

## FRANCHISE DISCLOSURE DOCUMENT

eggspectation

### **Eggspectation Restaurants, LLC**

a Maryland limited liability company  
9433 Common Brook Road, Suite 209  
Owings Mills, Maryland 21117  
Telephone: (410) 363-3208  
Website: [www.eggspectation.com](http://www.eggspectation.com)  
Email: [info@eggspectation.com](mailto:info@eggspectation.com)

The franchise offered is for an upscale casual full-service restaurant serving all day "breakfast" style food, specializing in gourmet-style egg dishes, for breakfast and brunch, a full menu for lunch and dinner, and a full-service bar.

The total investment necessary to begin operation of an Eggspectation franchise is from \$2,000,000 to \$2,500,000. This includes \$50,000 that must be paid to the franchisor or affiliate for a single Restaurant. If you enter into an Area Development Agreement to develop more than one Restaurant, You will pay a development fee equal to \$25,000 multiplied by the number of Restaurants to be developed under the Area Development Agreement. You will also pay a franchise fee equal to \$50,000 for each Restaurant to be developed under the Area Development Agreement. We will credit \$25,000 of the development fee you pay against the franchise fee due for each Restaurant. We inherited a license agreement from our predecessor but do not offer license agreements to any party, just franchises.

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

The terms of your contract will govern your franchise relationship. 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](http://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: October 18, 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:

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

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

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



**EGGSPECTION RESTAURANTS, LLC**  
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

**Franchisor**

Eggspectation Restaurants, LLC is a Maryland limited liability company that was formed on February 26, 2014, and is referred to in this Disclosure Document as “We,” “Us,” or “Our”). In this Disclosure Document, We refer to the person or entity that will be signing the Franchise Agreement (defined below) as the franchisee, “You” or “Your”. Our principal place of business in the United States is 9433 Common Brook Road, Suite 209, Owings Mills, Maryland 21117. We do business under Our corporate name and the trademark Eggspectation®. We own the right to use and license others to use the trademark Eggspectation®, the design trademarks described in this document and our proprietary recipes and business methods associated with those trademarks (the “Eggspectation IP”) in the United States. Our agents for service of process are listed in Exhibit I. of this Disclosure Document. We refer to the person or entity that will be signing the Franchise Agreement (defined below) as the franchisee, “You” or “Your”.

**Our Business Activities**

We have offered franchises for the type of business system offered through this document since September 2016, and our predecessor offered franchises in parts of the United States from 2006 until 2014. We have not offered or granted franchises in any other line of business.

**Description of Franchise**

We offer franchises for the right to establish and operate “**Eggspectation**” upscale casual Restaurants in various parts of the United States of America only. We do not and have never offered franchises for any other type of business. As described below, our affiliates offer such franchises for operation in other countries around the world, on terms that vary from those disclosed in this document. Eggspectation restaurants began operating in Montreal, Quebec in the 1990’s and operated in various parts of the world since as described below.

The Restaurants (“Restaurant” or “Franchised Business”) will operate under the Marks and a comprehensive and unique system (the “System”) in accordance with the terms of the Franchise Agreement. Each Restaurant will offer a full menu of "breakfast" style food, specializing in gourmet-style egg dishes, as well as a full menu for lunch and dinner and a full-service bar, with food items prepared in accordance with Our proprietary recipes and ingredients. The Restaurants typically range in size from 4,000 to 6,000 square feet and are located in strip shopping centers, stand-alone buildings, urban or suburban office buildings, hotels, and mixed use complexes. The Restaurants operate under the service mark “**Eggspectation**” and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified with us. These principal marks and all other marks which may be designated by Us in the future in writing for use with our restaurant operating system are referred to in this Disclosure Document as the “Marks”.

We offer a standard Area Development Agreement that provides limited exclusivity in a defined geographic area (the development “Territory”) for you to develop three or more Restaurants. This agreement is attached to this document as Exhibit “B”. Under the Area Development Agreement, you will be granted the right (and you will assume the responsibility) to develop and open a specified number of Restaurants in a geographically defined Territory. The Area Development Agreement also will state the schedule, by date, pursuant to which the Restaurants must be developed, opened and operating (the “Development Schedule”) in its Schedule A, which is an important part of the Area Development

Agreement. Under the Area Development Agreement, you will be required to sign the then-current form of Franchise Agreement as additional Restaurants are opened. We also offer franchises for a single Restaurant within a smaller protected territory, pursuant to our standard Franchise Agreement that is attached to this document as its “Exhibit C”.

### **Predecessors, Parents and Affiliates**

We were formed as Eggs Merger, LLC and known by that name until August 11, 2014, when we merged with another Maryland limited liability company called Eggspectation Restaurants, LLC (“Old Eggs”) and assumed its company name as well of all of its assets and liabilities. Our predecessor Old Eggs was formed in 2004 and, until merging with us, owned the Eggspectation IP rights in the United States and other parts of the world. Our predecessor offered Eggspectation franchises from 2006 until 2014, and did not offer franchises for any other type of business.

Our parent is Eggspectation Corporation, a Maryland corporation which also has a principal business address in the United States located at 9433 Common Brook Rd Suite 209, Owings Mills, MD 21117. Our parent does not offer franchises for any type of business. Our parent indirectly owns 10% of franchised restaurants open in Charlotte (January 2024) and Nashville (August 2024), and we use those locations as training and testing units.

Eggspectation Corporation’s parent is 898 3984 Canada, Inc. a Canadian federal corporation (“Eggs USA”). Our ultimate parent does not offer franchises for any other type of business.

We have four affiliates that are required to be disclosed in this Disclosure Document – 401 6726 Canada, Inc. d/b/a Professio Caffé; 840 0113 Canada, Inc. d/b/a Eggspectation Middle East; 9219 3721 Quebec Inc. dba Eggspectation Quebec, and 7278195 Canada, Inc. a/k/a Eggspectation Canada. Each of these companies has a business address of 7958 rue St. Denis, Montreal, Quebec H2R 2G1, Canada. Each of these corporations are organized under the federal laws of Canada and are controlled by our Chief Executive Officer, who also owns a majority interest in our ultimate parent Eggs USA.

Professio Caffé (“Professio”) is an indirect supplier of dry coffee goods for Eggspectation® restaurants. Professio has never offered franchises in any line of business.

Eggspectation Middle East is the franchisor of the two (2) current restaurants located in the United Arab Emirates. It also owns a large minority interest with substantial control rights in Eggspectation International DMCC, a corporation incorporated under the laws of the United Arab Emirates which is the owner of the Marks and the System for use in various countries in southwestern Asia (or the “Middle East”) and in northern Africa (collectively, “MENA”) and holds a license for development of the Eggspectation concept throughout the work except for Canada, the United States, Mexico and MENA. Eggspectation International DMCC maintains its principal place of business at Sliver Tower, Office # 3007, Business Bay, Dubai, United Arab Emirates, and it currently is the franchisor for five restaurants located in Pakistan and one in Qatar, on the Arabian Peninsula. Neither of these corporations has ever offered franchises in any other line of business.

Eggspectation Quebec and Eggspectation Canada are corporations that own the intellectual property rights and have franchise agreements for various parts of Canada.

The market for the food products and services offered by the Restaurants is developed and highly competitive, as is the market for obtaining locations for the Restaurants. You may have to compete with numerous other restaurants offering a wide range of food items in a wide variety of service formats.

However, we believe that our breakfast-style format and the food and beverage products offered by the Restaurants enhance our competitive position.

### **Industry Regulations**

In addition to the laws and regulations applicable to businesses generally, You should consider the federal, state and local laws, rules and ordinances related to the method of food preparation and sanitation conditions applicable to businesses in the restaurant and food service industry.

## **ITEM 2** **BUSINESS EXPERIENCE**

### ***Castrenze “Enzo” Renda***, Chief Executive Officer and Director

Mr. Renda has served as our Chief Executive Officer and a Director since our founding in 2014, and served in the same role for our predecessor from 2005 until it merged into us in 2014. He has been the Chief Executive Officer of Eggspectation Middle East since 2013. He has been the President of 7278195 Canada Inc. d/b/a Eggspectation Canada, 92193721 Canada, Inc. d/b/a Eggspectation Quebec since June of 2021, and previously was the President of those entities and their predecessors in interest from 1998 until 2017.

### ***Paul J. Haviland***, Chief Financial Officer

Paul J. Haviland has been our Chief Financial Officer since October of 2021, and was our Controller from August 2018 through September 2021. He has been the President of Haviland Financial & Accounting Services, Inc. in Bel Air, Maryland since January 2019, and was the President of Haviland Business Services, Inc. of Bel Air, Maryland from January 1999 through December 2018. Mr. Haviland has been providing accounting services to us and our predecessor since 2004, through the corporations identified in the last sentence.

### ***Peter Sarantinos***, Culinary and Purchasing Manager

Peter Sarantinos has been our Culinary and Purchasing Manager since January of 2020, based in Owings Mills, Maryland. He was the owner of Eggspectation franchises in Quebec, Canada from 2006 through 2019.

### ***Julie Ann Lincoln***, Training and Development Manager

Julie Ann Lincoln has been our Training and Development Manager since August 2021, based in Owings Mills, Maryland. She was the General Manager of Brick Bodies health club in Timonium, Maryland from December 2019 until August 2021. Ms. Lincoln was the Director of Fitness & Wellness at the Y of Central Maryland in Towson, Maryland from May 2014 until December 2019.

### ***Mark Becraft***, Corporate Chef

Mark Becraft has been our Corporate Chef since July 2022. He was the Executive Kitchen Manager at Cooper’s Hawk Winery and Restaurants in Annapolis, Maryland from February 2018 until August of 2022.

### **ITEM 3**

#### **LITIGATION**

##### **Pending**

Jimmy Skindilias Family Trust, et al. v. Castrenze “Enzo” Renda, et al., Case No. 500-11-051831-168 (Superior Court, Commercial Division, District of Montreal, Quebec). On December 22, 2016, a family trust controlled by our former chief operating officer, Jimmy Skindilias, filed an action against our chief executive officer Mr. Renda and certain other (now former) directors and shareholders of our affiliates that own the trademarks and franchising rights for the Eggspectation System in Canada, India and MENA. The Skindilias Trust alleges oppressive conduct and breach of fiduciary duties by Messrs. Renda, Bagiotas and Anand, seeks dissolution of the subject corporate entities, and alleges damages of \$1,000,000 Canadian dollars (approximately \$725,000 USD), plus entitlement to interest and attorneys’ fees. The defendants deny any need for dissolution or liquidation of the corporations and the allegations that Mr. Renda or any other defendant acted oppressively or breached fiduciary duties to minority shareholder Jimmy Skindilias Family Trust. The action is ready to proceed to trial.

No other litigation is required to be disclosed in this Item.

### **ITEM 4**

#### **BANKRUPTCY**

Our CEO, Castrenze Renda, filed for a Consumer Proposal pursuant to the Bankruptcy and Insolvency Act of Canada on the 19th of December, 2012. The action was filed in Montreal and is pending as Case No.500-11-044036-131. This filing was necessary because Mr. Renda inadvertently provided a personal guarantee on a lease, the tenant under that lease (a company not controlled by Mr. Renda) stopped paying rent, and so Mr. Renda was sued along with the tenant. The case was concluded and matter was discharged on May 14, 2015. This matter has no bearing on our ability to satisfy our obligations, and was undertaken by Mr. Renda to resolve personal debts, separate and apart from all of our and our affiliates’ franchising operations. The personal guarantee dispute was resolved outside of the Consumer Proposal.

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

### **ITEM 5**

#### **INITIAL FEES**

**Initial Franchise Fee and Development Fee:** You must pay us an initial franchise fee of \$50,000 for the right to establish a Restaurant under a Franchise Agreement, payable upon execution of the Franchise Agreement.

If you choose to enter into an Area Development Agreement to develop more than one franchise Restaurant, you must pay us a Development Fee equal to \$25,000 multiplied by the number of Restaurants that you agree to open under the terms of the Area Development Agreement. We charge an initial franchise fee of \$50,000 for each Restaurant to be developed under the terms of the Area Development Agreement. We will credit \$25,000 of the development fee you pay against the initial franchise fees due for each Restaurant when you sign each Franchise Agreement.

Except as described below, the basis for calculating the development fee will be the same for all franchisees entering into Area Development Agreements under this offering; however, the actual dollar amount paid may vary depending on the number of Restaurants You commit to develop. The initial franchise fee is the same for all franchisees under this offering.

Unless otherwise provided in this Disclosure Document, the initial franchise fees and any development fees are not refundable under any circumstances.

We may waive all or part of the development fee and initial franchise fee for our employees (including employees of our affiliates) who meet our requirements to establish and operate a Restaurant. In certain circumstances, we also may discount the initial franchise fee for existing franchisees that wish to open additional Restaurants but are not under an Area Development Agreement.

**Initial Training Fee:** We do not charge a fee for the initial training of your first Operating Principal, first General Manager and first Kitchen Manager (as those terms are defined in the Franchise Agreement) at an Eggspectation Restaurant designated by us. At Your request, and subject to space availability, we will provide initial training to additional personnel of yours, but we charge a fee for that additional initial training. Our current initial training fee for additional personnel is \$2,500 per person to be trained, plus the transportation, lodging and miscellaneous out-of-pocket expenses of our personnel who perform the training. This fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes, and the cost of materials. You must pay the initial training fee for the additional personnel before training begins, and the initial training fee is non-refundable. The initial training fee is charged uniformly to all franchisees under this Disclosure Document, although actual dollar amounts may vary depending on how many additional persons are trained.

**Site Evaluation Fee:** We will provide up to two on-site evaluations of proposed sites for a Restaurant at no charge; provided We have the right to require You to reimburse Us for Our expenses incurred (such as the cost of travel, lodging and meals). If the Franchise Agreement does not relate to your first Restaurant, We reserve the right to charge a reasonable fee for any on-site evaluation as described below. If we determine that additional on-site evaluations are necessary, or you reasonably request additional on-site evaluations, you must pay us a fee for the evaluation and must reimburse us for all of our expenses (such as the cost of travel, lodging, and meals) incurred in performing the evaluation. Our current site evaluation fee is \$1,500, which must be paid, along with our reimbursable expenses, within 15 days after we bill you. This fee is charged uniformly to all franchisees under this Disclosure Document, although the actual dollar amounts paid may vary depending on the number of site evaluations and the expenses we incur in performing the services. Site evaluation fees and expenses are non-refundable.

**Pre-opening and Opening Assistance:** We provide on-site pre-opening and opening assistance for two (2) weeks immediately preceding and one (1) week immediately following the Opening Date for up to your first two Restaurants. There is no fee for this assistance and we will pay our expenses in providing the pre-opening and opening assistance. However, for Area Developers We will provide this assistance without additional charge only for the first two Restaurants developed by You, and for all subsequent Restaurants We will determine if continued support is necessary, and if so, provide it at our then-current per diem rate, plus Our expenses.

Any additional assistance you request is billed at the then-current per diem rate, plus our expenses. Our current fee is \$350 per day for each person providing assistance.

**ITEM 6**  
**OTHER FEES**

<b>Fees (1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee (2)	5% of Aggregate Sales	Weekly, on Thursday	Amounts due will be withdrawn by EFT from Your designated bank account.
Marketing Fund	Up to 2% of Aggregate Sales	Weekly, on Thursday	Current fee is 1% of Aggregate Sales, may increase to 2% once 25 locations in USA
Cooperative Advertising (3)	If an Advertising Cooperative is established for your Territory, the contribution amount may be up to 2% of Aggregate Sales	Weekly, or a longer period as determined by vote of Cooperative	Each restaurant in the Cooperative's regional marketing area will have a vote on use of funds contributed. We may not require you to spend more than 4% of the Restaurant's Aggregate Sales during any calendar year on advertising and marketing, whether in the form of Marketing Fund and Cooperative payments or on Local Advertising.
Advertising & Promotional Materials	Varies, depending on Your advertising needs	When billed	See Items 7 and 11.
Interest	The greater of 12% or 8 points above the Prime Rate, or the maximum rate allowed by applicable law if less (4)	On demand	Interest may be charged on all overdue amounts.
Initial Training of Additional, Replacement and Successor Personnel	You must pay the current fee being charged to franchisees generally for such training, plus expenses. The current initial training fee is \$2,500.	The initial training fee is payable before initial training; expenses are payable when billed	We do not charge this fee for initial training of your first Operating Principal, first General Manager and first Kitchen Manager, just for any replacements or successors of them.



<b>Fees (1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Pre-Opening and Opening Assistance	In the case of Area Developers, for the third and all subsequent Restaurants developed by You, we will determine if continued support is necessary, and if so, provide it at our then-current per diem fee plus Our expenses. Our current per diem fee is \$350 per trainer.	When billed	We provide on-site pre-opening and opening assistance for two (2) weeks immediately preceding and one (1) week immediately following the Opening Date for up to Your first two Restaurants at no charge. Any additional assistance You request or we deem necessary is billed at the current per diem rate, plus Our expenses.
Additional or Remedial Training	You must pay the current per diem fee being charged to franchisees generally for such training, plus expenses. The current per diem training fee for additional or remedial training is \$350 per trainer.	Per diem fee is payable before additional training; expenses are payable when billed	We reserve the right to charge a fee for additional or remedial training. You are responsible for all of your staff members' expenses (such as the cost of travel, lodging and meals) if such training is held in a location away from your Restaurant (such as in Maryland), or the out of pocket costs of our staff to provide additional training at your Restaurant.
Failed Inspection Fee	If your Restaurant scores at 70% or below on an inspection of your compliance with our standards, then you must reimburse us for our costs in making the inspection.	Within 15 days of providing inspection report	Our costs include our then-current per diem fee, which currently is \$250 per day, plus expenses of travel incurred by our representative to conduct the inspection.
Prohibited Item Fee	\$100 per day for each day that you offer or sell any food or beverage items or other products that we have not approved for your Restaurant, with the minimum such fee being \$1,000.	Within 15 days of invoice	All menu items and product offerings must be approved by us in advance.  This fee is applicable separately for each unapproved product.

<b>Fees (1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Transfer Fee	25% of the initial franchise fee then being charged to franchisees, or such greater amount as is necessary to reimburse Us for Our costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees	Submitted with transfer application	No fee charged to a franchisee that requests consent to Transfer an interest to an entity controlled by the same interest holders. The transfer fee under the Area Development Agreement is Fifteen Thousand Dollars (\$15,000).
Public Offering	\$25,000 or such greater amount as is necessary to reimburse Us for Our reasonable costs and expenses in reviewing the proposed offering, including, without limitation, legal and accounting fees	When billed	This covers Our cost to review the proposed offering of Your securities. The offering fee is the same amount under both the Franchise Agreement and the Area Development Agreement.
Renewal Fee	50% of then-current Initial Franchise Fee being charged to franchisees	On signing renewal franchise agreement	You must give Us not less than twelve (12) months nor more than eighteen (18) months' notice prior to the end of the initial term or first renewal term, as applicable; remodel to current standards; sign then-current form of franchise agreement; satisfy all monetary obligations to Us; and sign a general release (see Exhibit F).
Support Fee	\$2,000 per week, plus Our out-of-pocket expenses (e.g., travel, lodging)	Fee is due on Tuesday of each week we provide the support  Expense reimbursement must be paid 15 days after billing	If You fail to have a replacement General Manager trained or certified as meeting Our standards after a General Manager leaves, We may charge You this fee until Your replacement manager is trained or certified, as applicable.

<b>Fees (1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Site Evaluation	Current site evaluation fee is \$1,500 per visit, plus expenses	15 days after billing	We provide two on-site evaluations without charge (except for reimbursement for Our expenses) for franchisee's first Restaurant. Additional site evaluations for subsequent Restaurants developed by You or Your affiliates will be subject to the then current site evaluation fee, plus expenses (see Items 5 & 11).
Inspection and Testing	Cost of inspection or testing	When billed	We require You to pay Us or an independent laboratory for the cost of inspection or testing if You purchase or lease items used in the Restaurant from sources We have not previously approved
Late Financial Statement Fee	\$200 per week delinquent	When billed	You must submit a profit & loss statements quarterly and a financial statement (balance sheet plus profit & loss) annually. We will waive the fee if you submit the late statement within 7 days of our notice and you have not been late in submitting such statements during the prior 12 months.
Audit Fee	Cost of audit	When billed	Payable only if We find, after an audit, that You have understated any amount You owe to Us by more than 5% or if you underpaid Royalty Fees by \$4,000 or more for any 52 week period.
Late Payment or Sales Reporting Fee	\$50 per day You are late	Daily	If You fail to pay royalties when due or fail to submit royalty reports weekly as required, We may charge You \$50 per day, plus interest, until the payment or report is received.

Fees (1)	Amount	Due Date	Remarks
Manual Replacement Fee	\$500 per copy	When billed	If You request additional or replacement copies of the Manual

Notes:

(1) All fees and expenses described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the dollar amounts given (but not percentage (%) rates) may be subject to increases based on changes in market conditions, the cost of providing services and future policy changes. While dollar-amount fees will be uniformly imposed, other Eggspectation franchisees will pay fees at different percentage rates depending on when they sign their franchise agreement with us.

(2) “**Aggregate Sales**” means total weekly gross sales, less the monthly dollar value of complimentary meals and beverages, including, without limitation, those provided for house errors, employees, management, other Eggspectation Restaurants, liquor, school promotion, and advertising and promotional programs (collectively, “**Comps**”); provided, however, that the total amount of the reduction for Comps for any calendar month may not exceed three percent (3%) of the dollar amount of total Aggregate Sales, net of sales taxes, for that month. Upon the redemption of any gift card/gift certificate, you shall include the entire amount of the gift card/gift certificate redeemed in Aggregate Sales for purposes of determining the royalties to be paid. All Royalty Reports must demonstrate Franchisee’s calculation of Aggregate Sales. Aggregate Sales expressly excludes the following:

(a) Sums representing sales taxes collected directly from customers, based on present or future laws of federal, state or local governments, collected by You in the operation of the Restaurant, and any other tax, excise or duty which is levied or assessed against You by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that the taxes are actually transmitted to the appropriate taxing authority; and

(b) Proceeds from isolated sales of trade fixtures not constituting any part of Your products and services offered for resale at the Restaurant not having any material effect on the ongoing operation of the Restaurant required under the Franchise Agreement.

We may authorize certain other items to be excluded from Aggregate Sales. Any exclusion may be revoked or withdrawn at any time by us.

The royalty fee will be withdrawn from Your designated bank account by electronic funds transfer (“EFT”) weekly on Tuesday based on Aggregate Sales from the preceding weekly accounting period (see Section 4.3 of the Franchise Agreement), unless We require otherwise. You are required at all times to maintain a minimum of \$25,000 in your designated bank account for the Restaurant.

If the Royalty Report has not been received within the time period required under the Franchise Agreement, We may, at Our option, process an EFT for the royalty based on (i) information regarding Franchisee's Aggregate Sales for the preceding weekly accounting period obtained by Us from your point of sales system, or (ii) the most recent Royalty Report provided to Us by You. If the actual amount of the Royalty Fee due was more than the amount of the EFT received by us, then we may immediately withdraw additional funds through EFT from Your designated bank account for the difference. If the actual amount of the Royalty Fee due was less than the amount of the EFT received by us, then we must,

at our option, return the excess amount to you or credit the excess amount to the payment of your future royalty obligations.

(3) Cooperatives, if and when formed, will be comprised of all franchised Restaurants and Restaurants owned by our affiliates located in designated geographic areas. No cooperatives have been established as of the date of this Disclosure Document.

(4) The highest interest rate allowed by law in California is 10% annually.

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**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Expenditure (1)</b>	<b>Estimated Amount (Low)</b>	<b>Estimated Amount (High)</b>	<b>Method of Payment</b>	<b>When Payable</b>	<b>To Whom Paid</b>
Initial Franchise Fee (2)	\$50,000	\$50,000	By check or wire transfer	On signing Franchise Agreement	Us
Leasehold Improvements (3)	\$950,000	\$1,200,000	As Invoiced	As Arranged	Independent Contractors
Lease Payments and other rental expenses (4)	Variable	Variable	Per Lease	Monthly	Landlord
Kitchen Equipment (5)	\$375,000	\$425,000	As Invoiced	As Arranged	Designated Vendors
Furniture, Fixtures and Furnishings (6)	\$250,000	\$325,000	As Invoiced	As Arranged	Designated Vendors
Signage & Lighting (7)	\$75,000	\$100,000	As Invoiced	As Arranged	Designated Vendors
Initial Inventory (8)	\$30,000	\$35,000	As Invoiced	As Arranged	Designated Vendors
Architectural/ Engineering (9)	\$60,000	\$70,000	As Invoiced	As Arranged	Designated Vendor
POS and Computer Equipment (10)	\$30,000	\$40,000	As Invoiced	Lump Sum	Designated Vendor
Travel, lodging and meals for training (11)	\$20,000	\$30,000	As Incurred	As Incurred	Independent Suppliers
Business/ Office Supplies (12)	\$5,000	\$10,000	As Invoiced	Lump Sum	Us or Independent Suppliers
Business licenses, permits, etc. (for first year) (13)	\$15,000	\$20,000	As Incurred	As Arranged	Various Agencies
Insurance deposits and premiums (for first year) (14)	\$15,000	\$25,000	As Invoiced	As Arranged	Independent Carrier
Grand Opening Advertising	\$15,000	\$20,000	As Arranged	As Arranged	Advertising Agencies or Suppliers
Professional Fees	\$20,000	\$30,000	As Arranged	As Arranged	Independent Contractors
Other Fees (utility hookup; seat fees)	\$15,000	\$20,000	As Arranged	As Arranged	Utilities; local governments
Additional Funds – Three Months (15)	\$75,000	\$100,000	As Incurred	As Arranged	Various
<b>TOTAL</b>	<b>\$2,000,000</b>	<b>\$2,500,000</b>			

Notes:

- (1) Except as otherwise stated, all costs listed in the Item 7 table above are nonrefundable.
- (2) You must pay us an initial franchise fee of \$50,000 for the right to establish a Restaurant under a Franchise Agreement or an Area Development Agreement. The initial franchise fee is non-refundable under the terms of the Franchise Agreement and the Area Development Agreement. We did not list the \$25,000 development fee separately in the table above because we will credit any development fee you pay against the initial franchise fee due for each Restaurant you develop under an Area Development Agreement.
- (3) The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on market conditions and geographic location. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish out the Restaurant and the cost of leasehold improvements. These figures are our best estimate based on remodeling/finish-out rates and conditions with respect to Eggspectation Restaurants currently operating in the States of Maryland and Virginia, including one that we recently developed in Owings Mills, Maryland. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord and allocated to You over the term of the lease, and may be lower if we approve you to retrofit an existing building for your Restaurant or if your landlord funds any portion of the improvements for your premises.
- (4) We estimate that you will require approximately 4,000 to 6,000 square feet of floor space for an Eggspectation Restaurant in a strip shopping center, stand-alone building, regional shopping mall, urban office building, hotel or mixed use complex. The actual amount you pay under the lease will vary substantially based on the prevailing rental rates in the geographic region, the type of location, the amount of square footage, the types of charges that are allocated to tenants under the lease, and your ability to negotiate with landlords.
- (5) You must purchase certain equipment meeting our specifications to be used in the kitchen and food preparation areas, including ovens, stoves, prep stations, refrigeration units, storage units and other items such as small wares. We have established relationships with equipment vendors for certain equipment used in the Restaurant that meet our specifications.
- (6) These amounts represent your costs for furnishing the “front of the house” of the Restaurant and includes millwork for the bar and seating booths, tables, chairs and benches, and patio furniture, as well as items such as televisions, sound systems, and pagers for customers who are waiting to be seated.
- (7) These amounts represent your cost for murals, logos and outdoor signage and descriptive signs, awnings and specifically designated lighting. Your Landlord may have different restrictions it places on interior and exterior signage, which may affect your costs.
- (8) These amounts represent your initial inventory of food supplies, beverages, and liquor and paper goods for use in the first month of operating the Restaurant.
- (9) These fees are estimates of your costs in obtaining any architectural and design services necessary for the construction of the Restaurant. This includes amounts that you would pay to MB

Design Consultants Inc. for interior design services. You must adapt our prototypical plans and specifications for the construction of the Restaurant.

