit F – Operations Manual Table of Contents	Exhibit L – Receipts

Date _____

Prospective Franchisee

Printed Name

Individually and as an officer, partner, member or manager of _____, a _____ organized under the laws of _____.

You may return one copy of this receipt either by signing, dating and mailing it to East Coast Wings Corporation, Franchise Administration, at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104, fax: (336) 760-4516.

RECEIPT

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If EAST COAST WINGS CORPORATION offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or grant or, if you live in New York and Rhode Island, at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

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The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐	☐	☐	☐
Thomas Scalese	_____	_____	_____
EAST COAST WINGS	_____	_____	_____
CORPORATION	_____	_____	_____
100 Cambridge Plaza Dr.	_____	_____	_____
Winston-Salem, NC 27104	_____	_____	_____
(336) 760-4985	_____	_____	_____
Issuance Date: April 29, 2024			

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Exhibit F – Operations Manual Table of Contents	Exhibit L – Receipts

Date _____

Prospective Franchisee

Printed Name

Individually and as an officer, partner, member or manager of _____, a _____ organized under the laws of _____.

You may return one copy of this receipt either by signing, dating and mailing it to East Coast Wings Corporation, Franchise Administration, at 100 Cambridge Plaza Drive, Winston-Salem, NC 27104, fax: (336) 760-4516.