(10) You must obtain and use in the Restaurant an electronic point of sale payment system approved by us from a vendor that we approve. Typically, you will use five terminals and remote printers per Restaurant. We have the right to poll and monitor your system at our discretion. You must pay the cost for us to initiate access to your system through our monitoring software. We estimate the cost to range from \$100 to \$200 per Restaurant. The cost estimate provided in this Item 7 is based on a quote for a hardware system meeting our standards and including Toast point-of-sale terminals, as well as an office computer and wiring the Restaurant with secure telecommunications cable. Your costs may vary from this estimate if you choose a different brand or vendor.

(11) We provide initial training of up to nine (9) weeks to your Restaurant's Operating Principal, General Manager and Kitchen Manager at no charge. These estimates include only your out-of-pocket costs associated with the training of your first Operating Principal, General Manager and Kitchen Manager (including travel, lodging, and meals). This estimate does not include a salary for the trainees and does not include any fees or expenses for training any other personnel. These costs will vary depending on the number of people trained, your selection of lodging and dining facilities, and mode and distance of transportation.

(12) You must purchase business cards, brochures, and other written materials for use in the Franchised Business. You will typically purchase amounts that may last as long as six months. You may purchase these materials from us or independent vendors that have been approved by us.

(13) These are estimates of the costs for obtaining local business licenses and permits (including a liquor license), which typically remain in effect for one year. These figures do not include occupancy and construction permits which are included in the leasehold improvement cost estimates. The cost of these permits and licenses will vary substantially depending on the location of the Restaurant.

(14) These figures are estimates of the cost of the annual premiums for the insurance.

(15) These amounts are Our estimate of the amount needed to cover Your expenses for the start-up phase of Your business including: two months' lease payments; the cost of three months' advertising and promotional expenditures; three months' payroll for a manager, assistant managers and hourly employees; inventory for two months; utilities and telephone service for three months, and other costs. We estimated the start-up phase to be three months from the date the Restaurant opens for business. These figures are estimates and we cannot assure you that you will not have additional expenses starting the Restaurant. Your actual costs may vary and will depend on factors such as your management skill, experience and business acumen; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, Our cost of providing services, and future policy changes.



In addition to the costs described above, if you enter into an Area Development Agreement with us the following additional estimated initial investment is required:

<b>Expenditure</b>	<b>Estimated Amount</b>	<b>Method of Payment</b>	<b>When Payable</b>	<b>To Whom Paid</b>
Development Fee(1), (2)	\$25,000 for each Restaurant to be developed	By check or wire transfer of immediately available funds	On signing Area Development Agreement	Us

(1) If you enter into an Area Development Agreement to develop more than one franchise Restaurant, You must pay a development fee at the time you sign the Area Development Agreement equal to \$25,000 multiplied by the number of Restaurants to be developed under the terms of the Area Development Agreement. We will credit \$25,000 of the development fee you pay against the initial franchise fees due for each Restaurant when you sign each Franchise Agreement.

(2) Actual start-up costs pertaining to the actual Restaurants opened under the Area Development Agreement are as estimated in the first table in this Item 7, subject to potential increases over time or other changes in circumstances. If you execute an Area Development Agreement, Your professional fees, such as legal, accounting, and other fees may be higher; however, we cannot provide you with a specific estimate for these additional costs because we have not recently worked with any franchisees who have signed development agreements.

We relied on our more than twelve (12) years of experience in supervising the opening of Eggspectation restaurants in the United States, as well as our affiliates' experiences in Canada and elsewhere in the world, when compiling the estimates in this Item 7.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Required Purchases and Other Acquisitions**

You must purchase or lease and install all fixtures, furnishings, equipment (including electronic cash registers, computer hardware and software), decor items, signs and related items We require, all of which must conform to the standards and specifications in Our operating manuals or otherwise approved by Us (or our designated store designer) in writing. You may not install or permit to be installed on the Restaurant premises any fixtures, furnishings, equipment, decor items, signs, games, or other items unless required or approved in the Manuals or otherwise approved by Us in writing. If you lease any of the property described above from a third party, we must approve the lease in writing before it is signed. We will not approve the lease unless it permits your interest in the lease to be assigned to us if the Franchise Agreement terminates or expires and prohibits the lessor from imposing an assignment fee or related fee on assignment.

To ensure that the highest degree of quality and service is maintained, you must operate the Restaurant in strict conformity with the methods, standards and specifications that we prescribe in the Manuals or otherwise in writing. You must maintain in sufficient supply and use and always sell only those food and beverage items, ingredients, products, materials, supplies, paper goods and other items that meet our standards and specifications. All menu items must be prepared in accordance with the recipes and procedures specified in the Manuals or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items or differing amounts of any items without first obtaining our written consent. You must sell and offer for sale only those menu items,

products and services that we have expressly approved for sale in writing. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Manuals or other written materials.

You must permit Us or Our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from Your inventory or from the Restaurant free of charge for testing by Us or by an independent laboratory, to determine whether the samples meet Our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

### **Required and Approved Suppliers, Products and Services**

Currently we require you to purchase the following food and beverage ingredients from a single source or manufacturer, or under our private label: coffee, soft drinks, bacon, sausage, pancake mix, waffle mix, crepe mix, grits, corned beef, steak, lamb, ham, lobster, squid, avocado, Caesar salad dressing, Lemon Aioli, pasta, tomato sauce, Hollandaise sauce, House salad dressing, bread for French toast, buns for burgers and sandwiches, and Ciabatta bread. In the future we may require you to purchase other types of critical food ingredients from a single source on a “private label” basis.

You must purchase the following types of equipment or non-food products or services from sources that we specify: point of sale system (customer payment interface), inventory ordering and management software, food safety training and management software, table reservation software, tipping software, music control, recipe management, security camera and alarm system, and lighting control system, uniforms, marketing materials, and menus. In the future, we may require you to purchase other types of non-perishable inputs (goods or services) from us or a sole designated source.

To maintain quality control over the development of each restaurant, we will require you to use a construction supervisor who we designate. We will not receive any payment or other consideration from the construction supervisor.

We may change our Approved Suppliers for required purchases for your Restaurant from time to time as we reasonably deem appropriate using our business judgment. The primary purpose of such arrangements is to ensure consistent quality of service and brand image, and regarding such designated product sources you must pay shipping and handling charges, a reasonable mark-up by the supplier and an amount to compensate Us for Our administrative overhead in connection with these arrangements. You must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash registers, computer hardware and software), and other products used or offered for sale at the Restaurant solely from suppliers who demonstrate, to Our continuing reasonable satisfaction, the ability to meet Our then-current standards and specifications. This restriction does not apply to delivery vehicles that you may use in the operation of the Restaurant.

During 2023, suppliers of various goods and services sold to certain Eggspectation restaurants in the U.S.A. paid us \$61,020 in rebates, all of which was attributable to franchisees' 2023 purchases. For 2023, our total revenue was \$1,059,264, so our revenue derived from required purchases of franchisees was 5.76% of our total revenue. The source of this information is our audited financial statement for calendar year 2023.

Other than as described above, neither we, any affiliate of ours, nor any other company in which any of our officers owns an interest is a currently approved suppliers of your franchise. However, we

reserve the right to designate our self, an affiliate of ours, or a company in which one or more of our officers own an interest as a supplier of your Restaurant in the future.

Our criteria for supplier approval, in general terms, are that the supplier must have adequate quality controls and the capacity to supply your needs promptly and reliably, and that our approval of the supplier will not negatively impact the pricing that other franchised and company-owned Restaurants receive from our previously approved suppliers. If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. You may not make any purchases from that supplier unless and until we have approved such supplier in writing. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered either to us or to an independent laboratory for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you, within 30 days after we complete the inspection and evaluation process, of our approval or disapproval of any proposed supplier. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval in writing if the supplier fails to continue to provide quality products or services, promptly and reliably, or if your continued use of the supplier negatively impacts the Restaurants' relationship with previously approved suppliers of the same goods or services. Moreover, we may require that any supplier of ingredients or consumables agree to supply those items through our exclusive broad-line distributor, who is currently Sysco.

We do not require you to offer delivery or catering services; however, if you choose to do so, any vehicle that you use to deliver Restaurant products and services to customers must meet our then current standards for appearance and ability to satisfy the requirements imposed on you under the Franchise Agreement. You must place the signs and decor items on the vehicle that we require and must at all times keep the vehicle clean and in good working order. You must require each person providing delivery and/or catering services to comply with all laws, regulations and rules of the road and to use due care and caution when operating and maintaining the motor vehicles. Except as noted above, we do not have any standards or exercise control over any motor vehicle that you utilize.

### **Proprietary Products; Advertising Materials**

We are continually developing for use in the System certain products which are prepared from confidential proprietary recipes and other proprietary products which bear Our Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Accordingly, if those products become a part of the System, You will use only our proprietary recipe and other proprietary products and you will purchase those items solely from us or from a source designated by us.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear our trademarks in the form, color, location and manner we prescribe. In addition, all of your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manuals or other written materials. You must obtain our approval before you use any advertising or promotional materials and plans if we have not prepared or approved them during the 12 months immediately preceding their proposed use.

## **Insurance**

Before you open the Restaurant for business, you must obtain the insurance coverage for the Restaurant at the minimum policy limits specified below. This insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible carrier or carriers reasonably acceptable to us and that have an A.M. Best Company rating of A+.

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of \$5,000,000 combined single limit.
2. "All Risks" coverage for the full cost of replacement of the Restaurant premises and all other property in which we may have an interest, with no coinsurance clause.
3. Crime insurance for employee dishonesty in the amount of \$10,000 (combined single limit).
4. Business Interruption insurance in a sufficient amount to cover profit margins; anticipated royalty fees, advertising fees and Advertising Fund contributions; maintenance of competent and desirable personnel; and fixed expenses for a period of at least twelve (12) months.
5. Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit required only if you offer catering or delivery services.
6. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions stated in the Franchise Agreement.
7. Liquor Liability for combined single limits of bodily injury and property damage of not less than \$1,000,000 per occurrence.
8. In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, Franchisee shall maintain builder's risk/installation insurance in forms and amounts reasonably satisfactory to us.
9. Other insurance required by your landlord and the state or locality in which the Restaurant is located and operated.

You may, after obtaining our written consent, elect to have reasonable deductibles under the coverages required under paragraphs 1 - 8 described above. All of the policies must name Us, Our affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them as additional insureds and must include a waiver of subrogation in favor of all those parties.

## **Negotiated Prices**

We may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or

distribution cooperatives for any of the items described above in which we require you to participate. However, we engaged Sysco as the sole broad-line distributor of ingredients and consumables to the Restaurants and seek to utilize Sysco's services to obtain favorable pricing for our franchisees. If we receive discounts on purchases of equipment, electronic cash registers and software from approved suppliers, such discounts will also be made available to you if you purchase through these suppliers.

Over the course of time, when we or our outsourced provider negotiate special purchase arrangements with suppliers, such as food or equipment suppliers, these special purchase arrangements may generate income for us. Specifically, under certain special purchase arrangements, a supplier may provide us a commission (or rebate) based on a percentage of the sales price of the products purchased by you. At this time our only such rebate arrangement is with the supplier of coffee and tea products. It is our intention that our share of any such commissions or rebates we receive will be applied to marketing expenses and the cost of maintaining the System for the benefit of all franchisees.

### **Your Required Purchases**

You must purchase or lease virtually all goods and services necessary to establish and operate the Restaurants from Us, Our designees, from suppliers approved by us, or in accordance with our specifications. We estimate that Your purchases and leases from Us, Our affiliates, approved suppliers and in accordance with Our specifications, will be approximately 85% to 90% of Your purchases and leases to establish the Franchised Business and to operate the Franchised Business on an ongoing basis (exclusive of salaries and wages). However, most of these purchases will not be from designated suppliers, but rather in compliance with our standards.

### **Material Benefits**

We do not provide any material benefits to you if you buy from sources we approve.

When determining whether to grant new or additional franchises, we consider many factors, including compliance with the requirements above.

## **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.**

<b>Obligation</b>	<b>Article/Section in Franchise Agreement/Area Development Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	Article II of Franchise Agreement	Items 5, 6, 7, 8, 10 and 11
b. Pre-opening purchases/leases	Article II of Franchise Agreement	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article II of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Section 6.6 of Franchise Agreement	Items 5, 6 and 11

<b>Obligation</b>	<b>Article/Section in Franchise Agreement/Area Development Agreement</b>	<b>Item in Disclosure Document</b>
e. Opening	Section 2.9 of Franchise Agreement	Item 11
f. Fees	Articles III, IV, XI and XIV of Franchise Agreement and Article II of Area Development Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Manuals	Section 6.10 and Article VII of Franchise Agreement	Items 8, 11, 14 and 16
h. Trademarks and proprietary information	Article IX of Franchise Agreement and Article IX of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 7.4, 7.5 and 7.6 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 7.5 of Franchise Agreement	None
k. Territorial development and sales quotas	Article I and Article III of Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 7.4, 7.5 and 7.6 of Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 3.2.2 and 7.3 of Franchise Agreement	Item 16
n. Insurance	Article XII of Franchise Agreement	Items 7 and 8
o. Advertising	Article VIII of Franchise Agreement	Items 6 and 11
p. Indemnification	Article XV and Sections 13.1 and 14.10 of Franchise Agreement and Article XI of Area Development Agreement	Items 10 and 13
q. Owner's participation/management/staffing	Sections 6.6 and 6.7 of Franchise Agreement	Items 1, 11 and 15
r. Records and Reports	Articles IV, VIII and XI of Franchise Agreement	Item 6
s. Inspections and audits	Sections 2.8, 7.5, 7.8 and 11.3 of Franchise Agreement	Items 6, 8 and 11
t. Transfer	Article XIV of Franchise Agreement and Article VII of Area Development Agreement	Items 6 and 17
u. Renewal or Extension of Rights	Section 3.2 of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Article XVIII of Franchise Agreement and Article VIII of Area Development Agreement	Item 17

<b>Obligation</b>	<b>Article/Section in Franchise Agreement/Area Development Agreement</b>	<b>Item in Disclosure Document</b>
w. Non-competition covenants	Sections 6.2.11 and 6.3, Article X and Exhibit C of Franchise Agreement, Article IX and Exhibit B of Area Development Agreement	Item 17
x. Dispute Resolution	Articles XX and XXI of Franchise Agreement and Article XII of Area Development Agreement	Item 17
y. Other – Personal Guaranty	Sections 6.2.11 and 6.3 of Franchise Agreement	Item 15

## **ITEM 10**

### **FINANCING**

We do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases or other obligations.

## **ITEM 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

**Pre-Opening Obligations:** Before the opening of a Restaurant, We will provide the following assistance and services:

1. Our written site selection guidelines and the site selection assistance We deem advisable. (Franchise Agreement, Section 5.1.1).

2. Up to two on-site evaluations for your first site at no charge (except reimbursement for Our reasonable expenses incurred in providing such on-site evaluations, including, without limitation, the cost of travel, lodging, and meals), and additional on-site evaluations as We deem necessary or in response to Your reasonable request for site approval at an additional charge per on-site evaluation. (Franchise Agreement, Section 5.1.2).

3. Introduce you to and coordinate with our designated suppliers of restaurant development services, who you will hire to guide you in designing the entire restaurant (including kitchen) and determining the furniture, fixtures and equipment needed for it, and if needed assisting you in placing orders for such items with our recommended sources. (Franchise Agreement, Section 5.1.3). We and the restaurant development consultant do not deliver or install any such items, and you are responsible for all fees charged by the supplier of restaurant development services and the cost to purchase and install all furniture, fixtures, and equipment.

4. At your request, visit your Approved Site up to 2 times during your development of it so as to advise you on site development issues, provided that you reimburse us for our out of pocket costs to provide such site visits (e.g., travel, lodging and meals) within 15 days of invoice. Franchise Agreement, Section 2.9).

5. Solely as a loan to you, one set of the Manuals which We may revise from time to time. (Franchise Agreement, Section 5.1.4).

6. Provide you with a list of Our approved suppliers and specifications of required or recommended types of food and drink ingredients and other types of products and services used to operate the Restaurant. (Franchise Agreement, Section 5.1.9). It also is our current practice to provide a recommended opening order of food and beverage inventory to you and our designated food distributor.

7. An initial training program for Your first Operating Principal, first General Manager and first Kitchen Manager at no charge to You (except for those individuals' costs for travel, lodging, meals, and wages). If You wish to have additional personnel trained, We currently charge \$2,500 per person, plus Our expenses. (see Item 6.) (Franchise Agreement, Section 5.1.10). As part of the training program, we will consult with your General Manager on recommended staffing levels, the creation of employment applications and interview questions, and how to recruit staff.

8. Two (2) weeks of on-site pre-opening assistance at each of Your first two Restaurants. (Franchise Agreement, Section 5.1.11). This assistance will include training of your staff in our standards for menu item preparation, customer service and restaurant operations.

We do not otherwise provide any assistance with conforming the premises of the Restaurant to local ordinances and building codes, obtaining any permits, or constructing or remodeling the premises. You must hire architects and contractors to the extent that any such improvements to the premises are required to develop and open the Restaurant in compliance with our design and décor standards.

While we provide some guidance to help your management staff the restaurant, you are responsible for recruiting and hiring all restaurant personnel and in training them, except for the limited assistance we provide in the 2 weeks of opening assistance for your first two Eggspectation restaurants.

**Time to Open for Business:** We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Restaurant will be approximately ten (10) to fifteen (15) months for the first Restaurant developed under an Area Development Agreement, and six (6) to twelve (12) months for subsequently developed Restaurants. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Restaurant, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Restaurant, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Restaurant, including purchasing inventory and supplies. You must obtain our approval for the location of each Restaurant, and you must acquire the approved location (by purchase or lease) within sixty (60) days of obtaining our approval. You must open each Restaurant for business within one hundred twenty (120) days of obtaining all required licenses to permit construction of the Restaurant, unless You obtain a written extension of this time period from Us. If You do not obtain a site that We approve and construct the Restaurant in compliance with the timeline described above, We may, in Our sole discretion, terminate the Franchise Agreement or the Area Development Agreement, if applicable. (Franchise Agreement, Article II).

**Post-Opening Obligations:** We are obligated by the Franchise Agreement to provide the following services and assistance after the opening of the Restaurant:

1. One (1) week of on-site post-opening assistance at the Restaurant. (Franchise Agreement, Section 5.1.11). For franchisees who open a Restaurant under an Area Development



Agreement, we will provide such services only for your first two Restaurants, and thereafter only do so if we deem it to be necessary and you pay us our then-current per diem rate, plus expenses.

2. As We reasonably determine necessary, visits to and evaluations of the Restaurant and the products and services provided at the Restaurant to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section 5.1.5).

3. Advertising and promotional materials that we develop from time to time for in-store marketing and Local Advertising for the Restaurant, at a reasonable cost to You. (Franchise Agreement, Section 5.1.6).

4. Advice and written materials (including updates to the Manuals) concerning techniques for managing and operating the Restaurant, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section 5.1.7).

5. Make available certain merchandise as we may develop from time to time, including prepackaged food products and promotional products and memorabilia, for use in the Restaurant and for resale to Your customers, in quantities sufficient to meet Your customer demand, at a reasonable cost. We also may, at Our option, make available to You certain other equipment, inventory and decor items at a reasonable cost. (Franchise Agreement, Section 5.1.8).

6. Training programs and seminars and other related activities regarding the operation of the Restaurant as We reasonably deem necessary or appropriate, which Your Operating Principal, General Manager and other Restaurant personnel may be required to attend. (Franchise Agreement, Article VI).

7. Certain on-site remedial training for Your Restaurant personnel when You reasonably request it or as We deem appropriate. We will deem such remedial training appropriate based on regular audits of your personnel's performance, based on a numerical 100 point grading system, and will require such remedial training of certain staff members in cases where the Restaurant does not score at least 85 points through two successive audits. In either case, we may require You to pay the per diem fee of the employees providing the training, as well as Our expenses in providing the training (See Item 6). (Franchise Agreement, Article VI).

8. Once instituted, administration of the advertising fund and cooperatives. (Franchise Agreement, Sections 5.1.12).

9. When there are sufficient franchisees to justify it, We may hold an annual franchisee convention at a location to be determined by Us. You may be charged a fee for attendance at such convention, and, in any event, You will be responsible for Your costs for travel, meals and lodging. (Franchise Agreement, Article V).

**Advertising and Marketing Fund:** We administer an advertising and marketing fund (the "Fund") to advertise and promote the System on an international basis. You must contribute up to two percent (2%) of the Aggregate Sales of the Restaurant for each Accounting Period to the Fund, which amount must be paid in the same manner as the Royalty Fees payments. We currently require franchisees to pay one percent (1%) of Aggregate Sales, but may increase that requirement up to two percent (2%) once there are 25 or more operating Eggspectation restaurants in the U.S.A. During the term of the Franchise Agreement, We may require You to allocate to the Fund all or part of Your required Local Advertising expenditures and/or Cooperative contributions (described below).

The Fund will be maintained and administered by Us or Our designee as follows; we do not have a franchisee advertising council that advises us on system advertising.

1. We direct all advertising programs and have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation, including the geographic areas where the advertisements are directed, which may be local, regional or national. Advertising programs and the use of the Fund may be directed to markets for individual Restaurants, or general nation-wide or region-wide campaigns, in our sole discretion. All advertisements are intended to improve the collective success and recognition of the System. For Restaurants operated by Us or Our affiliates, We, or Our affiliates, will contribute to the Fund generally on the same basis as You. In administering the Fund, We and Our designees are not required to make expenditures for You that are equivalent or proportionate to Your contribution to the Fund or to ensure that any particular franchisee benefits directly, or pro rata, from the placement of advertising.

2. The Fund may be used to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed including, without limitation, the cost of updating, improving and maintaining our website and our presence on other Internet websites, including “social media platforms;” preparing and conducting television, radio, magazine, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research and employing advertising agencies to assist with such research; and costs of Our personnel and other departmental costs for advertising that We administer or prepare internally. We may use amounts paid by You to the Fund to defray Our reasonable administrative costs and overhead that We may incur in the administration and/or direction of the Fund and advertising programs for franchisees and the System. The Fund and its earnings shall not otherwise inure to the benefit of Us, other than to the extent that Eggspectation restaurants that we manage (such as Owings Mills, Maryland) will benefit from advertising campaigns. The Fund is operated solely as a conduit for collecting and expending the Fees as outlined above. Any sums paid to the Fund that are not spent in the year they are collected will, in our sole discretion, be spent in the following year.

3. We will prepare an annual statement of the operations of the Fund that will be made available to You upon request. We are not required to have the Fund statements audited.

4. Although the Fund is intended to be perpetual once established, We may terminate the Advertising Fund at any time. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to the contributing franchisees.

During 2023, we collected \$181,296 in Advertising Fund contributions and we spent \$201,780 on advertising costs to promote all Eggspectation restaurants in the U.S.A. Of those expenditures, 17.7% were to support the maintenance, improvement and promotion of our website, [www.eggspectation.com](http://www.eggspectation.com) [[eggspectation.com](http://eggspectation.com)], and to maintain and enhance our reputation on other Internet websites; 79.8% were to promote the restaurants generally, including menu enhancements and a gift card program, and 2.5% were spent on general administrative expenses. The contributions received from certain franchisees are segregated into an account we call the Marketing Fund, for use solely to reimburse those franchisees with whom we have separate agreements for their approved local advertising expenditures and proportionate support of overall Advertising and Marketing costs. We do not use any Advertising Fund contributions to solicit new franchise sales.

Absent a separate agreement with a franchisee as to use of Advertising Fund contributions, we do not provide an accounting of how advertising fees are spent but we will make Our internal records of Advertising Fund expenditures available to franchisees upon reasonable written request.

We are not obligated to conduct any advertising on your behalf, except through administration of the Fund as described above.

**Other Advertising Requirements:** You are required to spend not less than \$10,000 on a pre-opening and opening marketing strategy in Your Area of Primary Responsibility. We will provide You with such assistance with Your marketing strategy as We deem necessary in our discretion. Unless otherwise approved by Us in writing, Your marketing strategy must be maintained during the 30 days prior to and 30 days after the Opening Date of Your Restaurant.

You also must spend annually, throughout the term of the Franchise Agreement, 1% of the Aggregate Sales of the Restaurant on advertising for the Restaurant in Your Area of Primary Responsibility for Local Advertising. This amount is not paid to Us, but rather is spent by You. If Your landlord requires You to participate in any marketing or promotion fund, the amounts You pay may be applied towards satisfying Your Local Advertising obligations. We must approve all advertising before You use it. You must not advertise or use Our Marks in any fashion on the Internet or via other means of advertising through telecommunication without Our prior express written consent. You must provide Us with an advertising expenditure report to show that You have complied with the Local Advertising requirement on or before the 1st day of February following the end of each calendar year; provided that day is a business day. If it is not a business day, then the report is due on the next business day. Costs and expenditures You incur in connection with any of the following are not to be included in Your expenditures on Local Advertising, unless We otherwise approve in advance in writing:

1. Incentive programs for Your employees or agents, including the cost of honoring any coupons distributed in connection with the programs;
2. Research expenditures;
3. Food costs incurred in any promotion;
4. Salaries and expenses of Your employees, including salaries or expenses for attendance at advertising meetings or activities;
5. Charitable, political or other contributions or donations;
6. In-store materials consisting of fixtures or equipment; and
7. Seminar and educational costs and expenses of Your employees.

We may, in Our sole discretion, designate any geographic area in which two (2) or more Eggspectation Restaurants are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). The members of the Cooperative for any area shall, at a minimum, consist of all Eggspectation Restaurants in the area, whether operated by Us, Our affiliates or Our franchisees. Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, determined in advance by Us in our sole discretion. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative shall be organized for the exclusive purpose of administering advertising programs and developing, subject to Our approval, promotional materials for use by the franchisee members in Local Advertising. If a Cooperative has been established for a

geographic area where Your Restaurant is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, You must sign all documents We request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the geographic area in which Your Restaurant will be located will be provided to You upon request.

You must contribute to the Cooperative the amounts required by the documents governing the Cooperative. However, You will not be required to contribute more than 2% of Your Aggregate Sales during each Accounting Period to the Cooperative unless, subject to Our approval, the members of the Cooperative unanimously agree to the payment of a larger fee. The payments may be applied by You toward satisfaction of Your Local Advertising requirement. Your contributions to a Cooperative may also be allocated by Us to the Advertising Fund, as described above. All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining Our approval. Currently, no Cooperatives exist. Each Cooperative will be obligated to prepare an annual financial statement reporting its expenditures for the previous calendar year to its members.

We will not require your aggregate advertising contributions or payments for any calendar year (whether in the form of Local Advertising Expenditures and/or contributions to the Advertising Fund and/or Cooperative), to exceed four percent (4%) of Your Aggregate Sales for such calendar year.

Neither the Advertising Fund nor any Cooperative will use any funds for advertising that is principally a solicitation for the sale of franchises for Restaurants.

You must also pay Your pro rata share of the cost of a Yellow Pages trademark or other business listings to be placed by Us on behalf of all Eggspectation Restaurants in the Restaurant's local market area. If You operate the only Eggspectation Restaurant under the System in the local market area, You will be responsible for full payment of any Yellow Pages trademark advertising or other business listing, unless We determine, in Our sole discretion, that placement of a Yellow Pages trademark listing or other business listings for the local market area is not economically justified. Any amount You pay for Yellow Pages trademark or other business listings may not be applied by You toward satisfaction of Your Local Advertising requirement.

Except as described above, We are not obligated to spend any amount on advertising in the area where Your Restaurant is located.

### **Training:**

The subjects covered during the initial training program, and the approximate hours of classroom training and on the job training and instruction provided during the initial training program are described below:

<b>TRAINING PROGRAM</b>			
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Location</b>
Orientation & Confidentiality	8	0	Charlotte, North Carolina

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Location</b>
Operations/ Food Preparation	24	192	Charlotte, North Carolina
Personnel Mgmt. & Scheduling	4-6	10	Charlotte, North Carolina
Marketing	4-6	4-6	Charlotte, North Carolina
Financial & Cash Flow Management	4-6	12-16	Charlotte, North Carolina
Total	44 - 48	218 - 224	Charlotte, North Carolina

\* It is our intention that you will train at our affiliate's restaurant in Charlotte, North Carolina.

No later than 45 days before the date the Restaurant begins operation, Your Operating Principal, General Manager and Kitchen Manager must complete, to Our satisfaction, Our initial training program. You will be responsible for all expenses incurred by your Operating Principal, General Manager and Kitchen Manager to participate in the training program, such as costs of travel, lodging, and meals, as well as any salary or wages to be paid to those individuals. The initial training program will continue for approximately nine (9) weeks. Training will generally be conducted five (5) days per week for an average of eight (8) hours per day. The subjects and time periods allocated to the subjects taught to a specific franchisee's personnel may vary based on the experience and skill levels of the individuals being trained. We will conduct the initial training program at various times during the year as necessary and appropriate to adequately and timely train our new franchisees.

David Levitt, our Vice President of Operations, is the primary instructor for training U.S. franchisees. Mr. Levitt, who joined Eggspectation during 2017, has supervised the operation of food service facilities for nearly 40 years. That experience includes working for 15 years as an area director for Bloomin' Brands, Inc., the owner of Outback Steakhouse, Carrabba's Italian Grill, and Bonefish Grill restaurant brands, and before that for 10 years as a general manager and then area manager for the owner of the Steak & Ale and Bennigan's casual dining brands. His current responsibilities include training new franchise owners and managers of company-owned locations; monitoring their methods of training and supervising restaurant staff; and implementing and auditing company standards and procedures at all Eggspectation restaurants.

Mark Becraft, our Corporate Chef, will provide training for your Restaurant's Kitchen Manager on preparing food in compliance with your recipes and methods. Mr. Becraft has more than 25 years of experience as a chef and manager in restaurants located in or near Maryland.

The instructional materials used in the initial training consist of Our Restaurant Operators Manual, Our Training Manual, Food Safety and Handling materials, opening checklists, marketing and promotion materials, programs related to the operation of electronic cash register systems approved for use in Eggspectation restaurants, and other written directives related to the operation of the Restaurant (collectively, the "Manuals"). The Table of Contents for our primary Restaurant Operators Manual, which consists of one hundred and forty-five (145) pages plus template exhibits, is attached as Exhibit H to this Disclosure Document; we also have supplementary manuals for various other aspects of restaurant operations, such as training of your Restaurant's kitchen and customer service staff.

We will provide the initial training program at no charge to You, although you are responsible for all of the expenses incurred by your Operating Principal and/or General Manager to travel to and participated in the training program, including any salary or other compensation to that person during the training period. We may charge a reasonable fee for providing initial training to any additional or replacement managers of the Restaurant or to other Restaurant personnel. Our current initial training fee for additional personnel is \$2,500 per trainee. If the Operating Principal and/or the General Manager does not satisfactorily complete the initial training program, or if We determine that either or both of these persons cannot satisfactorily complete the training program, You will be required to designate a replacement to satisfactorily complete the training program in exchange for the additional training fee. Any Operating Principal or General Manager subsequently designated by You must also receive and complete the initial training. If You fail to have a replacement manager attend training and complete it to our reasonable satisfaction, We may charge You a support fee of \$2,000 per week for the person we designate until a replacement General Manager is trained or certified.

We will provide You with two of Our trained representatives who will provide on-site pre-opening training, supervision, and assistance to You for the two (2) weeks immediately preceding the Opening Date, and opening training, supervision, and assistance to You for one (1) week immediately following the Opening Date for your first two (2) Restaurants. For any additional assistance requested by You and any similar assistance that We provide to a replacement Restaurant, if the premises are destroyed or the Restaurant is required to be closed for any other reason, you shall pay to Us the per diem fee then being charged to franchisees generally for trained representative assistance, plus Our expenses incurred in providing such assistance, including, without limitation, costs of travel, lodging, and meals. Our current per diem fee for such assistance is \$350. For the third and subsequent franchised Restaurants opened under an Area Development Agreement, We will provide training, supervision and assistance to You only as we determine necessary, in Our sole discretion, and You will be required to pay our per diem charges for such assistance, plus Our expenses.

We may approve You to conduct all training programs for your managers and/or other personnel. If We approve You to provide training, You are required, at Your expense, to conduct the initial training program and other training programs for any replacement or successor Operating Principal, General Manager and other Restaurant personnel. In that case, We may require You to have any person You train receive Our training certification, for which we may charge a reasonable fee not exceed the per diem rate of the personnel conducting the certification and their expenses incurred in conducting the certification.

The Operating Principal, General Manager and other Restaurant personnel must attend all additional training programs and seminars that We require. For all of these programs and seminars, We will provide the instructors and training materials. We will not charge an attendance fee for any mandatory training programs; however, We reserve the right to charge a reasonable fee for the additional training programs and seminars that We provide on an optional basis. You will also be responsible for all expenses You, Your Operating Principal, Your General Manager and/or other Restaurant personnel incur in participating in any additional mandatory or optional training, including costs of travel, lodging, meals, and wages.

If You reasonably request or as We deem appropriate, We will, during the term of the Franchise Agreement and subject to the availability of personnel, provide You with additional trained representatives who will provide on-site remedial training to Your Restaurant personnel. For such additional training, You will be required to pay the per diem fee then being charged to franchisees under the System for the services of Our trained representatives, plus their costs of travel, lodging and meals. Our current per diem fee for such assistance is \$500.

**Site Selection:** You will select the site for your Restaurant at your cost, in accordance with our site selection guidelines, and subject to Our approval. Our guidelines for site selection guidelines may require that You conduct, at Your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

We will have twenty (20) days after We receive information and materials from You concerning your proposed site in the form we specify to issue our approval or disapproval of the proposed site. After we have approved Your proposed site, You will then enter into a Franchise Agreement with Us for the Restaurant to be developed on that site. You must obtain Our approval of any sale or lease contract before You sign it. If You do not obtain a site that We approve within the time periods specified, We may, in Our sole discretion, terminate the Area Development Agreement, and not enter into a Franchise Agreement with You with respect to the proposed Restaurant.

**Lease Approval:** You must obtain Our approval of the site for the Restaurant before You acquire the site. You must also obtain Our approval of any contract of sale or lease for the Restaurant before You execute the contract or lease. We will not approve any lease unless a rider to the lease, prepared by Us, is signed by You, by Us, and by the landlord. The rider shall contain the following provisions, which are included in Our form Lease Provisions and Collateral Assignment of Lease, which are included as Exhibits A and B to the Franchise Agreement:

1. During the term of the Franchise Agreement, the premises will be used only for the operation of the Restaurant.
2. The landlord consents to Your use of the Marks and signs, decor items, color schemes and related components of the System.
3. The landlord agrees to give Us copies of any and all letters and notices sent to You related to the lease and the premises, at the same time that these letters and notices are sent to You.
4. We may enter the premises to make any modification necessary to protect the System and Marks or to cure any default under the Franchise Agreement or under the lease, without being guilty of trespass or any other crime or tort. The landlord will not be responsible for any expenses or damages resulting from Our conduct of those activities.
5. If We exercise Our option to obtain Your lease, You must assign the lease to Us or one of Our affiliates when the Franchise Agreement expires or terminates, and the landlord will consent to this assignment and will not charge any assignment fee or accelerate rent under the lease.
6. If the lease is assigned, We or any affiliate designated by Us will agree to assume from the date of assignment all of Your obligations remaining under the lease, and We or Our affiliate will assume Your occupancy rights, and the right to sublease the premises, for the remainder of the term of the lease.
7. You will not assign the lease or renew or extend the lease's term without first obtaining Our written consent.

8. The landlord and You will not amend or otherwise modify the lease in any manner that could materially affect any of the above requirements without first obtaining Our written consent.

9. The terms of the lease rider will supersede any conflicting terms of the lease.

**Computer and Electronic Cash Register Systems:** As described in Items 6, 7 and 8, You must purchase and use certain electronic cash register systems, computer hardware and software that meet Our specifications and that are capable of electronically interfacing with Our computer system (collectively, the “System”). We estimate that the System will cost you between \$30,000 and \$40,000, depending on the size of your restaurant.

The System is used to record sales, accept payments, track payroll costs and track inventory, among other functions related to the operation of the Restaurant. The System is designed to enable Us to have immediate access to the information it monitors, including Aggregate Sales information, and there is no contractual limitation on Our access or use of the information We obtain. You must install and maintain equipment and a high speed telecommunications line in accordance with Our specifications to permit Us to access the electronic cash register (or other computer hardware and software) at the Restaurant premises as described above. Upon our request that you do so, you must ensure that We have access at the times and in the manner We specify, at Your cost.

The hardware You must purchase for the System includes the following: point-of-sale terminals, thermal printers, communications interface board, remote printers, cash drawers, modem, color monitor, laser jet printer, connectors and cables. Currently, our only approved supplier for the System is Toast; however, we will not unreasonably withhold our approval of any other vendor who meets our standards and specifications. We may revise Our specifications for the hardware as We determine necessary to meet the needs of the System.

You also must purchase subscriptions to, and use, software that we designate as follows:

<b>Software purpose</b>	<b>Cost during 2024</b>
Food Safety Training and Compliance	\$105 quarterly, per device
Employee Tipping	\$99 per month
Inventory ordering and cost management	\$330 per month
Website host, AI marketing manager, Reputation management, AI phone answering	\$499 per month for the website \$299 per month per each additional location (for a franchisee group, including if owned by affiliates) \$49 per month per location for online ordering \$299 per month per location for online marketing

There is no contractual limitation on Our ability to require the hardware and/or software be improved or upgraded. However, to date we have not required any franchisee or licensee to upgrade their computer systems, and therefore we cannot estimate the cost of annual upgrades to the required hardware and software. We are not aware of any optional maintenance, updating, upgrading or support contracts available for Toast systems.

You must execute such forms and documents that We deem necessary to appoint Us your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to Us upon the termination or expiration of the Franchise Agreement: (i) all rights to the telephone numbers of Your Restaurants and any related and other business listings; and (ii) Internet listings, domain names, Internet



Accounts, advertising on the Internet, websites, listings with search engines, e-mail addresses or any other similar listings or usages related to the Restaurant. You have no authority to and will not establish any website or listing on the Internet or World Wide Web without Our express written consent.

## **ITEM 12** **TERRITORY**

**Franchise Agreement:** The Franchise Agreement grants You the right to operate an “Eggspectation” Restaurant at a single location that You select within the Assigned Area and that We approve. Schedule A to the Franchise Agreement will identify the specific street address of the accepted location. You must operate the Restaurant only at the approved location and may not relocate the Restaurant without first obtaining Our written consent. We will not unreasonably withhold our approval for a relocation of your restaurant in the event of a natural disaster or other catastrophe outside of your control (“Force Majeure”); in other circumstances, requests to relocate will be considered on a case-by-case basis in light of the specific facts at hand. Therefore, we do not have specific standards for evaluating proposals for relocation. You may not establish or operate another Restaurant unless You enter into a separate Franchise Agreement with Us.

During the term of the Franchise Agreement, if You are in compliance with its terms, We and Our affiliates will not establish an “Eggspectation” Restaurant or authorize any other person or entity to establish an "Eggspectation" Restaurant within the Assigned Area, excluding nontraditional venues (such as airports, stadiums and convention centers) in which We have the right to own and operate Restaurants. The Assigned Area will be described in Schedule A to the Franchise Agreement and will cover no less than a one-mile radius. We will determine the Assigned Area before the Franchise Agreement is signed based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market. We, Our affiliates, and any other authorized person or entity may, at any time, advertise and promote the "Eggspectation" Restaurants to people in the Assigned Area, and fill customer orders by providing catering and delivery services in the Assigned Area. We and Our affiliates may also offer and sell and authorize others to offer and sell within the Assigned Area: (i) collateral products under the Marks, at or from any location, such as gift cards and gift certificates, pre-packaged food products, memorabilia and other nonfood items, and (ii) any products or food and beverage services under any other names and marks, including over the Internet. We do not have to pay You any compensation for any orders We (or any other approved person) receive from people located in Your Assigned Area. Accordingly, because of the exceptions to your exclusive rights within the Assigned Area, You will not receive an exclusive territory. You may face competition from other franchisees; from outlets that We own; from sale of products under the Marks through other channels of distribution, including the Internet; or from competitive brands that We control.

Under the Franchise Agreement, We also will designate a non-exclusive geographic area known as the Area of Primary Responsibility in which You will be required to conduct all Local Advertising activities and use all commercially reasonable efforts to advertise and promote the Restaurant. The Area of Primary Responsibility is not exclusive except to the extent that it includes the Assigned Area. You may not direct Internet or e-mail advertising to customers outside of your Area of Primary Responsibility, and you must obtain our consent before conducting any Internet advertising. However, you are not restricted from serving customers located outside of your Area of Primary Responsibility.

The territorial rights granted to You under the Franchise Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingencies. Also, the Assigned Area may not be altered before the Franchise Agreement expires or terminates.

**Area Development Agreement:** Under the Area Development Agreement, You are assigned a territory where You have to develop two or more Restaurants in accordance with a specified development schedule (the “Territory”) which will be in Schedule A to the Area Development Agreement and agreed to before it is signed (the “Development Schedule”). The size of the Territory may be an Area of Dominant Influence or “ADI,” a single or multi-county area, single state area or some other area, will be described in Schedule A to the Area Development Agreement, and it will cover no less than a one-mile radius. We will determine the Territory before You sign the Area Development Agreement based on various market and economic factors such as those described above regarding the Assigned Area.

Except as stated below, if You are in compliance with the Area Development Agreement, We will not establish or authorize any other person or entity, other than You, to establish a Restaurant within the Territory during the term of the Area Development Agreement. We, Our affiliates, any “Eggspectation” Restaurant franchisee and any other authorized person or entity may, at any time, advertise and promote the System to people in the Territory and fill customer orders by providing delivery and catering services in the Territory. We and Our affiliates may also offer, sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as gift cards and gift certificates, pre-packaged food products and memorabilia, (ii) food and beverage services under the Marks at or through any Restaurant or other permanent, temporary or seasonal food service facility providing in whole or in part the products and services offered by an “Eggspectation” Restaurant in the Territory; and (iii) any products or food and beverage services under any other names and marks. In addition, although an Area Development Agreement will grant to you an exclusive right to develop Restaurants within a Territory, We retain the right, within any Territory, to operate Company-owned restaurants in so-called nontraditional venues. “Nontraditional venues” include, but are not limited to, airports, hotels, amusement parks, sports stadiums and complexes, transportations hubs such as train stations, federal and state parks, and college and university campuses, and military bases.

You must exercise the development rights only by entering into a separate Franchise Agreement with Us for each Restaurant. We may, in Our discretion, permit You to exercise the development rights through affiliated entities that are either Your wholly owned subsidiaries or commonly controlled entities with ownership identical to Yours. The Franchise Agreement to be executed for the first Restaurant You develop under the Area Development Agreement must be signed and delivered to Us concurrently with the signing and delivery of the Area Development Agreement and will be in the form of the Franchise Agreement attached to this Disclosure Document, although the second half of the initial franchise fee will not be due until five days after we have approved the lease for your first restaurant. All additional Restaurants developed under the Area Development Agreement must be established and operated under Our form of Franchise Agreement then being used by Us for “Eggspectation” Restaurants under the System. The then-current form of Franchise Agreement may differ from the form attached to this Disclosure Document, except that the initial franchise fee will be \$50,000, of which you will have paid \$25,000 upon signing Your Area Development Agreement.

You must develop and open each Restaurant in accordance with the Development Schedule. If You fail to open a Restaurant in compliance with the Development Schedule as required in the Area Development Agreement, or otherwise commit a material event of default under the Area Development Agreement, We may, in addition to Our other remedies, charge You, at Our option, a late fee equal to 5% of forecasted monthly revenue for each month for which You are in default, and if the default continues, We may terminate or modify Your territorial rights, reduce the area of territorial rights, reduce the number of Restaurants that You may establish, and/or accelerate the development schedule under the Development Agreement.

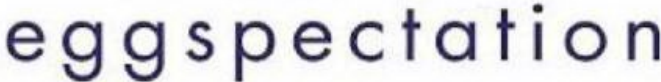

We generally do not grant any right of first refusal to obtain additional Restaurant locations. If You wish to obtain an additional location, You must either have entered into an Area Development

Agreement that grants You the right to establish more than one Restaurant or enter into a separate Franchise Agreement for the additional location.

Neither We nor Our affiliates currently operate, franchise, or conduct business through alternative channels of distribution offering products or services similar to those offered by the Restaurant under different marks, and at this time We have no plans to do so. There are, however, no restrictions in either the Franchise Agreement or Area Development Agreement that would restrict Our ability to do so at any time.

### **ITEM 13** **TRADEMARKS**

We own the following trademarks, service marks, trade names, logotypes, and other commercial symbols (“Marks”) which are registered with the United States Patent and Trademark Office on the principal register:

<b>Mark</b>	<b>Registration Number</b>	<b>Date of Registration</b>
	4850659	November 10, 2015
EGGSPECTATION	3585833	March 10, 2009
	3645692	June 30, 2009
GRAB THE DAY BY THE EGGS	4052972	November 8, 2011

There are no agreements currently in effect that significantly limit Our right to use or license the use of the names and Marks in any manner material to the Franchise or Your use of the Marks. In addition, there are no existing infringing uses actually known to Us of Our Marks or names which could materially affect Your use of the trademarks, services marks, trade names, logotypes or other commercial symbols. All necessary affidavits have been filed with the United States Patent and Trademark Office with respect to these registrations.

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark trial and appeal board, or the trademark administrator of any state or any court, and there are no pending infringement, opposition or cancellation proceedings or pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark. We do not have any currently effective agreements that significantly limit our rights to use or license use of any trademarks listed above in a manner material to the franchise.

You must immediately notify Us of any apparent infringement of the Marks or challenge to Your use of any of the Marks or any claim by any person of any rights in any of the Marks. You and Your Controlling Principals are not permitted to communicate with any person other than Us or any designated affiliate, their counsel and Your counsel involving any infringement, challenge or claim. We can take

action and have the right to exclusively control any litigation or Patent and Trademark Office or other administrative or agency proceeding initiated by any infringement, challenge or claim or otherwise relating to any of the Marks. You must execute any and all documents, and do what may, in Our counsel's opinion, be necessary or advisable to protect Our interests in any litigation or Patent and Trademark Office or other administrative or agency proceeding relating to the Marks, or to otherwise protect and maintain Our interests and the interests of any other person or entity having an interest in the Marks.

We will indemnify You against and reimburse You for damages for which You are held liable as a result of Your use of any of the Marks, provided that Your conduct and the conduct of Your Controlling Principals in the proceeding and Your use of the Marks is and was at all relevant times in full compliance with the terms of the Franchise Agreement.

Except as provided above, We are not obligated by the Franchise Agreement to protect any rights granted to You to use the Marks or to protect You against claims of infringement or unfair competition with respect to the Marks. Although We are not contractually obligated to protect the Marks or Your right to use them, as a matter of corporate policy, We intend to defend the Marks vigorously. We have the right to control any proceedings or litigation relating to the Marks.

We may require You to discontinue or modify Your use of any or all of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if We determine that an addition or substitution will benefit the System. You will have to pay all expenses relating to the addition or substitution of any Marks.

We know of no superior prior rights or infringing uses of any Mark that could materially affect Your use of the Marks in this or any other state, except as stated above.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

**Patents and Copyrights:** We have no patents that are material to the franchise. We have registered the following materials with the U.S. Copyright Office:

Nature of Work	Relation to Franchise	Registration Number	Registration Date
Eggspectation logo	Original restaurant logo	VA0000800831	July 30, 1996
Eggspectation menu design	Original menu design	VA0000809610	July 30, 1996
Eggspectation menu text	Original menu text	TX0004347425	July 30, 1996

The term of each of the copyrights listed above is approximately 95 years from the date of registration, as granted by the U.S. Copyright Act of 1976. There are no currently pending copyright applications relating to our copyrighted materials. There are no effective determinations of the U.S. Copyright Office or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the copyrighted materials which are relevant to their use by you.

**Confidential Manuals:** Our Manual, operational materials, and other proprietary materials specifically created by us in connection with the Eggspectation Restaurant, including the proprietary recipes, advertisements, printed materials and forms are and will be protected under the U.S. Copyright Act, whether or not registrations are obtained. You must use the Manual and other copyrighted materials in a manner consistent with our ownership rights and solely for the promotion of your Eggspectation Restaurant. You also must promptly tell us when you learn about any unauthorized use of copyrighted

information. We are not obligated to protect your rights to use our copyrighted materials. You must operate the Restaurant in accordance with the standards and procedures specified in the Manuals. One copy of the Manuals will be loaned to You by Us for the term of the Franchise Agreement.

You must treat the Manuals and other written materials We create or approve for use in Your operation of the Restaurant, and the information contained in them, as confidential. You must not duplicate, copy, record or otherwise reproduce such materials, in whole or in part, or make them available to any unauthorized person. The Manuals and other written materials remain Our sole property and must be kept in a secure place on the Restaurant premises.

We may revise the contents of the Manuals and other written materials and You must comply with each new or changed standard, procedure or other requirement. You must also ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained by Us at Our home office will be controlling. You are required to return to Us all pages that are replaced in the Manuals.

There are no agreements currently in effect which significantly limit our right to use or to license the use of our copyrighted materials in any manner material to you. We do not know of any infringing uses of our copyrighted materials which materially affect your use of those materials.

#### **ITEM 15**

#### **OBLIGATIONS OF FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

When You sign an Area Development Agreement, You must designate and retain at all times an individual to serve as the “Operating Principal” under that Agreement, which person will also serve as the Operating Principal under each Franchise Agreement subsequently entered into for specific Restaurants within a Territory. If You are an individual, You must perform all obligations of the Operating Principal. If You are a corporation, partnership or other form of entity, the Operating Principal must be one of Your owners who We designate as a Controlling Principal, and must hold an ownership interest of not less than ten percent (10%) of all outstanding ownership interests in You or any entity that directly or indirectly controls You. Except as otherwise provided in the Franchise Agreement, the Operating Principal’s interest in You must remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or option.

The Operating Principal may, at his option and subject to Our approval, designate an individual to perform the duties and obligations of the Operating Principal described in the Area Development Agreement and each Franchise Agreement and in this Disclosure Document. However, the Operating Principal will remain fully responsible for the performance of all of the Operating Principal’s obligations in the Franchise Agreement, and therefore must take all necessary action to ensure that the designee conducts and fulfills all such obligations. The Operating Principal (or his designee, if applicable) must devote substantial full time and best efforts to the supervision and performance of each Restaurant under the Area Development Agreement and each Franchise Agreement. The Operating Principal and any other controlling owners of a franchisee-entity (“Controlling Principals”) must individually guaranty all of Your obligations and will be liable for all of Your obligations under the Area Development Agreement and each Franchise Agreement.

The Operating Principal (and any designee) must meet Our then current standards for these positions, as provided in the Manuals or other written materials. Under the Franchise Agreement, the Operating Principal (or his designee) must satisfy the training requirements in the Franchise Agreement.

If, during the term of the Franchise Agreement, the Operating Principal or any designee cannot serve as Operating Principal or no longer qualifies, You must promptly notify Us and designate a replacement within 30 days after the Operating Principal or designee stops serving or no longer meets Our requirements. Any replacement must meet the same qualifications listed above and must be approved by Us. You must provide for interim management of the Restaurant until You designate a replacement. This interim management must be conducted in accordance with the Agreements.

We will identify certain persons under the Franchise Agreement and Area Development Agreement that We refer to in this Disclosure Document as Your Principals. If you are a business entity, Your Principals include the officers and directors (including the officers and directors of Your general partner, if applicable) of such entity whom We designate as Your Principals and all holders of an ownership interest in You and in any entity that directly or indirectly controls You, and any other person or entity controlling, controlled by, or under common control with You.

If We designate certain of Your Principals as Controlling Principals, they must sign the Area Development Agreement and each Franchise Agreement, as applicable, and agree to be individually bound by certain obligations under the Agreements, including confidentiality and non-competition covenants and to personally guarantee Your performance under the Agreements. We typically designate Your principal equity owners and executive officers, as well as any other affiliated entities that operate Restaurants, as Controlling Principals.

You must retain at all times a General Manager for each Franchised Restaurant and such other personnel as are required to operate and manage the Restaurant. The General Manager must satisfy Our educational and business criteria as provided to You in the Manuals or other written materials, and must be individually acceptable to Us. In addition, the General Manager must be responsible for the supervision and management of the Restaurant, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within the same time period and under the same conditions stated above for the Operating Principal.

If You employ any individual as General Manager or in a managerial position who is at the time employed in a managerial position by Us or any of Our affiliates, or by another of Our franchisees, You must pay the former employer for the reasonable costs and expenses the employer incurred for the training of the employee. You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with You, from Your General Manager and any of Your other personnel who have received or will have access to Our training. Such covenants must be obtained before commencement of such individual's employment. You must also obtain similar covenants from any holder of a beneficial interest in You (except for any limited partners) who is not designated as a Controlling Principal and does not sign the Franchise Agreement as a Controlling Principal. You must require all of Your Restaurant personnel to sign covenants that they will maintain the confidentiality of information they receive or to which they have access based on their relationship with You. These covenants will be in substantially the same form attached to the Franchise Agreement as Exhibit C and the Area Development Agreement as Exhibit B. We reserve the right, in Our discretion, to decrease the period of time and/or geographic scope of the non-competition covenants contained in the Agreement, including Schedules, or to eliminate the non-competition covenants altogether for any party that is required to sign such covenants as described in this paragraph.

You, each of Your Controlling Principals and Your Controlling Principals' spouses (and Your spouse if You are an individual) are prohibited, during and after the term of the Franchise Agreement,

from communicating, or using for the benefit of any other person or entity, and, after the term of the Franchise Agreement, from using for Your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Restaurant, including any trade secrets, that may be communicated to You or any of Your Controlling Principals or that You or any of Your Controlling Principals may learn or otherwise obtain. During the term of the Franchise Agreement, You and each of Your Controlling Principals can divulge this confidential information only to Your employees who must have access to such information in order to operate the Restaurant in accordance with Our specifications. Neither You nor Your Controlling Principals are permitted at any time, without first obtaining Our written consent, to copy, record or otherwise reproduce the Manuals or any other materials containing any confidential information nor make them available to any unauthorized person. Upon Our request, Your General Manager, Your Principals, their spouses (and Your spouse if You are an individual) and any of Your personnel who have received or will have access to confidential information must execute covenants substantially similar to those in Exhibit C to the Franchise Agreement and Exhibit B to the Area Development Agreement.

#### **ITEM 16**

##### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must comply with all of Our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software), paper goods, utensils and other kitchen items and products used or sold at the Restaurant (see Item 8).

You must sell or offer for sale all menu items, food products, and other products and services We require, in the manner and style We require, including dine-in and carry-out, as expressly authorized by Us in writing. You must sell and offer for sale only the menu items, and other products and services that We have expressly approved in writing. You must not deviate from Our standards and specifications without first obtaining Our written consent. You must discontinue selling and offering for sale any menu items, products or services that We may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by You at the Restaurant at any time, and there are no limits on Our right to make such changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, supplies, materials, paper goods and other products that conform to Our standards and specifications. You must prepare all menu items with Our recipes and procedures for preparation contained in the Manuals or other written instructions, including the measurements of ingredients. You must not deviate from Our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining Our written consent.

With respect to the offer and sale of all menu, beverage, retail food and non-food items, We may from time to time offer guidance to with respect to selling prices for such goods, products and services. In addition, We may, in Our sole discretion, set maximum and/or minimum selling prices for such goods, products and services. You must adhere to all minimum and/or maximum selling prices We establish, but You otherwise are free to sell products and provide services at any price You determine. We make no guarantee or warranty that offering products, merchandise or services at Our recommended or required prices will enhance Your sales or profits.

We and Our affiliates have developed certain products for use in the System that are prepared from confidential recipes and that are trade secrets of Ours, and certain products that bear Our Marks. Because of the importance of quality and uniformity of production and the significance of the proprietary

recipes and trademarked products in the System, it is to Our and Your benefit that We closely control the production and distribution of the products. You must use Our proprietary recipe products. You must purchase all of Your requirements for these products only from Us or from sources designated by Us.

You and Your Controlling Principals may not develop any new concept, process, product, recipe or improvement in the operation or promotion of the Restaurant, unless You first submit to Us a request for a test of such concept, process, product, recipe or improvement. A decision to perform such testing will be in Our sole and absolute discretion. If we engage in such testing, and approve Your request, then and only then may you adopt such concept, process, product, recipe or improvement. You will receive no additional compensation for any such approved concept, process, product, recipe or improvement which We have approved for Your use at a Restaurant. You and Your Controlling Principals must acknowledge that any such concept, process, product, recipe or improvement will become Our property and shall constitute confidential information and We may use and/or disclose such information to other franchisees or area developers as We deem appropriate.

All advertising and promotional materials, signs, decorations, and paper goods used in the Restaurant and on any Restaurant delivery vehicles and other items that We designate must contain the Marks in the form, color, location and manner We specify.

We may make available and may require You to purchase from Us for resale to Your customers certain pre-packaged food products and memorabilia and other nonfood products in amounts sufficient to meet Your customer demand.

## **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.**

<b>Category</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3.1	Term continues for 20 years from the date of the Franchise Agreement unless terminated earlier, for new Eggspectation restaurants. For successor franchise agreement, the term continues for 10 years from the date of that agreement.
b. Renewal or extension of the term	Section 3.2	Agreement may be renewed at Your option for an additional 10-year terms.



<b>Category</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
c. Requirements for franchisee to renew or extend	Section 3.2	You must: give us notice at least twelve, but not more than eighteen months prior to expiration; not be in default under the Franchise Agreement or any other agreement with Us; repair, replace and update equipment and Restaurant premises, up to a maximum expenditure amount; not be in breach of any agreement with Us or Our affiliates; have the right to remain in possession of Restaurant premises; pay renewal fees; execute Our then current form of franchise agreement, which may have terms and conditions materially different from those in your initial agreement; execute Our general release (see Exhibit F); pay a renewal fee equal to 50% of Our then-current initial franchise fee; and comply with current qualification and training requirements.
d. Termination by franchisee	Not applicable	You may terminate on any grounds available to You by law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with “cause”	Sections 17.3 and 17.4	Each of Your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g. “Cause” defined - curable defaults	Sections 17.3 and 17.4	We may terminate You for cause if You fail to cure certain defaults, including: operate or construct the Restaurant in a way that presents a danger to public health or safety, and do not remedy that problem within 48 hours; if You or any of Your affiliates fail to pay any monies owed to Us, or Our affiliates or vendors, and do not cure within 5 days after notice (or longer period required by law), fail to obtain execution of the Confidentiality and Non-competition Covenants contained in the Franchise Agreement within 30 days after our request, fail to procure and maintain required insurance within 7 days after notice, use the Marks in an unauthorized manner and fail to cure within 72 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice.

Category	Section in Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Sections 17.3	We may terminate You for cause immediately in the event of certain incurable defaults, including: If You become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against You under bankruptcy laws, have unpaid judgments against You of \$50,000 or more for over 60 days, sell unauthorized products or services, sell authorized products or services from a location other than the Restaurant, fail to acquire an approved location within time required, fail to remodel or to open Restaurant when required, abandon or lose right to the Restaurant premises, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, fail to timely designate a replacement Operating Principal or General Manager, transfer any interest without Our consent, or maintain false books or records; repeatedly commit material events of default under the Franchise Agreement, or default under another franchise or supply agreement with us and fail to cure such default within the time period permitted by that agreement.
i. Franchisee's obligations on termination/non-renewal	Article XVIII	Obligations include: You must cease operating the Restaurant and using the Marks and System and completely de-identify the business, pay all amounts due to Us or Our affiliates, return all Manuals and software and other proprietary materials, comply with confidentiality requirements, pay Our costs and fees incurred as a result of Our termination of or any violation by You of the Franchise Agreement, and at Our option, sell or assign to Us Your rights in the Restaurant premises and the equipment and fixtures used in the business.
j. Assignment of contract by franchisor	Section 14.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.

<b>Category</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
k. “Transfer” by franchisee – defined	Sections 14.2 – 14.11	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Restaurant or You (if You are not a natural person)
l. Franchisor approval of transfer by franchisee	Section 14.2	You must obtain Our consent before transferring any interest.
m. Conditions for franchisor approval of transfer	Section 14.2.1	Conditions include: You must pay all amounts due Us or Our affiliates, not otherwise be in default, and execute a general release (see Exhibit F). Transferee must meet Our criteria, attend training, assume your obligations under the Franchise Agreement, execute Our then-current form of Franchise Agreement, pay Our transfer fee, and perform all required updates, refurbishments and modernizations.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 14.3	We have the option, exercisable within 30 days after notice, to purchase the transferred interest on the same terms and conditions.
o. Franchisor’s option to purchase franchisee’s business	Not applicable	Other than our option to purchase the Restaurant’s assets on termination, non-renewal or right of first refusal, We have no right or obligation to purchase Your business.
p. Death or disability of franchisee	Sections 14.5, 14.6 and 14.7	If You or a Controlling Principal are a natural person, on death or permanent disability, distributee must be approved by Us, or franchise must be transferred to someone approved by Us in accordance with Section 14.2 within twelve months after death or six months after notice of permanent disability.
q. Non-competition covenants during the term of the franchise	Section 10.2	Except for Restaurants You operate under Franchise Agreements with Us, You and Your Controlling Principals are prohibited from operating or having an interest in a similar business in the United States, its territories or commonwealths, or elsewhere worldwide where We have the right to grant licenses and franchises to use the System and the Marks.

Category	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3	You and Your Controlling Principals are prohibited, for a period of two (2) years following termination, expiration or transfer of the Franchise Agreement, from: diverting or attempting to divert any business, business opportunity, or customer of the Restaurant (or any other Eggspectation Restaurant) to any competitor of the Restaurant or the System; and operating, owning an interest in or being employed by any competitive business located within ten (10) miles of the formerly franchised location or any Eggspectation Restaurant then existing or under construction.
s. Modification of the agreement	Section 22.3	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manuals as amended
t. Integration/merger clause	Section 22.2	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article XX	Except for actions brought by Us for injunctive or extraordinary relief, all disputes must be arbitrated in Baltimore, Maryland.
v. Choice of forum	Section 21.1	Unless otherwise provided in the Franchise Agreement, all proceedings related to or arising out of the Franchise Agreement shall be brought in the United States District Court for the District of Maryland or any Maryland state court having jurisdiction (see Exhibit I for state specific addendum)
w. Choice of Law	Section 21.3	The Franchise Agreement is to be interpreted, governed and construed under Maryland law, with specified exemptions (see Exhibit I for state specific addendum)

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

<b>Category</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
a. Length of the term	Article V	Term continues until You have completed Your development obligations in accordance with the Development Schedule.
b. Renewal or extension of the term	Not applicable	We may, in our sole discretion, extend the term of the Area Development Agreement to allow You to develop additional Restaurants, however, the Area Development Agreement does not grant to You any right to renew or extend the Area Development Agreement.
c. Requirements for Developer to renew or extend	Not applicable	Not applicable
d. Termination by Developer	Not applicable	You may terminate under any grounds available to You by law
e. Termination by Franchisor without cause	Not applicable	Not applicable
f. Termination by Franchisor with “cause”	Sections 8.3 and 8.4	Following certain defaults, We may terminate the Area Development Agreement or modify Your territorial rights or alter Your Development Schedule in lieu of termination
g. “Cause” defined - curable defaults	Sections 8.3 and 8.4	We may terminate You for cause if You fail to cure certain defaults, including: If You or Your affiliates fail to pay any monies owed to Us, or Our affiliates or vendors, and do not cure within five days after notice (or longer period required), fail to obtain execution of the Confidentiality and Non-competition Covenants contained in the Area Development Agreement within 30 days after a request, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice or fail to cure any other default that is susceptible of cure within 30 days after notice. If You have both an Area Development Agreement and a Franchise Agreement, any uncured default under one is also a default under the other.

<b>Category</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
h. Cause defined – non-curable defaults	Sections 8.3	We may terminate You for cause based on certain non-curable defaults, including: If You become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition filed against You under federal bankruptcy laws or similar state laws, have outstanding judgments against You for over 30 days, fail to comply with the Development Schedule, fail to execute all franchise agreements in accordance with the terms of the Area Development Agreement, fail to comply with any term or condition of any related agreement and have not cured the default within the given cure period, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without Our consent, or repeatedly commit material events of default under the Agreement.
i. Developer’s obligations on termination/non-renewal	Section 8.6 and 8.10	Obligations include: You must cease developing Restaurants or, on a partial termination of territorial or development rights under Section 8.5 of the Development Agreement, You must continue to develop Restaurants only in accordance with any modified Development Schedule, and must comply with all applicable confidentiality and restrictive covenants
j. Assignment of contract by Franchisor	Section 7.1	We have the right to transfer or assign the Area Development Agreement to any person or entity without restriction
k. “Transfer” by Developer – defined	Sections 7.1 and 7.2	Includes sale, assignment, conveyance, gift, pledge, mortgage or other disposal or encumbrance of any direct or indirect interest in the Area Development Agreement or You
l. Franchisor approval of transfer by Developer	Sections 7.2 and 7.3	You must obtain Our consent before transferring any interest
m. Conditions for Franchisor approval of transfer	Section 7.3	Conditions include: You must pay all amounts due Us and Our affiliates, not otherwise be in default, execute a general release (see Exhibit F), remain liable for pre-transfer obligations, complete the development of all Restaurants required to be developed under the Development Schedule as of the effective date of transfer,

Category	Section in Area Development Agreement	Summary
		and pay a transfer fee. Transferee must meet Our then current criteria, assume post-transfer obligations, and execute Our then current form of Area Development Agreement
n. Franchisor's right of first refusal to acquire Developer's business	Section 7.6	We have the option, exercisable within 30 days after notice, to purchase the transferred interest on the same terms and conditions offered by a third party
o. Franchisor's option to purchase Franchisee's business	Not applicable	Not applicable
p. Death or disability of Developer	Section 7.8	If You or a Controlling Principal are a natural person, on death or permanent disability, your beneficiary must be approved by Us, or interest must be transferred to someone approved by Us within 12 months after death or 6 months after notice of permanent disability
q. Non-competition covenants during the term of the Development Agreement	Section 9.3	Except for Restaurants You operate under Franchise Agreements with Us, You and Your Controlling Principals are prohibited from operating or having an interest in a similar business in the United States, its territories or commonwealths, or elsewhere worldwide where We have the right to grant licenses and franchises to use the System and the Marks
r. Non-competition covenants after the Development Agreement is terminated or expires	Section 9.4	You and Your Controlling Principals are prohibited, for a period of two (2) years following termination, expiration or transfer of the Area Development Agreement, from: diverting or attempting to divert any business, business opportunity, or customer of any Restaurant (or any other Eggspectation Restaurant) to any competitor of the Restaurant or the System; employing or soliciting for employment any person who is at the time, or was within the preceding ninety (90) days, employed by Us, any of Our affiliates, or any of the System's franchisees or area developers; and operating, owning an interest in or being employed by any competitive business located within ten (10) miles of any Eggspectation Restaurant then existing or under construction, except pursuant to a franchise agreement with us.

<b>Category</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
s. Modification of the agreement	Sections 8.5 and 15.2	The Area Development Agreement may not be modified unless mutually agreed to in writing, except We may unilaterally decrease the scope of certain non-competition covenants
t. Integration/merger clause	Section 15.1	Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and area development agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article XII	Except for actions brought by Us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be arbitrated in Baltimore, Maryland.
v. Choice of forum	Section 13.1	Unless otherwise expressly provided, all proceedings related to or arising out of the Area Development Agreement shall be brought in the United States District Court for the District of Maryland or any Maryland state court having jurisdiction (see Exhibit I for state specific addendum)
w. Choice of law	Section 13.2	The Area Development Agreement is to be interpreted and construed under Maryland law, with specified exemptions (see Exhibit I for state specific addendum).

## **ITEM 18**

### **PUBLIC FIGURES**

As of the effective date of this Disclosure Document, we do not use any public figure to promote our franchise System. We may, in the future, from time to time use public figures to promote Our franchise.

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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



The following represents the Monthly Average Aggregate Sales of each of our eight (8) franchised restaurants in the United States that were in business during all or part of 2023:

	2022	2023
Restaurant	Average Monthly Sales	Average Monthly Sales
Christiana, Delaware	\$240,434	\$218,405
Ellicott City, Maryland *	\$549,973	\$515,382
Gambrills, Maryland **	\$284,843	\$346,743
Timonium, Maryland ***		\$237,087
San Antonio, Texas	\$249,353	\$241,532
Chantilly, Virginia	\$213,963	\$197,520
Gainesville, Virginia	\$169,421	\$165,973
Richmond, Virginia	\$127,970	\$143,545
Average Monthly Sales	\$262,280	\$258,273
Median Monthly Sales	\$240,434	\$227,746
Highest Average Monthly Sales	\$549,973	\$515,382
Lowest Average Monthly Sales	\$127,970	\$143,545
Average Sales per Sq. foot	\$43.37	\$48.00
Average Sales per seat including Patio	\$1,167.17	\$1,337.34

\* Ellicott City, Maryland, the highest volume location by gross sales, left the System at the end of February, 2023.

\*\* Gambrills, Maryland opened during May, 2022, so its 2022 average is for the complete months of June through December 2022 only.

\*\*\* Timonium, Maryland opened in February 2023, so its 2023 average is for the months of March through December 2023 only.

This presentation does not include the Eggspectation Restaurant in Owings Mills, Maryland, which operated as a corporate store through the measuring period before being sold to a franchisee in July 2024, or the Eggspectation Restaurants in Charlotte, North Carolina and Nashville, Tennessee during 2024 that are under control of our Chief Financial Officer, Paul J. Haviland, and in which our parent company owns an equity interest.

This presentation does include two locations, Chantilly, Virginia and Gainesville, Virginia, each of which closed in March of 2024.

"Aggregate Sales" means total weekly gross revenues, whether for cash or credit, less monthly sales taxes included thereon, less the monthly dollar value of complimentary meals and beverages not exceeding 3% of gross revenues.

The sources of the data are Aggregate Sales reports that our franchised stores provide to us for royalties reporting purposes, through its POS System. The information on the numbers of seats and square feet of the franchised locations are self-reported by the franchisees as confirmed through site visits.

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

Written substantiation for this Financial Performance Representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Eggspectation does 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 franchisor's management by contacting Castrenze "Enzo" Renda at 9433 Common Brook Road, Suite 209, Owings Mills, MD 21117, (410) 363-3208, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
**System-wide Outlet Summary**  
**For years 2021 to 2023**

<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the Year</u>	<u>Net Change</u>
Franchised	2021	6	5	-1
	2022	5	7	+2
	2023	7	7	0
Company- Owned	2021	1	2	0
	2022	2	1	-1
	2023	1	1	0
<u>Total Outlets</u>	2021	7	7	0
	2022	7	8	+1
	2023	8	8	0

Table No. 2  
**Transfers of Outlets From Franchisees to New Owners**  
**(other than the Franchisor)**  
**For years 2021 to 2023**

<u>State</u>	<u>Year</u>	<u>Number of transfers</u>
<u>Total</u>	2021	0
	2022	0
	2023	0

Table No. 3  
**Status of Franchised Outlets**  
**For years 2020 to 2022**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations – Other Reasons</u>	<u>Outlets at End of the Year</u>
DE	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MD	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	1	0	0	2
VA	2021	3	0	0	0	1	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
TX	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<u>Totals</u>	2021	6	0	0	0	1	0	5
	2022	5	2	0	0	0	0	7
	2023	7	1	0	1	0	0	7

Table No. 4  
**Status of Company-Owned Outlets**  
**For years 2020 to 2022**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of the Year</u>	<u>Outlets Opened</u>	<u>Outlets Reacquired From Franchisee</u>	<u>Outlets Closed</u>	<u>Outlets Sold to Franchisee</u>	<u>Outlets at End of the Year</u>
MD	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
VA	2021	0	0	1	0	0	1
	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
<u>Totals</u>	2021	1	0	1	0	0	2
	2022	2	0	0	0	1	1
	2023	1	0	0	0	0	1

Table No. 5  
**Projected Openings as of December 31, 2023**

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed but Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlet In the Next Fiscal Year</b>	<b>Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year</b>
Maryland	1	0	0
North Carolina	1	0	0
Tennessee	1	1	0
<b>Total</b>	3	1	0

Exhibit G to this Disclosure Document contains a list of our current franchisees as of December 31, 2023 and the contact information and identity of franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or during this year through December 31, 2023.

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, none of our current or former franchisees signed provisions restricting their ability to speak openly about their experience with Us.

There is no trademark-specific franchisee organization associated with the franchise system.

## **ITEM 21** **FINANCIAL STATEMENTS**

Attached to this disclosure document in its Exhibit A are our audited financial statements for the years ending December 31, 2023, December 31, 2022 and December 31, 2021, and the unaudited balance sheet and interim income statement as of August 31, 2024.

## **ITEM 22** **CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- |    |                                   |           |
|----|-----------------------------------|-----------|
| 1. | Area Development Agreement        | Exhibit B |
| 2. | Franchise Agreement               | Exhibit C |
| 3. | Electronic Transfer Authorization | Exhibit D |
| 4. | Confidentiality Agreement         | Exhibit E |

**ITEM 23**  
**RECEIPTS**

Attached are two copies of an acknowledgment of receipt by you, acknowledging receipt of this Disclosure Document by you, together with accompanying documents. Please sign and date both, keeping one for your files.

**EXHIBIT A**  
**FINANCIAL STATEMENTS**



**Gorfine Schiller Gardyn**  
Certified Public Accountants and Consultants

**eggspectation®**  
restaurant - café

**EGGSPECTION RESTAURANTS, LLC**

FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021



**EGGSPECTION RESTAURANTS, LLC**  
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## INDEPENDENT AUDITORS' REPORT

**To the Member**  
**Eggspiration Restaurants, LLC**  
**Owings Mills, Maryland**

### *Opinion*

We have audited the financial statements of Eggspiration Restaurants, LLC (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and changes in member's 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 Eggspiration Restaurants, LLC 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eggspiration Restaurants, LLC 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 Eggspiration Restaurants, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' 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 auditors' 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 Eggspectation Restaurants, LLC'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 Eggspectation Restaurants, LLC'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.

*Martins, Schiller & Gaidyn, P.A.*

April 21, 2023  
Owings Mills, Maryland

## **FINANCIAL STATEMENTS**

**EGGSPECTION RESTAURANTS, LLC**  
**BALANCE SHEETS**  
*December 31, 2022 and 2021*

<u><b>ASSETS</b></u>		
	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 214,614	\$ 175,324
Royalties receivable	96,384	80,837
Receivables, related parties	469,372	611,850
Receivables, other	245	14,578
Prepaid expenses	<u>18,149</u>	<u>13,635</u>
<b>Total current assets</b>	<u>798,764</u>	<u>896,224</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment	3,990	-
Leasehold improvements	<u>7,375</u>	<u>-</u>
	11,365	-
Less: accumulated depreciation	<u>(816)</u>	<u>-</u>
<b>Net property and equipment</b>	<u>10,549</u>	<u>-</u>
<b>OTHER ASSETS</b>		
Goodwill, net of accumulated amortization	76,767	122,828
Other intangible assets, net of accumulated amortization	316,543	364,025
Right of use asset, operating lease	<u>48,051</u>	<u>-</u>
<b>Total other assets</b>	<u>441,361</u>	<u>486,853</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 1,250,674</u></u>	 <u><u>\$ 1,383,077</u></u>

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

---

<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable, trade	\$ 11,847	\$ 3,298
Accrued expenses	18,895	5,824
Marketing fund deposits	46,057	48,766
Deferred revenue, current portion	15,000	15,000
Operating lease obligation, current portion	23,661	-
Payables, related parties	<u>375,000</u>	<u>355,367</u>
<b>Total current liabilities</b>	<b>490,460</b>	<b>428,255</b>
<b>LONG-TERM LIABILITIES</b>		
Deferred revenue, net of current portion	95,000	110,000
Operating lease obligation, net of current portion	<u>24,390</u>	<u>-</u>
<b>Total long-term liabilities</b>	<b><u>119,390</u></b>	<b><u>110,000</u></b>
<b>Total liabilities</b>	<b>609,850</b>	<b>538,255</b>
<b>MEMBER'S EQUITY</b>	<b><u>640,824</u></b>	<b><u>844,822</u></b>
 <b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	 <b><u>\$ 1,250,674</u></b>	 <b><u>\$ 1,383,077</u></b>

**EGGSPECTION RESTAURANTS, LLC**  
**STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY**  
*For the Years Ended December 31, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
<b>INCOME</b>		
Royalty fees	\$ 841,126	\$ 717,217
Marketing income	139,101	109,094
Development fee income	15,000	10,000
Interest income	62	105
Other income	<u>13,649</u>	<u>3,949</u>
<b>Total income</b>	<u>1,008,938</u>	<u>840,365</u>
<b>OPERATING EXPENSES</b>		
Advertising	163,844	68,951
Amortization	93,543	93,543
Audit & accounting fees	17,065	71,500
Consulting fees	74,562	66,156
Depreciation	816	-
Insurance	43,233	-
Franchisee support	112,726	100,364
Legal fees	188,193	81,874
Management fees	-	60,000
Miscellaneous	10,805	7,865
Occupancy	30,666	29,619
Office expenses	14,682	6,874
Payroll and related benefits	514,467	184,518
Telephone	6,887	2,577
Travel and entertainment	85,106	31,397
Utilities	<u>2,339</u>	<u>544</u>
<b>Total operating expenses</b>	<u>1,358,934</u>	<u>805,782</u>
<b>Net (loss) income</b>	(349,996)	34,583
<b>MEMBER'S EQUITY - Beginning of year</b>	844,822	810,239
Member contributions	184,385	-
Distributions to member	<u>(38,387)</u>	<u>-</u>
<b>MEMBER'S EQUITY - End of year</b>	<u>\$ 640,824</u>	<u>\$ 844,822</u>

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

**EGGSPECTION RESTAURANTS, LLC**  
**STATEMENTS OF CASH FLOWS**  
*For the Years Ended December 31, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income	\$ (349,996)	\$ 34,583
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Amortization	93,543	93,543
Depreciation	816	-
Changes in operating assets and liabilities:		
Royalties receivable	(15,547)	10,821
Receivables, other	14,333	40,772
Prepaid expenses	(4,514)	(11,327)
Accounts payable, trade	8,549	(68,384)
Accrued expenses	13,071	(890)
Marketing fund deposits	(2,709)	30,697
Deferred revenue	(15,000)	40,000
Net cash (used in) provided by operating activities	<u>(257,454)</u>	<u>169,815</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(11,365)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member contributions	184,385	-
Receivables/payables related parties, net	162,111	(418,695)
Distributions to member	<u>(38,387)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>308,109</u>	<u>(418,695)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	39,290	(248,880)
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>175,324</u>	<u>424,204</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><u>\$ 214,614</u></u>	<u><u>\$ 175,324</u></u>

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



**EGGSPECTION RESTAURANTS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2022 and 2021*

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**NOTE A – NATURE OF OPERATIONS**

Eggspection Restaurants, LLC (the Company) was organized as a limited liability company in the state of Maryland on May 28, 2004 and is a wholly owned subsidiary of its sole member, Eggspection Corporation (Eggs Corp), a United States C corporation. The Company's principal business activity is as a franchisor and developer of Eggspection Restaurants throughout the U.S. The restaurants are upscale full service restaurants serving all day breakfast style food, specializing in gourmet-style egg dishes for breakfast and brunch, a full menu for lunch and dinner and a full service bar.

The Company issues franchise rights to franchisees for cash consideration and future royalties based on monthly restaurant sales. The most recent Franchise Disclosure Document was issued on May 12, 2022. The Company currently has franchise agreements with three separate franchisees operating four restaurants in Maryland, Virginia, Delaware, and Texas. In addition, the Company is managing a restaurant in Owings Mills, Maryland, Eggspection Owings Mills, LLC (Owings Mills), in which Eggs Corp is a 49% owner with an unrelated joint venture partner. Per the operating agreement, no management fees are charged for this service. During the prior year, rights to the franchise in Richmond, Virginia were acquired by Eggspection Stony Point, LLC (Eggs Stony Point) after the agreement with the previous franchisor was terminated. Concurrently with the acquisition, Eggs Stony Point entered into a Letter of Intent (LOI) with an existing franchisee group for the sale of the entity for the acquisition cost plus reimbursement of legal fees not to exceed \$200,000. The total sale price is not to exceed \$600,000. Under the terms of the LOI, the Company will continue to manage the operation of the restaurant pending completion of the purchase. The Company was the initial sole member of Eggs Stony Point. On November 30, 2021, the Company assigned and transferred its 100% interest to Eggs Corp, who sold it to a non-related party.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Use of Estimates**

The preparation of financial statements in conformity 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 disclosures 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.

**2. Cash and Cash Equivalents**

For financial reporting purposes, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Periodically during the year, cash and cash equivalents may have exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limitation. The Company does not believe that it is exposed to any significant risk in such deposits.

**3. Royalties Receivable**

Royalties are recorded and paid monthly and are generally due by the fifteenth (15<sup>th</sup>) day of the month following the month in which the sales occurred. Payments of royalty receivables are applied to specific months identified. If unspecified, they are applied to the earliest unpaid month. Management deemed all royalties receivable to be collectible at December 31, 2022 and 2021.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

### **4. Property and Equipment**

Property and equipment are recorded at cost. When property is sold, retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the year incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of 5 years for equipment and life of the lease for leasehold improvements, computed under straight-line methods. Depreciation expense was \$816 and \$-0-, respectively, for the years ended December 31, 2022 and 2021.

### **5. Goodwill**

Goodwill is stated at cost. In accordance with FASB ASC 350 *Intangibles – Goodwill and Other*, the Company elected to amortize goodwill. In accordance with this election, the Company amortizes goodwill on a straight-line basis over 10 years and evaluates it for impairment whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. If the fair value is less than the carrying amount of the goodwill, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended December 31, 2022 and 2021.

### **6. Other Intangible Assets**

Other intangible assets consist of franchise agreements and brand name and are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated useful life of 15 years.

### **7. Revenue Recognition**

The Company's primary source of income is royalty, marketing and development fees resulting from interested parties signing a franchise agreement for the right to establish a restaurant. Royalty fees are recognized from restaurant sales, less comps, at a rate as provided in license agreements and restaurant licenses, typically from 3.75% - 5.5%. Royalty fees are accounted for as a sales-based royalty in exchange for a license of intellectual property and are recognized when the sale or usage occurs. Marketing fees are earned for marketing services provided to the franchisees on an ongoing basis. These fees are recognized over time from restaurant sales, less comps, at a rate as provided in license agreements and restaurant licenses, typically 1%. Recognition of revenue using a methodology relating to the services performed is not considered practical. Development fees revenue collected when a franchise agreement is executed are recognized over the term of the agreement, with amortization of the fee collected over the term of the franchise agreement on a straight-line basis.

The Company's revenues do not have any significant financing components as payment is received before or shortly after the revenue is earned. There are no contract assets, as all amounts earned are due and included in receivables. The Company has deferred revenue relating to the development fees.

### **8. Income Taxes**

The Company's earnings and losses are included in the income tax return of the member, Eggs Corp., and taxed as a C corporation. Accordingly, the financial statements do not include a provision for income taxes. The Company follows the provisions of the Financial Accounting Standards Codification, *Accounting for Income Taxes*. This topic requires the Company to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Company has no positions that would require disclosure or recognition under this topic.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****9. Advertising and Marketing**

The Company follows the policy of expensing advertising and marketing costs as they are incurred. Advertising and marketing expense was \$163,844 and \$68,951 for the years ended December 31, 2022 and 2021, respectively.

**10. Change in Accounting Policy**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Accounting for Leases* (ASC 842), which requires that all leases with terms in excess of twelve months be recorded as an asset on the balance sheets for the right to use the leased asset and a liability for the corresponding lease obligation. The new standard, as amended by subsequent Accounting Standards Updates, is effective for the year ended December 31, 2022. The Company adopted this standard effective January 1, 2022, using the modified retrospective method and has elected a package of practical expedients. The Company accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC 842 (b) whether classification of the operating lease would be different in accordance with ASC 842 or (c) whether the unamortized initial direct costs before transition adjustments (as of January 1, 2022) would have met the definition of initial direct costs in ASC 842 at lease commencement. As a result of the adoption, the Company recognized on January 1, 2022 a lease liability of \$71,529, which represents the present value of the remaining lease payments of \$72,624 discounting using a rate of 1.04%, and a right of use (ROU) asset of \$71,529. A practical expedient was elected to use for the risk-free interest rate

**11. Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 21, 2023, the date the financial statements were available to be issued. The Company is in the process of going into business with a new franchisor with the intent of opening five to thirteen new locations. They have opened a new location in Charlotte, North Carolina as of the date of this report.

**NOTE C – RECEIVABLES/PAYABLES, RELATED PARTIES**

Receivables/payables, related parties consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>Relationship</u>
727 8195 Canada, Inc. (Canada 727)	\$ (45,741)	\$ (65,367)	Related through common ownership
840 0113 Canada, Inc. (Canada 840)	1,470	1,470	Related through common ownership
Eggs USA (Canada 898)	(290,000)	(290,000)	Parent of Eggs Corp.
Castrenze Renda	190,518	130,794	Chief Executive Officer
Owings Mills	17,809	3,974	Related through common ownership
Eggspectation Charlotte, LLC	15,040	-	Related through common ownership
Deli Owings Mills	5,664	-	Related through common ownership
Eggspectation Stony Point, LLC	199,612	475,612	Related through common ownership
	<u>\$ 94,372</u>	<u>\$ 256,483</u>	

These receivables/payables are non-interest bearing and due on demand.

**NOTE D – GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Goodwill	460,610	460,610
Less: accumulated amortization	<u>(383,843)</u>	<u>(337,782)</u>
	<u>\$ 76,767</u>	<u>\$ 122,828</u>

Total amortization expense was \$46,061, for each of the years ended December 31, 2022 and 2021. Future amortization expense is \$46,061 for the next year and \$30,706 for the final year.

Other intangible assets at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Franchise agreements	\$ 667,875	\$ 667,875
Brand name	<u>44,350</u>	<u>44,350</u>
	712,225	712,225
Less: accumulated amortization	<u>(395,682)</u>	<u>(348,200)</u>
	<u>\$ 316,543</u>	<u>\$ 364,025</u>

Total amortization expense was \$47,482, for each of the years ended December 31, 2022 and 2021. Future amortization expense for each of the next five years is \$47,482.

**NOTE E – OPERATING LEASE OBLIGATION**

The Company leases office space from an unrelated party in Owings Mills, Maryland. The lease requires monthly payments of \$2,004 and terminates December 31, 2024. There are also various vehicle and storage leases that were deemed immaterial for purposes of capitalization under the new lease standard. The future maturities of the operating lease ROU liability required under the non-cancelable lease for the next two years are as follows:

Year ending December 31,	2023	\$ 24,048
	2024	<u>24,528</u>
Total undiscounted cash flows		48,576
Less: present value discount		<u>(525)</u>
Total discounted cash flows		48,051
Less: operating lease obligation, current portion		<u>(23,661)</u>
Operating lease liabilities, long-term portion		<u>\$ 24,390</u>

**NOTE F – RELATED PARTY TRANSACTIONS**

The Company paid a management fee to Canada 727. For the year ended December 31, 2021, management fees totaled \$60,000. As of June 30, 2021, this agreement was terminated. The Company earned \$95,185 and \$40,767 from Owings Mills for marketing fees for the years ended December 31, 2022 and 2021, respectively.



**Gorfine Schiller Gardyn**  
Certified Public Accountants and Consultants

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**EGGSPECTION RESTAURANTS, LLC**

FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

**EGGSPECTION RESTAURANTS, LLC**  
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## INDEPENDENT AUDITORS' REPORT

**To the Member**  
**Eggspiration Restaurants, LLC**  
**Owings Mills, Maryland**

### *Opinion*

We have audited the financial statements of Eggspiration Restaurants, LLC (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in member's 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 Eggspiration Restaurants, LLC 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eggspiration Restaurants, LLC 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 Eggspiration Restaurants, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' 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 auditors' 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 Eggspectation Restaurants, LLC'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 Eggspectation Restaurants, LLC'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.

*Martins, Schiller & Haldyn, P.A.*

May 6, 2024  
Owings Mills, Maryland



## **FINANCIAL STATEMENTS**

**EGGSPECTION RESTAURANTS, LLC**  
**BALANCE SHEETS**  
*December 31, 2023 and 2022*

<b><u>ASSETS</u></b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 286,438	\$ 214,614
Royalties receivable	67,741	96,384
Receivables, related parties	410,222	469,372
Receivables, other	-	245
Prepaid expenses	<u>18,246</u>	<u>18,149</u>
<b>Total current assets</b>	<u>782,647</u>	<u>798,764</u>
<b>PROPERTY AND EQUIPMENT</b>		
Equipment and vehicle	32,918	3,990
Leasehold improvements	<u>7,375</u>	<u>7,375</u>
	40,293	11,365
Less: accumulated depreciation	<u>(4,593)</u>	<u>(816)</u>
<b>Net property and equipment</b>	<u>35,700</u>	<u>10,549</u>
<b>OTHER ASSETS</b>		
Goodwill, net of accumulated amortization	30,706	76,767
Other intangible assets, net of accumulated amortization	269,061	316,543
Right of use asset, operating lease	<u>24,391</u>	<u>48,051</u>
<b>Total other assets</b>	<u>324,158</u>	<u>441,361</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 1,142,505</u></u>	 <u><u>\$ 1,250,674</u></u>

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

**EGGSPECTION RESTAURANTS, LLC**  
**BALANCE SHEETS - Continued**  
*December 31, 2023 and 2022*

<b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable, trade	\$ 20,460	\$ 11,847
Accrued expenses	14,851	18,895
Marketing fund deposits	42,212	46,057
Current maturities on long-term note payable	4,267	-
Deferred revenue, current portion	20,000	15,000
Operating lease obligation, current portion	24,391	23,661
Payables, related parties	<u>773,744</u>	<u>375,000</u>
<b>Total current liabilities</b>	<u>899,925</u>	<u>490,460</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term note payable, net of current portion	20,259	-
Deferred revenue, net of current portion	120,000	95,000
Operating lease obligation, net of current portion	<u>-</u>	<u>24,390</u>
<b>Total long-term liabilities</b>	<u>140,259</u>	<u>119,390</u>
<b>Total liabilities</b>	1,040,184	609,850
<b>MEMBER'S EQUITY</b>	<u>102,321</u>	<u>640,824</u>
 <b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	 <u>\$ 1,142,505</u>	 <u>\$ 1,250,674</u>

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

**EGGSPECTION RESTAURANTS, LLC**  
**STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY**  
*For the Years Ended December 31, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
<b>INCOME</b>		
Royalty fees	\$ 844,499	\$ 841,126
Marketing income	133,734	139,101
Development fee income	20,000	15,000
Interest income	11	62
Other income	<u>61,020</u>	<u>13,649</u>
<b>Total income</b>	<u>1,059,264</u>	<u>1,008,938</u>
<b>OPERATING EXPENSES</b>		
Advertising	164,742	163,844
Amortization	93,543	93,543
Audit & accounting fees	19,600	17,065
Consulting fees	44,640	74,562
Depreciation	3,777	816
Insurance	35,920	43,233
Franchisee support	53,459	112,726
Interest expense	7,456	-
Legal fees	101,029	188,193
Miscellaneous	14,047	10,805
Occupancy	31,486	30,666
Office expenses	12,277	14,682
Payroll and related benefits	882,811	514,467
Telephone	7,616	6,887
Travel and entertainment	90,846	85,106
Utilities	<u>2,518</u>	<u>2,339</u>
<b>Total operating expenses</b>	<u>1,565,767</u>	<u>1,358,934</u>
<b>Net loss</b>	(506,503)	(349,996)
<b>MEMBER'S EQUITY - Beginning of year</b>	640,824	844,822
Member contributions	98,000	184,385
Distributions to member	<u>(130,000)</u>	<u>(38,387)</u>
<b>MEMBER'S EQUITY - End of year</b>	<u>\$ 102,321</u>	<u>\$ 640,824</u>

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

**EGGSPECTION RESTAURANTS, LLC**  
**STATEMENTS OF CASH FLOWS**  
*For the Years Ended December 31, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (506,503)	\$ (349,996)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	93,543	93,543
Depreciation	3,777	816
Changes in operating assets and liabilities:		
Royalties receivable	28,643	(15,547)
Receivables, other	245	14,333
Prepaid expenses	(97)	(4,514)
Accounts payable, trade	8,613	8,549
Accrued expenses	(4,044)	13,071
Marketing fund deposits	(3,845)	(2,709)
Deferred revenue	<u>30,000</u>	<u>(15,000)</u>
<b>Net cash used in operating activities</b>	<u>(349,668)</u>	<u>(257,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(3,497)</u>	<u>(11,365)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member contributions	98,000	184,385
Principal payments on long-term note payable	(905)	-
Receivables/payables related parties, net	457,894	162,111
Distributions to member	<u>(130,000)</u>	<u>(38,387)</u>
<b>Net cash provided by financing activities</b>	<u>424,989</u>	<u>308,109</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	71,824	39,290
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>214,614</u>	<u>175,324</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 286,438</u>	<u>\$ 214,614</u>

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

**EGGSPECTION RESTAURANTS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2023 and 2022*

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**NOTE A – NATURE OF OPERATIONS**

Eggspection Restaurants, LLC (the Company) was organized as a limited liability company in the state of Maryland on May 28, 2004 and is a wholly owned subsidiary of its sole member, Eggspection Corporation (Eggs Corp), a United States C corporation. The Company's principal business activity is as a franchisor and developer of Eggspection Restaurants throughout the U.S. The restaurants are upscale full service restaurants serving all day breakfast style food, specializing in gourmet-style egg dishes for breakfast and brunch, a full menu for lunch and dinner and a full service bar.

The Company issues franchise rights to franchisees for cash consideration and future royalties based on monthly restaurant sales. The most recent Franchise Disclosure Document was issued on April 21, 2023. The Company currently has franchise agreements with three separate franchisees operating four restaurants in Maryland, Virginia, Delaware, and Texas. In addition, the Company is managing a restaurant in Owings Mills, Maryland, Eggspection Owings Mills, LLC (Owings Mills), in which Eggs Corp is a 49% owner with an unrelated joint venture partner. Per the operating agreement, no management fees are charged for this service.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Use of Estimates**

The preparation of financial statements in conformity 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 disclosures 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.

**2. Cash and Cash Equivalents**

For financial reporting purposes, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Periodically during the year, cash and cash equivalents may have exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limitation. The Company does not believe that it is exposed to any significant risk in such deposits.

**3. Royalties Receivable**

Royalties are recorded and paid monthly and are generally due by the fifteenth (15<sup>th</sup>) day of the month following the month in which the sales occurred. Payments of royalty receivables are applied to specific months identified. If unspecified, they are applied to the earliest unpaid month. Management deemed all royalties receivable to be collectible at December 31, 2023 and 2022.

**4. Property and Equipment**

Property and equipment are recorded at cost. When property is sold, retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the year incurred.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

### **4. Property and Equipment - Continued**

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of 5 years for equipment and vehicles and life of the lease for leasehold improvements, computed under straight-line methods. Depreciation expense was \$3,777 and \$816 for the years ended December 31, 2023 and 2022, respectively.

### **5. Goodwill**

Goodwill is stated at cost. In accordance with FASB ASC 350 *Intangibles – Goodwill and Other*, the Company elected to amortize goodwill. In accordance with this election, the Company amortizes goodwill on a straight-line basis over 10 years and evaluates it for impairment whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. If the fair value is less than the carrying amount of the goodwill, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended December 31, 2023 and 2022.

### **6. Other Intangible Assets**

Other intangible assets consist of franchise agreements and brand name and are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated useful life of 15 years.

### **7. Revenue Recognition**

The Company's primary source of income is royalty, marketing and development fees resulting from interested parties signing a franchise agreement for the right to establish a restaurant. Royalty fees are recognized from restaurant sales, less comps, at a rate as provided in license agreements and restaurant licenses, typically from 3.75% - 5.5%. Royalty fees are accounted for as a sales-based royalty in exchange for a license of intellectual property and are recognized when the sale or usage occurs. Marketing fees are earned for marketing services provided to the franchisees on an ongoing basis. These fees are recognized over time from restaurant sales, less comps, at a rate as provided in license agreements and restaurant licenses, typically 1%. Recognition of revenue using a methodology relating to the services performed is not considered practical. Development fees revenue collected when a franchise agreement is executed are recognized over the term of the agreement, with amortization of the fee collected over the term of the franchise agreement on a straight-line basis.

The Company's revenues do not have any significant financing components as payment is received before or shortly after the revenue is earned. There are no contract assets, as all amounts earned are due and included in receivables. The Company has deferred revenue relating to the development fees.

### **8. Income Taxes**

The Company's earnings and losses are included in the income tax return of the member, Eggs Corp., and taxed as a C corporation. Accordingly, the financial statements do not include a provision for income taxes. The Company follows the provisions of the Financial Accounting Standards Codification, *Accounting for Income Taxes*. This topic requires the Company to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Company has no positions that would require disclosure or recognition under this topic.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****9. Advertising and Marketing**

The Company follows the policy of expensing advertising and marketing costs as they are incurred. Advertising and marketing expense was \$164,742 and \$163,844 for the years ended December 31, 2023 and 2022, respectively.

**10. Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 6, 2024, the date the financial statements were available to be issued.

**NOTE C – RECEIVABLES/PAYABLES, RELATED PARTIES**

Receivables/payables, related parties consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>	<u>Relationship</u>
727 8195 Canada, Inc. (Canada 727)	\$ 16,962	\$ (45,741)	Related through common ownership
840 0113 Canada, Inc. (Canada 840)	1,470	1,470	Related through common ownership
Eggs USA (Canada 898)	(290,000)	(290,000)	Parent of Eggs Corp.
Castrenze Renda	216,680	190,518	Chief Executive Officer
Eggs Corp	(421,074)	-	Parent of Company
Owings Mills	10,768	17,809	Related through common ownership
Eggspectation Charlotte, LLC	4,801	15,040	Related through common ownership
Eggspectation Nashville, LLC	2,522	-	Related through common ownership
Eggspectation Knoxville, LLC	9,025	-	Related through common ownership
Deli Owings Mills	-	5,664	Related through common ownership
Eggspectation Stony Point, LLC	85,324	199,612	Related through common ownership
	<u>\$ (363,522)</u>	<u>\$ 94,372</u>	

These receivables/payables are non-interest bearing and due on demand, except for the amount due to Eggs Corp. This amount is based on a loan Eggs Corp received from a related party and loaned to the Company. The terms between the Company and Eggs Corp, are the same as the terms between Eggs Corp and the related party. The loan bears interest at 10% and is unsecured. The payments required are interest only for the first six months, followed by monthly principal and interest payments of \$7,929 with a balloon payment of \$331,073 at maturity on December 2029. Interest expense due to Eggs Corp for the year ended December 31, 2023 is \$6,740.

**NOTE D – RELATED PARTY TRANSACTIONS**

The Company earned \$89,317 and \$95,185 from Owings Mills for marketing fees for the years ended December 31, 2023 and 2022, respectively.



**NOTE E –GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Goodwill	\$ 460,610	\$ 460,610
Less: accumulated amortization	<u>(429,904)</u>	<u>(383,843)</u>
	<u>\$ 30,706</u>	<u>\$ 76,767</u>

Total amortization expense was \$46,061, for each of the years ended December 31, 2023 and 2022. Future amortization expense is \$30,706 for the final year.

Other intangible assets at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Franchise agreements	\$ 667,875	\$ 667,875
Brand name	<u>44,350</u>	<u>44,350</u>
	712,225	712,225
Less: accumulated amortization	<u>(443,164)</u>	<u>(395,682)</u>
	<u>\$ 269,061</u>	<u>\$ 316,543</u>

Total amortization expense was \$47,482, for each of the years ended December 31, 2023 and 2022. Future amortization expense for each of the next five years is \$47,482.

**NOTE F – NOTE PAYABLE**

In October 2023, the Company obtained a note payable from Ally Bank in the amount of \$25,431 to purchase a vehicle. The note bears interest at 9.79% with monthly principal and interest payments of \$541 through September 2028. The note is secured with the related vehicle. The outstanding balance at December 31, 2023, is \$24,526. Interest expense for the year ended December 31, 2023 was \$716.

Aggregated estimated maturities for the note payable for the next five years and thereafter are as follows for the years ending December 31:

2024	\$ 4,267
2025	4,699
2026	5,177
2027	5,713
2028	<u>4,670</u>
Total future payments	24,526
Less: current maturities	<u>(4,267)</u>
<b>Notes payable, net</b>	<b><u>\$ 20,259</u></b>

**NOTE G – OPERATING LEASE OBLIGATION**

The Company leases office space from an unrelated party in Owings Mills, Maryland. The lease requires monthly payments of \$2,004 and terminates December 31, 2024. There are also various vehicle and storage leases that were deemed immaterial for purposes of capitalization under the new lease standard.

The future maturities of the operating lease ROU liability required under the non-cancelable lease for the remaining year is as follows:

Year ending December 31, 2024	\$ 24,528
Total undiscounted cash flows	24,528
Less: present value discount	(137)
Total discounted cash flows	24,391
Less: operating lease obligation, current portion	(24,391)
Operating lease liabilities, long-term portion	\$ -

The discount rate is 1.04%. Rent expense related to the ROU operating leases charged to operations for the years ended December 31, 2023 and 2022, amounted to \$31,486 and \$30,666, respectively.

Eggspectation Restaurants, LLC  
Income Statement  
For the Eight Months ended August 31, 2024 and 2023

	Jan - Aug 24	Jan - Aug 23
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
Royalty Fees	537,281.20	584,980.07
Marketing Fees	51,737.12	60,221.85
Management Fees	0.00	0.00
Development Fees	20,000.00	20,000.00
Interest Income	2,927.47	1.59
Other Income	13,120.15	15,213.97
<b>Total Income</b>	<b>625,065.94</b>	<b>680,417.48</b>
<b>Gross Profit</b>	<b>625,065.94</b>	<b>680,417.48</b>
<b>Expense</b>		
Salary Expense	488,833.57	496,958.64
Payroll Tax Expense	38,438.79	39,093.31
Employee Benefits	44,260.74	46,079.54
Payroll Service Fees	1,133.00	1,030.00
<b>Total Expense</b>	<b>572,666.10</b>	<b>583,161.49</b>
<b>Net Ordinary Income</b>	<b>52,399.84</b>	<b>97,255.99</b>
<b>Other Income/Expense</b>		
<b>Other Expense</b>		
Consulting Fees	15,386.80	35,590.44
Franchise Marketing	0.00	1,080.00
Franchisee Support	40,523.50	44,531.71
Advertising & Marketing	134,096.20	95,107.25
Depreciation Expense	-	-
Amortization Expense	62,361.84	62,361.84
Audit & Accounting Fees	18,100.00	15,100.00
Legal Fees	38,156.53	81,664.45
Insurance Expense	0.00	11,974.00
Office Supplies & Expense	9,625.74	8,575.02
Telephone Expense	5,263.30	5,495.58
Travel	64,642.94	53,068.49
Non-Deductible Expense	7,971.00	8,769.66
Rent Expense	18,094.64	22,567.17
Utility Expense	2,158.25	1,712.47
Registrations & Dues	112.20	4,976.00
Interest Expense	34,961.71	0.00
Miscellaneous Expense	9,913.94	6,187.90
<b>Total Other Expense</b>	<b>461,368.59</b>	<b>458,761.98</b>
<b>Net Other Income</b>	<b>(461,368.59)</b>	<b>(458,761.98)</b>
<b>Net Income</b>	<b>(408,968.75)</b>	<b>(361,505.99)</b>

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED  
WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR  
SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS  
AUDITED THESE FIGURES OR EXPRESSED AN OPINION  
WITH REGARDS TO THEIR CONTENT OR FORM.

Eggspectation Restaurants, LLC  
Balance Sheet  
As of August 31, 2024 and December 31, 2023

	Aug 31, 24	Audited Dec 31, 23
<b>ASSETS</b>		
Current Assets		
Checking/Savings		
Cash - Checking	45,112.20	33,089.02
Cash - MMA	792,901.70	195,124.23
Cash - Marketing	43,302.16	43,354.89
Cash - Gift cards	14,004.35	14,870.08
Total Checking/Savings	895,320.41	286,438.22
Other Current Assets		
Accounts Receivable	97,023.87	67,740.65
Miscellaneous Receivables	413,346.54	283,495.69
Supply Inventory	7,718.12	8,038.12
Prepaid Expenses	10,208.00	10,208.00
Due From Related Parties	60,057.89	126,725.89
Total Other Current Assets	588,354.42	496,208.35
Total Current Assets	1,483,674.83	782,646.57
Other Assets		
Investment - Eggs Charlotte	-	-
Investment - Eggs Nashville	-	-
Investment - Eggs Knoxville	-	-
Investment - Eggs Deli	-	-
Fixed Assets	32,917.76	32,917.76
Accumulated Depreciation - FA	(2,502.75)	(2,502.75)
Leasehold Improvements	7,375.00	7,375.00
Accumulated Depreciation - L/H	(2,089.58)	(2,089.58)
Intangibles	1,172,835.00	1,172,835.00
Accumulated Amort - Intangibles	(935,428.37)	(873,066.53)
Total Other Assets	273,107.06	335,468.90
<b>TOTAL ASSETS</b>	<b>1,756,781.89</b>	<b>1,118,115.47</b>

**LIABILITIES & EQUITY**

<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Accounts Payable	0.00	20,459.65
<b>Total Accounts Payable</b>	-	20,459.65
<b>Other Current Liabilities</b>		
Accrued Expense	499.06	499.06
Marketing Deposits	154,183.64	42,212.29
Gift Card Deposits	12,197.07	14,352.08
Note Payable	20,201.97	24,526.21
Loan Payable	594,048.49	414,334.00
Interest Payable	-0.01	6,739.73
Deferred Revenue	120,000.00	140,000.00
Due to Related Parties	351,920.33	352,670.33
<b>Total Other Current Liabilities</b>	<u>1,253,050.55</u>	<u>995,333.70</u>
<b>Total Current Liabilities</b>	<u>1,253,050.55</u>	<u>1,015,793.35</u>
<b>Total Liabilities</b>	1,253,050.55	1,015,793.35
<b>Equity</b>		
Member Contributions	998,377.97	98,000.00
Member Distributions	(220,000.00)	(130,000.00)
Retained Earnings	134,322.12	640,823.78
Net Income	(408,968.75)	(506,501.66)
<b>Total Equity</b>	<u>503,731.34</u>	<u>102,322.12</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>1,756,781.89</u></u>	<u><u>1,118,115.47</u></u>

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARDS TO THEIR CONTENT OR FORM.

**EXHIBIT B**  
**AREA DEVELOPMENT AGREEMENT**

# **EGGSPECTATION**

## **AREA DEVELOPMENT AGREEMENT**

between

EGGSPECTATION RESTAURANTS, LLC  
Franchisor

and

[\_\_\_\_\_]
Area Developer



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## **EGGSPECTATION RESTAURANTS, LLC**

### **AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (the "Development Agreement") is made and entered into effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ ("Effective Date"), by and between EGGSPECTATION RESTAURANTS, LLC, a Maryland limited liability company ("Franchisor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Developer").

### **RECITALS**

**WHEREAS**, Franchisor has acquired and owns a unique and distinctive concept and system ("System") relating to the establishment and operation of upscale casual full service restaurants (each, an "Eggspectation Restaurant") serving all day "breakfast" style food, specializing in gourmet style egg dishes for breakfast and brunch, as well as a full menu for lunch and dinner and a full-service bar.

**WHEREAS**, the distinguishing characteristics of the System, include, without limitation, (i) distinctive exterior and interior design, decor, color scheme, and furnishings; (ii) proprietary products and ingredients; (iii) proprietary recipes and special menu items; (iv) uniform standards, specifications, and procedures for operations; (v) quality and uniformity of products and services offered; (vi) procedures for management and financial control; (vii) specialized training and assistance; and (viii) advertising, promotional and marketing programs, methods and techniques; all of which may be changed, improved and further developed by Franchisor from time to time (the "Trade Secrets"). All references herein to the "System" shall be to the Eggspectation System in the United States and elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks (as hereinafter defined).

**WHEREAS**, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Eggspectation" and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (the "Marks").

**WHEREAS**, Franchisor continues to develop, use and control the use of the Marks in order to (i) identify for the public the source of services and products marketed thereunder and under the System, (ii) enhance public acceptance of, and demand for, Eggspectation Restaurants, and (iii) represent the System's high standards of quality, appearance and service.

**WHEREAS**, Developer desires to obtain the right to develop Eggspectation Restaurants within the Territory (as hereinafter defined).

**NOW, THEREFORE**, in consideration of the foregoing, and the mutual undertakings and commitments set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## ARTICLE I. GRANT

1.1 In reliance upon the representations, warranties, covenants and agreements of Developer and its Controlling Principals (as defined in Article XV hereof) as set forth herein, Franchisor hereby grants to Developer and Developer hereby accepts, the right and obligation to develop that number of Eggspectation Restaurants designated on Schedule A attached hereto (the "Developer Restaurants") in the geographic area identified on Schedule A (the "Territory"), under the Marks and the System subject to and in accordance with the provisions of this Development Agreement and Franchisor's then current form of Franchise Agreement (each, a "Franchise Agreement") applicable to each such restaurant.

1.2 Developer and the Controlling Principals have represented to Franchisor that they have entered into this Development Agreement with the intention of fully complying with the obligations to construct and develop the Developer Restaurants hereunder and not for the purpose of reselling the rights to develop any or all of the Developer Restaurants hereunder. Developer and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on (i) the business skill, financial capacity and personal character of Developer and the Controlling Principals, (ii) the expectations of performance hereunder by Developer and the Controlling Principals, and (iii) the agreement and understanding that this Development Agreement and the rights and obligations hereunder may not be transferred or assigned except as otherwise expressly provided in Article VII hereof.

1.3 Developer acknowledges and agrees that, except as otherwise expressly provided in Section 1.4 hereof, Franchisor, its subsidiaries, affiliates (defined as any entity that is controlled by, controlling or under common control with such other entity) and partners (each, an "Eggspectation Company" and, collectively, the "Eggspectation Companies") have and retain the right to develop, promote, construct, own, lease, acquire and/or operate, or authorize or otherwise license or franchise others to develop, promote, construct, own, lease, acquire and/or operate, other business operations and concepts under the trade name "Eggspectation," including other Eggspectation Restaurants. Developer further acknowledges, accepts and agrees that the Franchisor and the other Eggspectation Companies, or any of them, may exercise such rights from time to time without notice to Area Developer, and Area Developer covenants that it shall not take any action, including any cause of action in a court of law or equity, that may interfere with the exercise of such right by any of the Eggspectation Companies.

1.4 Subject to Section 1.5 hereof and, provided that Developer and the Controlling Principals are in full compliance with all provisions of this Development Agreement and any other agreements between Developer and/or any of its affiliates and Franchisor and/or any of the other Eggspectation Companies, neither Franchisor nor any of the Eggspectation Companies shall establish (or authorize any other person or entity, other than Developer, to establish) an Eggspectation Restaurant within the Territory during the term of this Development Agreement.

1.5 Area Developer acknowledges and agrees that Franchisor may operate Eggspectation Restaurants under the Marks. Accordingly, notwithstanding anything in this Development Agreement, Franchisor and the other Eggspectation Companies may also offer and sell (and may authorize others to offer and sell), in the Territory: (i) collateral products under the Marks, at or from any location, such as gift cards and gift certificates, pre-packaged food products, and memorabilia and other non-food items; (ii) food and beverage services under the Marks at or through any Eggspectation Restaurant or any other permanent, temporary or seasonal food service facility providing in whole or in part the products and services offered by an Eggspectation Restaurant in nontraditional venues within the Territory; and (iii) any products or food and non-food items and beverage services under any other names and marks. For purposes of this Development Agreement, "nontraditional venues" means any area of retail establishments or food court (other than in a retail shopping mall in which a Developer Restaurant is located), airports, hospitals, cafeterias, commissaries, schools, hotels and stadiums, arenas, ballparks,

festivals, fairs and other mass gathering locations or events, and the premises of businesses or customers with corporate campus or institutional feeding sites that have an agreement with Franchisor or any of its affiliates for the placement of an Eggspectation Restaurant in one or more of their facilities. Franchisor, any other Eggspectation Company, any franchisee designated by Franchisor and any other authorized person or entity shall have the right, at any time and from time to time, to advertise and promote the System in the Territory.

1.6 This Development Agreement is not a Franchise Agreement and does not grant to Developer (i) any right or license to own and/or operate an Eggspectation Restaurant, or (ii) any interest in or right to use the Marks or the System.

## ARTICLE II. **DEVELOPMENT FEE**

2.1 As partial consideration for the development rights granted to Developer herein and the rights to be granted to Developer under separate Franchise Agreements, Developer shall pay to Franchisor, concurrent with the execution and delivery of this Development Agreement, a total development fee equal to the product of (i) \$25,000, multiplied by (ii) the total number of Developer Restaurants (the "Development Fee").

2.2 The Development Fee, when so paid, shall be deemed fully earned and non-refundable for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Developer hereunder.

2.3 Upon execution of the applicable Franchise Agreement, \$25,000 of the total Development Fee shall be credited against the Initial Franchise Fee payable in connection with each Developer Restaurant upon execution of a Franchise Agreement.

2.4 Developer shall not be entitled to withhold payments due Franchisor under this Development Agreement or any Franchise Agreement on grounds of alleged non-performance by Franchisor hereunder. Any payment not actually received by Franchisor on or before the date due shall be deemed overdue. Time is of the essence with respect to all payments to be made by Developer to Franchisor. All unpaid obligations under this Development Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum, or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Development Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess interest is provided for herein, or shall be adjudicated to be so provided herein, the provisions of this Section 2.4 shall govern and prevail, and neither Developer nor its Controlling Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party that paid such interest.

## ARTICLE III. **DEVELOPMENT SCHEDULE**

3.1 Developer shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Developer Restaurant. Franchisor may, in its sole discretion, permit Developer to exercise such development rights through affiliated entities that are either wholly owned subsidiaries of Developer or commonly controlled entities with ownership identical to that of Developer. The Franchise Agreement to be executed for the first Eggspectation Restaurant to

be developed by Developer under this Development Agreement shall be executed and delivered to Franchisor concurrently with the execution and delivery of this Development Agreement and shall be in the form of the Franchise Agreement attached as Exhibit 1. All subsequent Eggspectation Restaurants developed under this Development Agreement shall be established and operated pursuant to the form of Franchise Agreement then being used by Franchisor for Eggspectation Restaurants under the System. All such franchise agreements shall be included in the term "Franchise Agreement" as used in this Development Agreement. Franchisor's then-current form of Franchise Agreement may differ from the form attached hereto as Exhibit 1.

3.2 Acknowledging that time is of the essence, and subject to the requirements of Article IV hereof, Developer agrees to exercise its development rights according to Section 3.1 and according to the Development Schedule contained in Schedule B, which schedule designates the number of Restaurants in the Territory to be established and operated by Developer (the "Development Schedule"). Developer shall open each Eggspectation Restaurant developed hereunder and shall commence business in accordance with the Development Schedule. Failure of Developer to adhere to the Development Schedule shall constitute a material event of default under this Development Agreement.

#### ARTICLE IV. **FRANCHISE AGREEMENT**

4.1 Developer understands and agrees that this Development Agreement does not confer upon Developer a right or franchise to operate any Restaurant but is intended by the parties to set forth the terms and conditions upon which Developer shall be entitled to obtain the right to develop and operate Eggspectation Restaurants within the Territory pursuant to Franchise Agreements. Each of the following conditions (the "Conditions") must be satisfied before the grant of the right by Franchisor to Developer to develop each Eggspectation Restaurant shall become effective:

4.1.1 Developer and its affiliates shall not be in default under any provision of this Development Agreement, any Franchise Agreement or any other agreement between Area Developer and/or any of its affiliates and Franchisor and/or any of the Eggspectation Companies, and shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

4.1.2 Developer and its affiliates shall have fully satisfied all monetary obligations owed by Developer and/or its affiliates to Franchisor and/or any of the Eggspectation Companies under this Development Agreement, any Franchise Agreement or any other agreement between Developer and/or any of its affiliates and Franchisor and/or any of the Eggspectation Companies, and shall have substantially and timely satisfied those obligations throughout the terms thereof;

4.1.3 Developer shall otherwise satisfy Franchisor's then current criteria for prospective franchisees;

4.1.4 Developer must have submitted to Franchisor, in a timely manner, all information and documents requested by Franchisor, or required to be submitted to Franchisor, prior to and/or in connection with the issuance of individual franchises or otherwise required pursuant to this Development Agreement and/or any Franchise Agreement between Developer and/or its affiliates and Franchisor and/or any of the Eggspectation Companies, and Developer must have taken such additional actions in connection therewith as may be requested by Franchisor from time to time; and

4.2 If Franchisor determines, in its sole discretion, that Developer and the Controlling Principals have met all of the Conditions prior to the grant of the right to establish each additional Eggspectation Restaurant, then Franchisor shall grant to Developer the right to develop such additional

Eggspectation Restaurant pursuant to the Development Schedule. The Conditions shall survive the termination or expiration of this Development Agreement and shall apply with respect to any Franchise Agreement executed pursuant to this Development Agreement.

#### ARTICLE V. **TERM**

Unless sooner terminated in accordance with Article VIII of this Development Agreement, the term of this Development Agreement and all rights granted by Franchisor to Developer under this Development Agreement shall expire on the date on which Developer successfully and in a timely manner has exercised all of the development rights and completed all of the development obligations under this Development Agreement in accordance with the Development Schedule.

#### ARTICLE VI. **REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF DEVELOPER AND CONTROLLING PRINCIPALS**

6.1 Each of Area Developer and the Controlling Principals, jointly and severally, covenants and agrees that he/she/it shall make all commercially reasonable efforts to develop the Developer Restaurants in accordance with all provisions of this Area Development Agreement and all applicable Franchise Agreements.

6.2 Each of Developer and the Controlling Principals, jointly and severally, represent, warrant, covenant and agree as follows:

6.2.1 If Developer is a corporation, partnership, limited liability company, or other legal entity, (i) Developer is duly organized, validly existing and in good standing under the state law of its formation; (ii) Developer is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification; and (iii) the execution, delivery and performance by Developer of this Development Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action;

6.2.2 This Development Agreement constitutes the valid and binding obligation of Developer and each of the Controlling Principals, enforceable against Developer and each of the Controlling Principals in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization, and other similar laws now or hereafter in effect relating to or affecting creditor's rights generally, and the exercise of judicial discretion;

6.2.3 If Developer is a corporation, partnership, limited liability company, or other legal entity, Developer's organizational documents shall at all times provide that the activities of Developer are confined exclusively to the development of Eggspectation Restaurants, unless otherwise consented to in writing by Franchisor;

6.2.4 If Developer is a corporation, partnership, limited liability company, or other legal entity, accurate, true and complete copies of Developer's organizational documents, other governing documents, resolutions and consents authorizing entry into and performance of this Development Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Developer, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Development Agreement;

6.2.5 If Developer is a corporation, partnership, limited liability company, or other legal entity, the ownership interests in Developer as of the Effective Date are accurately and completely

described in Schedule B. Developer shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

6.2.6 If Developer is a corporation, Developer shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Development Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation (as defined in Article XV hereof). If Developer is a partnership or limited liability company, its written partnership agreement or limited liability company agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Development Agreement;

6.2.7 Developer and, at Franchisor's request, each of the Controlling Principals, must have provided Franchisor with the most recent financial statements of Developer and such Controlling Principals. Such financial statements present fairly the financial position of Developer and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Developer, the results of its operations and its cash flow for the years then ended. Developer agrees that it shall maintain at all times, during the term of this Development Agreement, sufficient working capital to fulfill its obligations under this Development Agreement. Each of the financial statements mentioned above shall be reviewed by an independent certified public accountant and certified by Developer's treasurer or chief financial officer or comparable officer as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the Effective Date, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Developer or the Controlling Principals;

6.2.8 If, after the execution of this Development Agreement, any person ceases to qualify as one of Developer's Principals (as defined in Article XV hereof) or if any individual succeeds to or otherwise comes to occupy a position that would, upon designation and prior approval by Franchisor, qualify him as one of Developer's Principals, Developer shall notify Franchisor within ten (10) days after any such change and, upon designation and prior approval of such person by Franchisor as one of Developer's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Development Agreement) as may be required by Franchisor to be executed by others in such positions;

6.2.9 Each of Developer's Principals who is not required to sign this Development Agreement as a Controlling Principal shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form attached hereto as Exhibit 2 (the "Covenants"), and Developer shall require and obtain from its consultants and advisor who have received or will have access to any Confidential Information execution of confidentially covenants substantially similar to the confidentiality covenants set forth in the Covenants;

6.2.10 The Controlling Principals shall, jointly and severally, guarantee Developer's performance of all of Developer's obligations, covenants and agreements under this Development Agreement pursuant to the terms and conditions of the guaranty in the form attached hereto as Exhibit 3 (the "Guaranty"), and shall otherwise bind themselves to the terms of this Development Agreement as stated herein;

6.2.11 Developer and the Controlling Principals acknowledge and agree that the representations, warranties, covenants and agreements set forth in this Article VI are continuing obligations of Developer and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties, covenants and agreements shall constitute a material event of default under this Development Agreement. Developer and the Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants; and

6.2.12 Developer and the Controlling Principals will comply with all requirements of federal, state and local laws, regulations, and orders, and will comply with all requirements and perform all other obligations as set forth in this Agreement.

## ARTICLE VII. **TRANSFER OF INTEREST**

7.1 Franchisor shall have the right to sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber (each, a "Transfer") all or any of Franchisor's rights or obligations under this Development Agreement to any person or legal entity without Developer's consent; provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor herein and Developer receives a statement from both Franchisor and its transferee to that effect. Upon any such Transfer, Franchisor shall have no further obligations hereunder, except for accrued liabilities, if any. Developer further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the foregoing activities, Developer expressly and specifically waives (i) any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and/or System and/or the loss of association with or identification of Eggspectation Restaurants, LLC as Franchisor under this Development Agreement, and (ii) all other claims, demands or damages arising from or related to such activity, including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Developer agrees that Franchisor has the right, now and/or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Eggspectation Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Developer acknowledges may be within its Territory, proximate thereto, or proximate to any of Developer's Restaurants). If Franchisor Transfers its rights in this Development Agreement, nothing herein shall be deemed to require Franchisor to remain in the Eggspectation Restaurant business or to offer or sell any products or services to Developer.

7.2 Developer and the Controlling Principals understand and acknowledge that the rights and duties set forth in this Development Agreement are personal to Developer and that Franchisor has granted such rights in reliance on the business skill, financial capacity and personal character of Developer and the Controlling Principals and with the expectation that the duties and obligations contained in this Development Agreement will be performed by Developer and those Controlling Principals signing this Development Agreement. Accordingly, neither Developer nor any Controlling Principal, nor any successor or assign of Developer or any Controlling Principal, shall Transfer any direct or indirect interest in this Development Agreement or in Developer (each, an "Interest") without the prior written consent of Franchisor. Any purported Transfer, by operation of law or otherwise, made in violation of this Development Agreement shall be null and void and shall constitute a material event of default under this Development Agreement.



7.3 If Developer or a Controlling Principal wishes to Transfer all or part of its Interest, transferor and the proposed transferee must apply to Franchisor for its consent and provide Franchisor written notice describing all the terms and conditions of the proposed transfer, including, without limitation, an explanation of how the proposed transferee will finance the purchase. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval to any such Transfer:

7.3.1 All of the accrued monetary obligations owed by Developer and/or any of its affiliates to Franchisor and/or any of the Eggspectation Companies under this Development Agreement, any Franchise Agreement or any other agreement between Developer and/or any of its affiliates and Franchisor and/or any of the Eggspectation Companies shall have been satisfied in a timely manner and Developer shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

7.3.2 Neither Developer nor any of its affiliates shall be in default under any provision of this Development Agreement, any Franchise Agreement or any other agreement between Developer and/or any of its affiliates and Franchisor and/or any of the Eggspectation Companies, and Developer shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

7.3.3 The transferor and its principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor (see Exhibit H of the Franchise Disclosure Document), of any and all claims, actions, causes of action, damages, costs, losses, debt and expenses of any nature whatsoever against Franchisor and the other Franchisor Parties, in their corporate and individual capacities, including, without limitation, claims arising under this Development Agreement, any Franchise Agreement and any other agreement between Developer and Franchisor and/or any of the Eggspectation Companies or under federal, state or local laws, rules, and regulations or orders;

7.3.4 The transferee shall demonstrate to the satisfaction of Franchisor's reasonable business judgment, that the terms of the proposed transfer (including financing) will not prevent the proposed transferee from operating the business in compliance with its development agreement and at or above the level of productivity at which it was operated by Developer, and that transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's educational, managerial and business standards; transferee's moral character, business reputation and credit rating; transferee's aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; and the geographic proximity of any other development territory for which transferee has been granted development rights or of other Eggspectation Restaurants owned and/or operated by transferee, if any;

7.3.5 The transferee shall enter into a written agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several, liability for and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of Developer under this Development Agreement; and, if transferee is a corporation, partnership, limited liability company or other legal entity, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement as transferee's principals, and guarantee the performance of all such obligations, covenants and agreements thereunder;

7.3.6 The transferee shall execute Franchisor's then current form of development agreement being offered to new System developers or a revised form of this Development Agreement, as Franchisor deems appropriate, and such other ancillary agreements as Franchisor may require, which

agreements shall supersede this Development Agreement and all Schedules and Exhibits attached hereof in all respects and the terms of which agreements may differ from the terms of this Development Agreement, and if the transferee is a corporation, partnership, limited liability company or other legal entity, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreements as transferee's principals, and guarantee the performance of all such obligations, covenants and agreements thereunder;

7.3.7 The transferor shall remain liable for all of the obligations to Franchisor in connection with this Development Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

7.3.8 Developer shall pay to Franchisor a transfer fee equal to \$15,000, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees;

7.3.9 Developer shall have completed the development of all Eggspectation Restaurants required to be developed under the Development Schedule as of the effective date of transfer;

7.3.10 If transferee is a corporation, partnership, limited liability company or other form of legal entity, transferee shall make and will be bound by any or all of the representations, warranties and covenants in Section 6.2 hereof as Franchisor requests. Transferee shall provide to Franchisor evidence satisfactory to Franchisor that the terms of Section 6.2 have been satisfied and are true and correct on the effective date of transfer; and

7.3.11 If Developer will finance all or any portion of the transferee's purchase, Developer: (i) guaranteeing the transferee's obligations under its development agreement with Franchisor until the loan to the transferee is repaid in full; and (ii) subordinating any security interest(s) in transferee or its assets to Franchisor's right to be paid all amounts owed by the transferee to Franchisor.

7.4 Developer acknowledges and agrees that each condition identified in Section 7.3, which must be satisfied by the transferee, is reasonable and necessary to ensure such transferee's full performance of the obligations hereunder.

7.5 In the event the proposed Transfer is to a legal entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 7.3, except that the requirements in Sections 7.3.3, 7.3.4, 7.3.6 and 7.3.8 shall not apply. With respect to a Transfer to a legal entity for the convenience of ownership, Developer shall be the owner of all the voting stock or interest of the entity, and if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the entity as he/she had in Developer prior to the Transfer.

7.6 Notwithstanding anything herein, if Developer or a Controlling Principal wishes to Transfer all or part of his/her/its Interest pursuant to any bona fide offer received from a third party (the "Third Party Offer") to purchase such Interest (the "Seller's Interest"), then such proposed seller (the "Seller") shall promptly notify Franchisor in writing (the "Offer Notice") of each such offer, including with such notice a copy of the Third Party Offer and such other information and documentation relating to the Third Party Offer as Franchisor may require. Franchisor shall have the right and option, but not the obligation, exercisable within thirty (30) days after receipt of the Offer Notice and such additional information and documentation as required by Franchisor (the "Option Period"), to elect to purchase the Seller's Interest in accordance with the terms of the Third Party Offer. Franchisor shall exercise its option to purchase the Seller's Interest by delivering written notice (the "Election Notice") to the Seller on or

before the thirtieth (30<sup>th</sup>) day following receipt of the Offer Notice indicating Franchisor's intention to purchase the Seller's Interest.

7.6.1 If Franchisor elects to purchase the Seller's Interest, unless otherwise agreed by the parties, closing on such purchase must occur within the later of (i) sixty (60) days from the date the Election Notice is delivered to Seller, (ii) sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, and (iii) the closing date set forth in the Third Party Offer.

7.6.2 If Franchisor elects not to purchase the Seller's Interest or otherwise fails to exercise its option prior to the expiration of the Option Period, Seller may Transfer the Seller's Interest to the Third Party in accordance with the terms of the Third Party Offer; provided, all applicable requirements of Section 7.3 shall have been satisfied. Any material change in the terms of the Third Party Offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 7.6 shall not constitute a waiver of any other provision of this Development Agreement, including the requirements of Section 7.3, with respect to a proposed Transfer.

7.6.3 If the Third Party Offer provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the Seller's Interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the Third Party Offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. If Franchisor elects to purchase Seller's Interest pursuant to this Section 7.6, it shall have the right to set off against any payment therefore (i) all fees for any such independent appraiser due from Developer hereunder, and (ii) all amounts due from Developer and/or its affiliates to Franchisor and/or any of the Eggspectation Companies.

7.7 Failure to comply with the provisions of this Article VII prior to the Transfer of any Interest shall constitute a material event of default under this Development Agreement.

7.8 The provisions of this Section 7.8 shall apply in the event of the death or disability of Developer (if Developer is a natural person) or any Controlling Principal who owns an Interest:

7.8.1 Upon the death of Developer (if Developer is a natural person) or any Controlling Principal who owns an Interest (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall Transfer the Deceased's Interest to a third party in accordance with the conditions described in this Section 7.8 within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall Transfer such Interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

7.8.2 Upon the permanent disability of Developer (if Developer is a natural person) or any Controlling Principal who owns an Interest, Franchisor may, in its sole discretion, require such Interest (the "Disability Interest") to be transferred to a third party approved by Franchisor in accordance with the provisions of this Section 7.8 within six (6) months after notice to Developer. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Development Agreement or in the Guaranty made part of this Development Agreement for at least ninety (90) consecutive days and from which

condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined upon examination of the person by a practicing physician selected by Franchisor; or if the person refuses to submit to an examination, then such person shall be automatically deemed permanently disabled as of the date of such refusal for the purpose of this Section 7.8. The costs of any examination required by this Section 7.8 shall be paid by Franchisor.

7.8.3 Upon the death or claim of permanent disability of Developer or any Controlling Principal, Developer or a representative of Developer must notify Franchisor of such death or claim of permanent disability within five (5) days of its occurrence. Any Transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article VII for any inter vivos Transfer, except that the transfer fee otherwise payable pursuant to Section 7.3.8 shall not apply. If an interest is not transferred upon death or permanent disability as required in this Section 7.8, then such failure shall constitute a material event of default under this Development Agreement.

7.9 Franchisor's consent to a Transfer of any Interest described herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Development Agreement by the transferee.

7.10 Securities in Developer may be offered to the public (a "public offering") only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion.

7.10.1 As a condition of its consent to any such public offering, Franchisor may, in its sole discretion, require that immediately after such offering that the Controlling Principals retain a Controlling Interest in Developer. For purposes of this Section 7.10, "Controlling Interest" shall mean that the Controlling Principals, either individually or cumulatively, are entitled, under the entity's organizational documents and other governing documents to cast a sufficient number of votes to require such entity to take or omit to take any action that such entity is required to take or omit to take under this Development Agreement.

7.10.2 All materials required for a public offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Developer offering (public or private) shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Developer and Franchisor and/or one or more of the Eggspectation Companies. Franchisor may, at its option, require Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Developer, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and all other Franchisor Parties in connection with the offering. For each proposed public or private offering, Developer shall pay to Franchisor a non-refundable fee of \$25,000, or such greater amount as is necessary to reimburse Franchisor for its costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section 7.10.

7.11 If any person holding an Interest (other than Developer or a Controlling Principal, which parties shall be subject to the provisions set forth above) intends to Transfer such Interest, then Developer shall promptly notify Franchisor of such proposed Transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such Transfer. Such transferee may not be

one of Franchisor's competitors. Such transferee will be a Developer's Principal and as such shall execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the same form as the Covenants attached hereto as Exhibit 2. Franchisor also reserves the right to designate the transferee as one of Developer's Controlling Principals.

#### ARTICLE VIII. **DEFAULT AND TERMINATION**

8.1 Developer and each of the Controlling Principals acknowledge and agree that each of Developer's obligations described in this Development Agreement is a material and essential obligation of Developer; that nonperformance of such obligations will adversely and substantially affect the Franchisor and the System; and that the exercise by Franchisor of any or all of the rights and remedies set forth herein is appropriate and reasonable in order to protect the legitimate interests of the Franchisor and the System.

8.2 Developer shall be deemed to be materially in default under this Development Agreement, and all rights granted herein shall automatically terminate without notice to Developer (i) if Developer or any of its owners or guarantors (collectively, the "Developer Parties") becomes insolvent or makes a general assignment for the benefit of creditors; (ii) if any of the Developer Parties files a voluntary petition under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state or admits in writing its inability to pay its debts when due; (iii) if any of the Developer Parties is adjudicated bankrupt or insolvent in proceedings filed against them under any section or chapter of federal bankruptcy law or any similar law or statute of the United States or any state; (iv) if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer, or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (v) if proceedings for a composition with creditors under any state or federal law are instituted by or against Developer; (vi) if a final judgment against Developer or any Controlling Principal remains unsatisfied or of record for thirty (30) days or longer (unless supersedes bond is filed); (vii) if Developer is dissolved; (viii) if execution is levied against Developer's business or property; (ix) if suit to foreclose any lien or mortgage against the premises or equipment of any business operated hereunder or under any Franchise Agreement is instituted and not dismissed within thirty (30) days; or (x) if the real or personal property of any business operated hereunder or under any Franchise Agreement between Developer and/or its affiliates and Franchisor and/or any of the Eggspiration Companies shall be sold after levy by any sheriff, marshal or constable.

8.3 Developer shall be deemed to be materially in default under this Development Agreement and Franchisor may, at its option, terminate this Development Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default except as provided below, effective immediately upon written notice to Developer, upon the occurrence of any of the following:

8.3.1 If Developer fails to comply with the Development Schedule;

8.3.2 If Developer fails to execute each Franchise Agreement in accordance with Section 1.1 hereof;

8.3.3 If Developer or any of the Controlling Principals is convicted of, or shall have entered a plea of nolo contendere to, a felony, a crime involving moral turpitude or any other crime or offense, or commits any act, that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or Franchisor's interests therein, including, without limitation, acts of harassment or discrimination;

8.3.4 If a threat or danger to public health or safety results from the construction, maintenance or operation of any Restaurant developed under this Development Agreement;

8.3.5 If Developer or any of the Controlling Principals breaches in any material respect any of the representations, warranties, covenants and agreements in Section 6.2 hereof;

8.3.6 If Developer or any of the Controlling Principals Transfers or attempts to Transfer any Interest to any third party without Franchisor's prior written consent or without complying with all applicable provisions of Article VII hereof;

8.3.7 If Developer or any of the Controlling Principals fails to comply with the covenants in Sections 9.1, 9.2 or 9.3, or if Developer fails to obtain the execution of the Covenants required under Section 9.8 within thirty (30) days following Franchisor's request that Developer obtain the execution of such Covenants;

8.3.8 If an approved Transfer upon death or permanent disability of Developer or a Controlling Principal is not effected within the time period and in the manner prescribed by Section 7.8;

8.3.9 If Developer misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein and does not cure such default within twenty-four (24) hours following notice from Franchisor;

8.3.10 If Developer or any of its affiliates fails, refuses or neglects promptly to pay when due any monetary obligation owing to Franchisor, or any of its affiliates or vendors, under this Development Agreement, any Franchise Agreement or any other agreement and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply to such failure to pay);

8.3.11 If Developer or any of its affiliates is in default under any Franchise Agreement, Franchisor may provide notice (if applicable) and terminate this Development Agreement under the same terms that Franchisor may provide notice and terminate the Franchise Agreement; or

8.3.12 If Developer or any of the Controlling Principals repeatedly commits a material event of default under this Development Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Developer after notice by Franchisor.

8.4 Except as provided above in Section 8.3, if Developer fails to comply with any other term or condition imposed by this Development Agreement, or any Franchise Agreement or other agreement between Developer and Franchisor and/or any of the Eggspectation Companies, Franchisor may terminate this Development Agreement only by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30) day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, subject to Section 8.5, Developer's rights under this Development Agreement shall terminate without further notice to Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

8.5 Upon default by Developer under Section 8.3 or 8.4, Franchisor has the option, in its sole discretion, in addition to exercising its option to terminate this Development Agreement as provided in Sections 8.3 and 8.4, to do any one or more of the following:

8.5.1 terminate or modify any territorial rights granted to Developer in Article I;

8.5.2 reduce the area of such territorial rights;

8.5.3 reduce the number of Developer Restaurants which Developer may establish pursuant to Section 3.1;

8.5.4 accelerate the Development Schedule;

8.5.5 charge a late fee equal to 5% of forecasted monthly revenue for each month for which Franchisee is in default; and/or

8.5.5 pursue any other remedy Franchisor may have at law or in equity.

8.6 Upon the termination or expiration of this Development Agreement for any reason, Developer shall have no right to develop, establish or operate any Restaurant for which a Franchise Agreement has not been executed by Franchisor and delivered to Developer at the time of termination or expiration.

8.6.1 If Franchisor elects to modify or reduce Developer's territorial rights or the number of Developer Restaurants, and/or to accelerate the Development Schedule, pursuant to Section 8.5 above, Developer shall continue to develop Eggspectation Restaurants in accordance with the Development Schedule (as modified, if applicable), subject to any modifications or reductions pursuant to Section 8.5.

8.6.2 If Franchisor exercises any of its rights in Section 8.5, or if this Development Agreement otherwise expires or terminates, Franchisor shall be entitled to establish, and to license others to establish, Restaurants in the Territory (including any portion of the geographic area no longer part of the Territory) except as may otherwise be provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

8.7 Franchisor's exercise of any of its options under Section 8.5 shall not, in the event of a default, constitute a waiver by Franchisor of its right to exercise its option to terminate this Development Agreement at any time with respect to a subsequent event of default of a similar or different nature.

8.8 No default under this Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto, unless the default is also a default under the terms of such Franchise Agreement.

8.9 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

8.10 Upon termination or expiration of this Development Agreement for any reason, Developer and the Controlling Principals shall comply with the restrictions on confidential information contained in Section 9.2 and the covenants against competition contained in Section 9.4. Any other person required to execute similar covenants pursuant to Section 9.8 shall also comply with such covenants.

## ARTICLE IX. COVENANTS

9.1 Developer covenants that during the term of this Development Agreement, except as otherwise approved in writing by Franchisor, Developer shall devote full time, energy and best efforts to the management and operation of the development activities contemplated under this Development Agreement.

9.2 Developer and the Controlling Principals hereby covenant and agree that, neither Developer nor any Controlling Principal shall, (i) during the term of this Development Agreement, communicate or divulge to, or use for the benefit of, any other person or entity other than Developer (and then, solely in furtherance of the development of the Developer Restaurants in accordance with the provisions of this Development Agreement) and/or Franchisor, any Confidential Information, or (ii) at any time after the termination or expiration of this Development Agreement, communicate or divulge to, or use for the benefit of, any person other than Franchisor, any Confidential Information. For purposes of this Development Agreement, "Confidential Information" means all confidential and proprietary information relating to the System and/or concerning the methods of development and operation of an Eggspectation Restaurant that may be communicated to Developer and/or the Controlling Principals or of which the Developer and/or the Controlling Principals may be apprised in connection with the Developer Restaurants and/or the System, including, without limitation, all Trade Secrets, the contents of the Manuals (as defined in Article XV hereof), all operational and sales methods and techniques, all information, knowledge, know-how and materials used in or related to the System, and any and all other information and materials that Franchisor provides to Developer in connection with this Development Agreement. Developer and the Controlling Principals shall divulge such Confidential Information only to Developer's principals and/or employees who must have access to it in order to develop the Developer's Restaurants in accordance with and subject to terms and conditions of this Development Agreement. Neither Developer nor the Controlling Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise disclose or make the same available to any person, except as expressly provided and permitted under this Development Agreement. The covenants in this Section 9.2 shall survive the expiration, termination or Transfer of this Development Agreement or any interest herein and shall be perpetually binding upon Developer and each of the Controlling Principals. The Manuals and all other Confidential Information shall at all times remain the sole property of Franchisor.

9.3 Developer and the Controlling Principals specifically acknowledge that, pursuant to this Development Agreement, Developer and the Controlling Principals will receive valuable training, trade secrets and other Confidential Information that are beyond the present skills and experience of Developer and the Controlling Principals and Developer's employees and other personnel. Developer and the Controlling Principals acknowledge that such specialized training, trade secrets and other Confidential Information provide a competitive advantage and will be valuable to them in the development of Developer's Restaurants, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why they are entering into this Development Agreement. In consideration for access to such specialized training, trade secrets and other Confidential Information, Developer and the Controlling Principals covenant that with respect to Developer, during the term of this Development Agreement (or with respect to each of the Controlling Principals, during the term of this Development Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as set forth in Article XV hereof), except as otherwise approved in writing by Franchisor, neither Developer nor any of the Controlling Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity:



9.3.1 divert or attempt to divert any business, business opportunity, or customer of any Developer Restaurant (or any other Eggspectation Restaurant) to any competitor of such Restaurant or the System or to any other third party, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the Marks and the System.

9.3.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks, which business or activity is of a character and concept similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu substantially similar to the Eggspectation breakfast, brunch, lunch and dinner menu items (as modified from time to time).

9.4 In consideration for the specialized training, trade secrets, Confidential Information and rights described in Section 9.3, Developer and the Controlling Principals covenant and agree that (i) with respect to Developer, and for a continuous uninterrupted period of two (2) years commencing upon the expiration, termination of, or Transfer of all of Developer's interest in, this Development Agreement, or (ii) with respect to each of the Controlling Principals, commencing upon the earlier of: (1) the expiration, termination of, or transfer of all of Developer's interest in this Development Agreement or (2) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as set forth in Article XV hereof, and continuing for a continuous uninterrupted period of two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Developer nor any of the Controlling Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person or entity:

9.4.1 divert or attempt to divert any business, business opportunity, or customer of any Developer Restaurant (or any other Eggspectation Restaurant) to any competitor of such Restaurant or the System or to any other third party, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the Marks and the System.

9.4.2 employ or solicit for employment any person who is at the time, or was within the preceding ninety (90) days, employed by Franchisor, any of the Eggspectation Companies, or any of the System's franchisees or area developers, or otherwise directly or indirectly induce or attempt to induce any person to leave that person's employment or other business relationship with the Franchisor, the Eggspectation Companies or the System's franchisees or area developers, or to otherwise terminate, reduce or change his/her/its employment or other business relationship with the Franchisor, any of the Eggspectation Companies, or any of the System's franchisees or area developers.

9.4.3 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks, which business or activity (i) is of a character and concept similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu substantially similar to the Eggspectation breakfast, brunch, lunch and dinner menu items (as modified from time to time), and (ii) is or is intended to be located within a ten (10) mile radius of any Eggspectation Restaurant in existence or under construction as of the date hereof and the date of expiration, termination or cessation, as permitted by applicable law.

9.5 Sections 9.3.2 and 9.4.3 shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

9.6 The parties acknowledge and agree that each of the covenants contained in this Article IX are reasonable as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill of the System and the business interests of Franchisor. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Development Agreement. If all or any portion of a covenant in this Article IX is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer and the Controlling Principals 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 Article IX.

9.7 Developer and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Development Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article IX. Developer and the Controlling Principals agree to pay all costs and expenses (including attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article IX.

9.8 Developer shall require and obtain execution of the Covenants from its employees and other personnel who have received or will have access to training from Franchisor and/or any Confidential Information. All of Developer's Principals not required to sign this Development Agreement as a Controlling Principal also must execute such Covenants. Developer shall require and obtain from its consultants and advisor who have received or will have access to any Confidential Information execution of confidentially covenants substantially similar to the confidentiality covenants set forth in the Covenants. Developer shall, from time to time, deliver copies of all executed Covenants required hereunder within ten (10) business days following commencement of such person's employment or other relationship with Developer. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or the scope of any covenant or to eliminate such covenant altogether for any party that is required to execute such agreement under this Article IX.

9.9 Developer and the Controlling Principals acknowledge and agree that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Article IX, or any portion thereof, without their consent, effective immediately upon notice to Developer; and Developer and the Controlling Principals agree that they shall immediately comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 14.2 hereof.

9.10 Failure to comply with the requirements of this Article IX shall constitute a material event of default under this Development Agreement. Developer and the Controlling Principals acknowledge that a violation of this Article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Developer or the Controlling Principals in violation of the terms of this Article IX. Developer and the Controlling Principals agree to pay all attorney's fees and court costs and expenses incurred by Franchisor in obtaining specific performance, injunctive relief or any other remedy available to Franchisor for any violation of the requirements of this Article IX.

## ARTICLE X. RELATIONSHIP OF PARTIES

10.1 The parties acknowledge and agree that this Development Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor and that nothing in this Development Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

10.2 During the term of this Development Agreement, Developer shall hold itself out to the public as an independent contractor conducting its development operations pursuant to development rights granted by Franchisor. Developer agrees to take such actions as Franchisor shall request to facilitate the foregoing.

10.3 Developer understands and agrees that nothing in this Development Agreement authorizes Developer or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name and that Franchisor shall in no event assume liability for, or be deemed liable under this Development Agreement as a result of, any such action, or for any act or omission of Developer or any of the Controlling Principals or any claim or judgment arising therefrom.

## ARTICLE XI. INDEMNIFICATION

11.1 Developer and each of the Controlling Principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor and all other Franchisor Parties from and against any and all "Losses and Expenses" (as defined in Section 11.5 hereof) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) (each, a "Claim"), arising out of or relating to any of the following:

11.1.1 The infringement, alleged infringement, or any other violation or alleged violation by Developer and/or any Controlling Principal of any patent, mark or copyright or other proprietary right owned or controlled by a third party (except as such may occur with respect to any rights to use the Marks granted to Developer under this Development Agreement or any Franchise Agreement);

11.1.2 The violation, breach or asserted violation or breach by Developer and/or any of the Controlling Principals of any federal, state or local law, rule, regulation, order, directive or any applicable industry standard;

11.1.3 Libel, slander or any other form of defamation of Franchisor, the Eggspectation Companies, the System or any franchisee or developer operating under the System, by Developer, its affiliates and/or any of the Controlling Principals;

11.1.4 The violation or breach by Developer and/or any of the Controlling Principals of any warranty, representation, covenant, agreement or obligation under this Development Agreement or any other agreement between Developer and/or any of its affiliates and Franchisor and/or any of the Eggspectation Companies; and

11.1.5 Acts, errors, or omissions of Developer, any of its affiliates, successors or assigns, or any of the Controlling Principals and/or the directors, officers, shareholders, members, partners, managers, agents, representatives, independent contractors, servants and employees of Developer and/or its affiliates (collectively, the "Developer Parties") in connection with the establishment and operation of the Developer Restaurants.

11.2 Developer and each of the Controlling Principals agree to give Franchisor immediate written notice of any Claim. At the expense and risk of Developer and each of the Controlling Principals, Franchisor shall have the right and authority, but not the obligation, to assume control of, and/or select counsel of its own choosing with respect to, the defense and/or settlement of any such Claim. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Developer and each of the Controlling Principals to indemnify the Franchisor and all of the Franchisor Parties and to hold them harmless.

11.3 In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the Claim if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

11.3.1 any of the acts or circumstances enumerated in Sections 11.1.1, 11.1.2, 11.1.3 and 11.1.4 have occurred; or

11.3.2 any act, error, or omission as described in Section 11.1.5 may result directly or indirectly in damage, injury, or harm to any person or any property.

11.4 All Losses and Expenses incurred by Franchisor and/or any of the Eggspectation Companies under this Article XI shall be chargeable to and paid by Developer and/or the Controlling Principals pursuant to their obligations of indemnity under this Article XI, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

11.5 For purposes of this Article XI, "Losses and Expenses" shall include, without limitation, all losses, damages (including consequential, compensatory and exemplary damages), fines, charges, costs, expenses, lost profits, legal fees, court costs, settlement amounts and judgments. Without in any way limiting the foregoing, Losses and Expenses include compensation for damages to the Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

11.6 Neither the Franchisor nor any of the Franchisor Parties assume any liability whatsoever for acts, errors, or omissions of any third party with whom Developer, the Controlling Principals or any other Developer Parties may contract, regardless of the purpose. Developer and each of the Controlling Principals shall hold harmless and indemnify the Franchisor and the Franchisor Parties from and against all Losses and Expenses that result from or arise out of any acts, errors or omissions of Developer, the Controlling Principals, any of the other Developer Parties or such other third parties without limitation and without regard to the cause or causes thereof or the negligence of Franchisor or any other party or parties in connection therewith, and whether such negligence be sole, joint or concurrent, or active or passive.

11.7 Under no circumstances shall the Franchisor or any of the Franchisor Parties be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer or any of the Controlling Principals. Developer and each of the Controlling Principals agree that the failure to pursue such recovery or to mitigate losses will in no way reduce the amounts recoverable from Developer or any of the Controlling Principals by the Franchisor and/or any of the Franchisor Parties.

11.8 Developer and the Controlling Principals expressly agree that the terms of this Article XI shall survive the termination or expiration of this Development Agreement or the Transfer of any interest herein.

## ARTICLE XII. ARBITRATION

**12.1 Subject to the provisions contained in this Article XII, the parties agree to submit any and all claims, controversies and disputes between the parties arising out of or relating to this Development Agreement (including all Schedules and Exhibits attached hereto) and/or the relationship created by this Development Agreement (each, a "Dispute") to binding arbitration in accordance with the Arbitration Guidelines of Franchise Arbitration and Mediation Services ("FAM"), or, if FAM ceases to exist, the American Arbitration Association ("AAA"), or a comparable organization if FAM and the AAA both cease to exist. The arbitration shall be conducted in Baltimore, Maryland by a single arbitrator (who shall be agreed upon by the parties) experienced in the arbitration of disputes between franchisors and Developers. Any arbitration will be conducted on an individual basis and not on a consolidated or class-wide basis. If the parties are unable to agree on an arbitrator within fifteen (15) days following delivery from either party of a notice of such party's desire to submit the Dispute to arbitration, the arbitrator shall be selected in accordance with FAM's Arbitration Guidelines, as amended, except that the arbitrator shall apply the Federal Rules of Evidence during the conduct of the hearing with respect to the admissibility of evidence. If such rules conflict in any way with the provisions of this Development Agreement, the terms of this Development Agreement shall control. The arbitrator shall apply Maryland law for purposes of arbitrating the Dispute.**

**12.2 The costs and expenses of the arbitration, including compensation and expenses of the arbitrator (excluding the attorneys' fees and other professional fees incurred by either party), shall be borne by the parties equally; provided, that the arbitrator may award costs and fees (including attorneys' fees) to the prevailing party, if any.**

**12.3 Notwithstanding anything herein, the mandatory arbitration provision of Section 12.1 shall not apply to actions by either party for preliminary or temporary injunctive relief or actions, which under applicable law, are not permitted to be arbitrated.**

12.4 Only Disputes involving Developer and the Controlling Principals may be brought under this Article XII. No claim for or on behalf of any other Developer or other party may be brought by Developer or the Controlling Principals hereunder.

12.5 The parties hereto recognize, and any arbitrator is affirmatively advised, that certain provisions of this Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of our business judgment based on our assessment of the overall best interests of the Eggspectation® System. Where such discretion has been exercised, and is supported by our business judgment, no arbitrator may substitute his or her judgment for the judgment so exercised by Franchisor.

12.6 Both parties waive, to the greatest extent permitted by law, its right to seek or be awarded punitive or exemplary damages by an arbitrator, except that Franchisor may seek and obtain an award against Developer of trebled damages for trademark infringement should Developer continue to use the Marks after termination of the Development Agreement.

12.7 The foregoing provisions notwithstanding, if any court finds that the punitive damages limitation or class action waiver contained in this Article XII is unconscionable or otherwise

unenforceable, then either party may require a dispute otherwise subject to this Article XII to be decided by a court in accordance with the terms of this Agreement without first submitting the dispute to arbitration.

12.8 DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING GOVERNING LAW AND FORUM SET FORTH IN SECTION 20.1 HEREOF PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND DISPUTES ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT TO COMPLY WITH THE PROVISIONS OF SECTION 20.1 HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

12.9 **THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER WITH RESPECT TO ANY AND ALL MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.** This waiver is a material inducement for Franchisor to enter into this Agreement.

12.10 A party that is successful in enforcing its rights under this Agreement through commencement of an action in arbitration will be awarded its costs (including charges for investigation and preparation, expert witness, the arbitrator and the arbitration administrator) and reasonable attorney fees incurred in such arbitration.

12.11 This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

12.12 The provisions in this Article XII are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this Article XII will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law.

12.13 The parties hereby acknowledge and agree that a claim relating to this Development Agreement must be filed with the AAA within one (1) year after the occurrence of the act or omission that is the subject of the suit, action or other legal proceeding.

#### **ARTICLE XIII. GENERAL DISPUTE RESOLUTION PROVISIONS**

13.1 With respect to any Dispute not subject to arbitration under Article XII, above, FRANCHISOR, DEVELOPER AND ALL CONTROLLING PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY MARYLAND STATE COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF THE DISPUTE. EACH PARTY HEREBY

CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY ANY SUCH COURT WITH RESPECT TO ANY SUCH PROCEEDING. **EACH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT.**

13.2 DEVELOPER AND THE CONTROLLING PRINCIPALS ACKNOWLEDGE AND UNDERSTAND THAT FRANCHISOR MAY GRANT DEVELOPMENT RIGHTS TO NUMEROUS DEVELOPERS THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS DEVELOPMENT AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR THAT SUCH TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. ACCORDINGLY, THE PARTIES HEREBY AGREE THAT, UNLESS *[INSERT STATE OF DEVELOPER'S DOMICILE OR DEVELOPMENT TERRITORY]* LAW REQUIRES THAT THE APPLICABLE PROVISIONS OF *[INSERT STATE OF STATE OF DEVELOPER'S DOMICILE OR DEVELOPMENT TERRITORY]* LAW SHALL GOVERN, THIS DEVELOPMENT AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND. HOWEVER, UNLESS THE DEVELOPER IS DOMICILED IN MARYLAND, OR THE DEVELOPMENT TERRITORY IS WITHIN THE BOUNDARIES OF MARYLAND, FRANCHISEE HEREBY WAIVES ANY RIGHT TO BRING AN ACTION UNDER THE MARYLAND FRANCHISE REGISTRATION & DISCLOSURE LAW, IT BEING ACKNOWLEDGED BY FRANCHISEE THAT THE PURPOSE OF SUCH LAW IS TO PROTECT MARYLAND FRANCHISEES.

13.3 FRANCHISOR AND DEVELOPER AGREE THAT ALL LEGAL PROCEEDINGS BETWEEN THE PARTIES AND/OR ANY OF THEIR OWNERS, OFFICERS, DIRECTORS AND AFFILIATES ("RELATED PARTIES") WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT ANY LEGAL PROCEEDINGS BETWEEN FRANCHISOR AND DEVELOPER AND/OR ANY OF THEIR RELATED PARTIES WILL NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING INVOLVING FRANCHISOR AND ANY OTHER PARTY.

13.4 DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING GOVERNING LAW, JURISDICTION AND VENUE SET FORTH IN SECTIONS 13.1 AND 13.2 HEREOF PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF DEVELOPER, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING GOVERNING LAW, JURISDICTION AND VENUE HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

13.5 DEVELOPER AND THE CONTROLLING PRINCIPALS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR AND THE FRANCHISOR PARTIES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, 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, DEVELOPER AND THE CONTROLLING PRINCIPALS SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO

BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

#### ARTICLE XIV. NOTICES

Any and all notices, requests, demands and other communications required or permitted under this Development Agreement must be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, sent by electronic mail with delivery receipt (provided that, for notices of default or termination, or requesting or denying transfer approval, a hard copy of the message also must be sent by postal mail to recipient on the same day), or mailed by certified or registered mail, postage pre-paid to Developer at the notice contact information identified in Schedule A, and to Franchisor as follows::

If to Franchisor: Eggspectation Restaurants, LLC  
9433 Common Brook Road, Suite 209  
Owings Mills, MD 21117  
Attention: Castrenze “Enzo” Renda  
Email: [cr@eggspectation.com](mailto:cr@eggspectation.com)

With a copy to: David L. Cahn  
Offit Kurman, P.A.  
1954 Greenspring Drive  
Timonium, Maryland 21093  
Email: [david.cahn@offitkurman.com](mailto:david.cahn@offitkurman.com)

A notice shall be effective when delivered, if delivered personally or by delivery service, upon receipt of written verification of successful email transmission (subject to the requirement of mailing a printed version of certain notices to the recipient on that same day), or five (5) business days after being mailed.

#### ARTICLE XV. MISCELLANEOUS

15.1 Entire Agreement. This Development Agreement (including all Schedules and Exhibits attached hereto) and the agreements and documents referred to herein and all agreements executed simultaneously herewith, contain the entire, full and complete agreement and understanding among the Developer, the Controlling Principals and the Franchisor with respect to the subject matter hereof, including, without limitation, the Developer Restaurants, and shall supersede all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written; however, nothing in this Development Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document provided to Developer by Franchisor in connection with this Development Agreement.

15.2 Amendment; Waiver. Except as otherwise expressly provided in this Development Agreement, no amendment, modification or waiver of this Development Agreement shall be binding unless executed in writing by both parties hereto, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Development Agreement shall constitute a waiver of any other provision of this Development Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing. No failure of a party to exercise any power reserved to it by this Development Agreement, or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with



the terms hereof, shall constitute a waiver of such party's right thereafter to demand exact compliance with any of the terms herein. Waiver by a party of any particular default by the other party shall not affect or impair such party's rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, forbearance, or omission of a party to exercise any power or right arising out of any breach or default by the other party of any of the terms, provisions, or covenants hereof, affect or impair such party's right to exercise the same. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer or the Controlling Principals of any provision of this Development Agreement.

15.3 Franchisor Consent. Whenever this Development Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor, and such approval or consent must be obtained in writing. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any consent, waiver, approval, advice, or suggestion to Developer in connection with this Development Agreement, or by reason of any delay in acting on or its denial of any request therefore.

15.4 Captions. All captions in this Development Agreement are intended solely for the convenience of the parties, and none shall be deemed to limit, modify or affect the meaning or construction of any provision hereof nor shall such captions otherwise be given any legal effect.

15.5 Survival. Any obligation of Developer or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Development Agreement, or after the Transfer of any Interest, shall be deemed to survive such termination or expiration of this Development Agreement, or Transfer of such Interest, as the case may be.

15.6 Severability. If any provision or part of any provision of this Development Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Development Agreement, and this Development Agreement shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

15.7 Interpretation. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable.

15.8 Remedies. All rights and remedies of the parties to this Development Agreement shall be cumulative and not alternative, and shall be in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity. The rights and remedies of the parties to this Development Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or termination of this Agreement, or exercise of Franchisor's rights pursuant to Article VIII hereof, shall not discharge or release Developer or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or termination of this Agreement, or Franchisor's exercise of its rights pursuant to Article VIII of this Development Agreement.

15.9 Third Party Beneficiaries. Except as otherwise expressly provided in this Development Agreement, nothing in this Development Agreement is intended, nor shall be deemed, to confer upon any individual or entity other than Developer, Franchisor and the Franchisor Parties any rights or remedies under or as a result of this Development Agreement.

15.10 Counterparts. This Development Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement. This Development Agreement may be executed and delivered via facsimile transmission with the same force and effect as if it were executed and delivered by the parties in the presence of one another.

15.11 Force Majeure. In the event of acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophes beyond either party's control, which cannot be overcome by use of normal commercial measures (a "Force Majeure"), the party impacted thereby shall not be held liable for a failure to comply with any terms and conditions of this Agreement to the extent such failure is caused by the Force Majeure event. However, upon the occurrence of any Force Majeure event, the party affected thereby must give prompt written notice thereof to the other party, together with a description of the event. As soon as is practicable thereafter, the affected party must provide in writing a commercially reasonable plan for resuming compliance with its obligations under this Agreement. The affected party must thereafter promptly undertake and execute that plan with due diligence.

#### ARTICLE XVI. DEFINITIONS

16.1 "Controlling Principals" means and includes, collectively and individually, all Developer's Principals who are designated by Franchisor from time to time as a Controlling Principal hereunder. The Controlling Principals as of the Effective Date are identified on Schedule B.

16.2 "Developer's Principals" means and includes, collectively and individually, (i) each director, officer and executive of Developer (or of any entity that directly or indirectly controls Developer) that Franchisor designates as Developer's Principals, (ii) the human beneficial owners of 5% or more of the ownership interests in Developer, either directly or through ownership of any entity that directly or indirectly controls Developer, and (iii) the spouses of each such human. The Developer's Principals as of the Effective Date are identified on Schedule B.

16.3 "Manuals" means the Franchisor's Operating Manual containing the official operating standards, specifications and procedures prescribed by Franchisor from time to time for the operation of an Eggspectation Restaurant, and such other written materials as Franchisor shall develop for use in the System, all as may be revised, amended and/or supplemented from time to time.

16.4 "Publicly-held corporation" means a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Development Agreement as of the Effective Date.

FRANCHISOR:

EGGSPECTATION RESTAURANTS, LLC, a  
Maryland limited liability company

ATTEST:

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Accepted: \_\_\_\_\_

DEVELOPER:

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ACKNOWLEDGED AND AGREED:**

CONTROLLING PRINCIPALS:

\_\_\_\_\_  
Name:  
Title (if applicable):

Date: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title (if applicable):

Date: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title (if applicable):

Date: \_\_\_\_\_

## **SCHEDULE A**

"Developer Restaurants; Territory; Development Schedule; Notice Information"

1. Number of Franchise Licenses Reserved for Developer Restaurants:

[insert total number here]

2. Territory:

The Developer's Territory for purposes of the Development Agreement shall include

3. Development Schedule:

Developer is obligated to develop the Developer Restaurants in accordance with the following Development Schedule:

<b>Number of Restaurants to be opened and operating:</b>	<b>Date by which Restaurants are to be opened and operating:</b>	<b>Date Restaurant(s) Opened</b>

3. Developer Notice Information

\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Email Address: \_\_\_\_\_

FRANCHISOR:

EGGSPECTION RESTAURANTS, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

DEVELOPER:

\_\_\_\_\_  
(Name of Developer)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE B**

**STATEMENT OF OWNERSHIP INTERESTS; DEVELOPER'S PRINCIPALS;  
DEVELOPER'S CONTROLLING PRINCIPALS**

1. The following is a list of stockholders, partners or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

2. The following is a list of all of Developer's Principals not otherwise identified in item 1 above:

<u>Name</u>	<u>Relationship to Developer</u>
-------------	----------------------------------

3. The following is a list of Developer's Principals designated by Franchisor as Controlling Principals:

Name

FRANCHISOR:

EGGSPECTION RESTAURANTS, LLC

DEVELOPER:

\_\_\_\_\_  
(Name of Developer)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

EGGSPECTION RESTAURANTS  
**EXHIBIT 1 TO AREA DEVELOPMENT AGREEMENT**

**FRANCHISE AGREEMENT**

(See Exhibit C to the Franchise Disclosure Document)

EGGSPECTION RESTAURANTS  
**EXHIBIT 2 TO AREA DEVELOPMENT AGREEMENT**

CONFIDENTIALITY AGREEMENT AND  
ANCILLARY COVENANTS NOT TO COMPETE

This **CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE** (the "Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and among \_\_\_\_\_, a \_\_\_\_\_ ("Individual"), EGGSPERATION RESTAURANTS, LLC, a Maryland limited liability company ("Franchisor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Developer").

**RECITALS**

**WHEREAS**, Franchisor has acquired and owns a unique and distinctive concept and system ("System") relating to the establishment and operation of casual full service restaurants (each, an "Eggspection Restaurant") serving all "breakfast" style food, specializing in gourmet style egg dishes for breakfast and brunch, as well as a full menu for lunch and dinner, and a full-service bar.

**WHEREAS**, the distinguishing characteristics of the System, include, without limitation, (i) distinctive exterior and interior design, decor, color scheme, and furnishings; (ii) proprietary products and ingredients; (iii) proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; (iv) quality and uniformity of products and services offered; (v) procedures for management and financial control; (vi) training and assistance; and (vii) advertising and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time (the "Trade Secrets").

**WHEREAS**, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Eggspection" and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor) for use in connection with the System (the "Marks").

**WHEREAS**, Franchisor deems all information relating to the System and/or concerning the methods of operation of an Eggspection Restaurant under the System, including, without limitation, the Trade Secrets, the contents of the Franchisor's Manual (as defined in the Development Agreement), all information, knowledge, know-how, techniques, methods and materials used in or related to the System, all operational, sales and marketing methods and techniques, and any and all other information that Franchisor provides to its franchisees and area developers in connection with its franchise agreements and area development agreements to be confidential and proprietary (the "Confidential Information").

**WHEREAS**, the Marks and Confidential Information provide economic advantages to Franchisor and the Confidential Information is not generally known to, and is not readily ascertainable by proper means by, Franchisor's competitors or the general public who could obtain economic value from knowledge and use of the Confidential Information.

**WHEREAS**, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information.

**WHEREAS**, pursuant to the terms of that certain Development Agreement dated \_\_\_\_\_, 20\_\_ by and between Franchisor and Developer (the "Development Agreement"), Franchisor has granted Developer the right to develop Eggspection Restaurants (the "Restaurants") under the System and the Marks.

**WHEREAS**, Franchisor and Developer acknowledge the importance and necessity of restricting access to and the use and dissemination of the Confidential Information in order to protect the business interests of Franchisor, Developer and other developers and franchisees under the System.

**WHEREAS**, it is necessary for certain owners, employees and other personnel of Developer to be granted access to some or all of the Confidential Information in connection with the development of the Restaurants.

**WHEREAS**, for purposes of protecting the Confidential Information and the System against unfair competition, Developer has agreed to obtain, and the Development Agreement requires Developer to obtain, from such owners, employees and other personnel of Developer who are granted access to some or all of the Confidential Information, written agreements prohibiting, among other things, the unauthorized use and/or disclosure of any Confidential Information.

**WHEREAS**, Individual is and desires to remain, or desires to become, related to, associated with or employed by Developer, and in connection with such association or employment, desires and requires access to the Confidential Information in order to effectively fulfill his/her/its obligations and duties to Developer.

**WHEREAS**, Individual acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Individual herein.

**NOW, THEREFORE**, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Recitals.** The Recitals are a substantive part of this Agreement and are hereby incorporated herein by reference.

2. **Confidentiality.** In consideration for (i) Individual's employment or association, or continued employment or association, with Developer, and (ii) disclosure of Confidential Information to Individual, and in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, including the Trade Secrets, Individual hereby acknowledges and/or covenants and agrees as follows:

2.1 All Manuals are loaned by Franchisor to Developer for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

2.2 Individual will receive any and all Confidential Information in confidence, and will use the same only in the course of his/her/its employment or association with Developer, and then only in connection with the development of the Restaurants for so long as Developer is authorized to develop Restaurants pursuant to the Development Agreement.

2.3 Except as otherwise expressly provided under this Agreement, Individual will not, during the term of his/her/its employment or association with Developer, or at any time thereafter, communicate or divulge to, or use for the benefit of, any other person or entity other than Developer, Franchisor or the principals of either of the foregoing parties any Confidential Information.

2.4 Individual will communicate or disclose Confidential Information only to those employees or principals of Developer who must have access to such information in order to fulfill his/her/its duties and obligations to Developer in connection with the development of the Restaurants under the System, and then, only to the limited extent necessary to permit such employee or principal to fulfill such duties and obligations.



2.5 Individual will not, at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise disclose or make the same available to any person, except as expressly provided and permitted under this Agreement.

2.6 Individual will surrender any and all materials (including all copies thereof) containing any Confidential Information to Developer or Franchisor, upon request, or upon termination of the Individual's employment or association with Developer, or upon conclusion of the use for which such information or material may have been furnished to Individual.

2.7 Individual will not at any time, directly or indirectly, do any act or omit to do any act that will, or is reasonably likely to, be injurious or prejudicial to the goodwill associated with the Confidential Information and/or the System.

3. **Non-Competition.** In consideration for (i) Individual's employment or association, or continued employment or association, with Developer, and (ii) disclosure of Confidential Information to Individual, and in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, including the Trade Secrets, Individual hereby acknowledges and/or covenants and agrees as follows:

3.1 Individual will not, at any time during the term of his/her/its employment or association with Developer, either directly or indirectly, for himself/herself/itself or through, on behalf of or in conjunction with any person or entity:

3.1.1 divert or attempt to divert any business, business opportunity, or customer of any Restaurant (or any other Eggspectation Restaurant) to any competitor of the Restaurant or the System or to any other third party, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the System or the Confidential Information, including the Trade Secrets.

3.1.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks, which business or activity is of a character and concept similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu substantially similar to the Eggspectation breakfast, brunch, lunch and dinner menu items (as modified from time to time).

3.2 Individual will not, for a period of twenty-four (24) months following the earlier of (i) termination of the Franchise Agreement, or (ii) termination of Individual's relationship with Franchisee by which Individual obtained access to any Confidential Information, either directly or indirectly, for himself/herself/itself or through, on behalf of or in conjunction with any person or entity:

3.2.1 divert or attempt to divert any business, business opportunity, or customer of any Restaurant (or any other Eggspectation Restaurant) to any competitor of the Restaurant or the System or to any other third party, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the System or the Confidential Information, including the Trade Secrets.

3.2.2 employ or seek to employ any person who is at the time, or was within the preceding ninety (90) days, employed by Franchisor or any of its affiliates, by Developer or any of its affiliates, or by any of the System's franchisees or area developers, or otherwise directly or indirectly induce or attempt to induce any person to leave that person's employment or other business relationship

with the Franchisor or its affiliates, the Developer or its affiliates or any of the System's franchisees or area developers, or to otherwise terminate, reduce or change his/her/its employment or other business relationship with the Franchisor or any of its affiliates, the Developer or any of its affiliates, or any of the System's franchisees or developers.

3.2.3 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks, which business or activity is of a character and concept similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu substantially similar to the Eggspectation breakfast, brunch, lunch and dinner menu items (as modified from time to time), and (ii) is or is intended to be located at the physical location or within a ten (10) mile radius of any Eggspectation Restaurant in existence or under construction.

3.3 Sections 3.1.2 and 3.2.3 will not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

4. **Acknowledgment.** Individual acknowledges and agrees that each of the restrictive covenants contained in Section 2 and Section 3 of this Agreement are reasonable as to time, geographical area, and scope of activity and do not impose a greater restraint than is necessary to protect the goodwill of the System and the business interests of Franchisor and Developer. The parties agree that each of these covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant set forth in Section 2 or Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor and/or Developer is a party, the parties hereto 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 Section 2, or Section 3, as the case may be.

5. **Remedies.** Individual hereby acknowledges and agrees that if he/she/it breaches any of the covenants set forth in Section 2 or Section 3 of this Agreement, Franchisor and/or Developer may suffer immediate and irreparable harm for which monetary damages alone will not be a sufficient remedy. Accordingly, Individual hereby agree that, in addition to all other remedies Franchisor and/or Developer may have under this Agreement, at law or in equity, Franchisor and/or Developer will be entitled to seek injunctive relief, specific performance or any other form of equitable relief to remedy any such breach or threatened breach. Individual agrees to pay all expenses, court costs and reasonable attorneys' fees incurred by Franchisor and/or Developer in connection with the enforcement of any provision of Section 2 and/or Section 3, including obtaining injunctive relief or specific performance.

6. **Indemnification.** INDIVIDUAL WILL, AT ALL TIMES, INDEMNIFY AND HOLD HARMLESS TO THE FULLEST EXTENT PERMITTED BY LAW FRANCHISOR AND/OR DEVELOPER FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES (INCLUDING, CONSEQUENTIAL, COMPENSATORY AND EXEMPLARY DAMAGES), FINES, CHARGES, COSTS, EXPENSES, LEGAL FEES, COURT COSTS, SETTLEMENT AMOUNTS AND JUDGMENTS ARISING OUT OF OR RESULTING FROM INDIVIDUAL'S BREACH OF ANY OF HIS/HER/ITS COVENANTS, AGREEMENTS OR OBLIGATIONS UNDER THIS AGREEMENT.

7. **Miscellaneous.**

7.1 Notices. Any and all notices, requests, demands and other communications required or permitted to be given under this Agreement will be in writing and will be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, or mailed by certified or registered mail, postage pre-paid, to the respective party as follows:

If to Franchisor: Eggspectation Restaurants, LLC  
10201 Grand Central Ave, Apt #323  
Owings Mills, MD 21117  
Facsimile: (410) 339-7544  
Attention: Castrenze “Enzo” Renda

With a copy to: David L. Cahn  
Offit Kurman, P.A.  
1954 Greenspring Drive  
Timonium, Maryland 21093  
Email: [david.cahn@offitkurman.com](mailto:david.cahn@offitkurman.com)

If to Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

If to Individual: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to such other address as a party will designate in writing to the other parties. A notice will be effective when delivered, if delivered personally or by delivery service, or three (3) business days after being mailed.

7.2 Entire Agreement. This Agreement (together with the Development Agreement) constitutes the entire agreement among the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

7.3 Amendment; Waiver. No amendment, modification or waiver of this Agreement will be binding unless consented to in writing by all parties, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Agreement will constitute a waiver of any other provision of this Agreement, whether or not similar, nor will such waiver constitute a continuing waiver unless otherwise expressly provided in writing. Any failure by Franchisor or Developer to object to or take action with respect to any breach of any provision of this Agreement by Individual will not operate or be construed as a waiver of or consent to that breach or any subsequent breach.

7.4 Severability. Subject to Section 4 hereof, if any provision or part of any provision of this Agreement is for any reason held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions or the remaining part of any effective provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof will be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

7.5 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of Maryland, without regard to principles of conflicts of laws.

7.6 Jurisdiction; Venue; Waiver of Jury Trial. Any suit involving any dispute or matter arising under this Agreement may only be brought in the United States District Court for the District of Maryland or any Maryland State Court sitting in Baltimore County having jurisdiction over the subject matter of the dispute or matter. The parties hereby consent to the exercise of personal jurisdiction by any such court with respect to any such proceeding. THE PARTIES HERETO KNOWINGLY AND VOLUNTARILY WAIVE ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS AGREEMENT.

7.7 Assignment. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its affiliates, successors and assigns. The respective rights and obligations of Developer and Individual hereunder may not be assigned by Developer or Individual, without the prior written consent of Franchisor.

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

**ATTEST/WITNESS:**

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

**DEVELOPER**

By: \_\_\_\_\_  
Name:  
Title:

**INDIVIDUAL**

\_\_\_\_\_  
Name:

**FRANCHISOR**

EGGSPECTATION RESTAURANTS,  
LLC

By: \_\_\_\_\_  
Name:  
Title:

EGGSPECTION RESTAURANTS  
**EXHIBIT 3 TO AREA DEVELOPMENT AGREEMENT**

GUARANTY

**THIS GUARANTY** (the “Guaranty”) is executed on this \_\_\_\_ day of \_\_\_\_\_, 200\_\_, by \_\_\_\_\_ (the “Guarantor”), in favor of EGGSPERATION RESTAURANTS, LLC, a Maryland limited liability company (“Franchisor”).

**RECITALS**

**WHEREAS**, Franchisor and \_\_\_\_\_ (“Developer”) are parties to that certain Development Agreement dated \_\_\_\_\_, 20\_\_, which is incorporated herein (the “Development Agreement”), whereby Franchisor granted to Developer the right to develop Eggspection restaurants (the “Restaurants”) within the Territory, under the Marks and the System (as those terms are defined in the Development Agreement).

**WHEREAS**, the Guarantor stands to benefit from Developer’s development of the Restaurants in accordance with the terms of the Development Agreement.

**WHEREAS**, as an inducement to Franchisor to enter into the Development Agreement, Guarantor, who is a Controlling Principal (as that term is defined in the Development Agreement), agreed to guarantee all of Developer’s payment and performance obligations under the Development Agreement.

**NOW, THEREFORE**, in consideration of Franchisor entering into the Development Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby provides the following guaranty to Franchisor, its successors and assigns.

1. **Recitals.** The foregoing recitals are hereby made part of this Guaranty.
2. **Guaranty.** Guarantor hereby unconditionally and irrevocably agrees to be personally bound by each and every provision in the Agreement as if Guarantor were substituted as the Franchisee therein, and to be personally liable for all breaches and defaults (the “Obligations”) under the Development Agreement not timely satisfied by Developer. The Guarantor hereby acknowledges and/or agrees as follows:

2.1 The obligations of Guarantor hereunder shall be direct, immediate and primary, and this Guaranty is one of payment and performance (and not merely collection). The liability of Guarantor hereunder is absolute, unconditional and not subject to any recoupment, setoff, reduction or defense, without regard to the liability of any other person. Franchisor may pursue its rights against the Guarantor without first exhausting its remedies against Developer and without joining any other guarantor, and the Guarantor hereby specifically waives any obligation of Franchisor to proceed against Developer or any other individual or entity.

2.2 This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment of any of the Obligations is rescinded or must otherwise be restored or returned by Franchisor upon the insolvency, bankruptcy or reorganization of Developer or the Guarantor, all as though such payment had not been made.

2.3 If more than one individual or entity has executed this Guaranty as a Guarantor hereunder, the liability of each such guarantor shall be joint, several and primary.

2.4 Without affecting the obligations of Guarantor under this Guaranty, Franchisor may, without notice to the Guarantor, waive, renew, extend, modify, amend or release any indebtedness or obligation of Developer or settle, adjust or compromise any claims that Franchisor may have against Developer.

2.5 No failure or delay on the part of Franchisor to insist upon the strict performance of any term, condition, covenant, or agreement of this Guaranty or of the Development Agreement, or to exercise any right, power, or remedy consequent upon a breach hereof or thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude Franchisor from exercising any such right, power or remedy at a later time or times. By accepting payment after the due date of any amount payable under this Guaranty or the terms of the Development Agreement, Franchisor shall not be deemed to waive the right either to require prompt payment when due of any amount payable hereunder or under the Development Agreement, or to declare an event of default for the failure to effect such prompt payment of any such amount.

2.6 All rights and remedies of Franchisor under this Guaranty shall be cumulative and concurrent and shall be in addition to and not exclusive of any other rights or remedies available to Franchisor under this Guaranty, the Development Agreement or otherwise existing at law or in equity.

2.7 No course of dealing between Franchisor and Guarantor shall be effective to amend, modify or change any provision of this Guaranty and Franchisor shall have the right at all times to enforce such provisions in strict accordance with the terms hereof, notwithstanding any conduct or custom on the part of Franchisor in refraining from so doing at any time or times.

2.8 No waiver under this Guaranty shall be deemed to be made by Franchisor unless in writing signed by Franchisor, and each such waiver, if any, shall apply only with respect to the specific instance involved.

2.9 The obligations of Guarantor under this Guaranty shall not be reduced, limited, terminated, discharged, impaired or otherwise affected by (i) any assignment of the Development Agreement unless Developer is released in connection therewith from its obligations under the Development Agreement pursuant to the terms thereof, (ii) the voluntary or involuntary liquidation, sale or other disposition of all or any portion of Developer's assets, or the receivership, insolvency, bankruptcy, reorganization or similar proceedings affecting Developer or its assets or the release or discharge of Developer from any of its obligations under the Development Agreement, or (iii) any change of circumstances, whether or not foreseeable, and whether or not any such change does or might vary the risk of the Guarantor hereunder.

2.10 The execution and delivery of this Guaranty by the Guarantor, as a Controlling Principal, are made and given in partial consideration of, and as a condition to, Franchisor entering into the Development Agreement. Guarantor acknowledges that Franchisor would not have entered into the Development Agreement without the execution and delivery of this Guaranty.

3. **Death of Guarantor.** Upon receipt by Franchisor of notice of the death of the Guarantor, the Guarantor's estate will be bound by the terms of this Guaranty, but only for defaults and obligations under the Development Agreement existing at the time of death, and in such event, the obligations of all other guarantors shall continue in full force and effect.

4. **Waivers by Guarantor.** Guarantor waives all demands and notices of every kind with respect to the enforcement of this Guaranty, including, without limitation, notice of presentment, demand for payment or performance by Developer, any default by Developer or any guarantor and any release of any guarantor or other security for this guaranty or the obligations of Developer.

5. **Remedies Upon Default.** Upon the occurrence of any event constituting an event of default under the Development Agreement by Developer, and following the expiration of any applicable cure period, Guarantor shall immediately perform each obligation of Developer and pay to Franchisor all amounts due and payable to Franchisor under the Development Agreement and all costs and expenses, including reasonable attorneys' fees and court costs, incurred by Franchisor, its affiliates or any of their respective successors or assigns in attempting to (i) remedy any defaults hereunder or under the Development Agreement, (ii) collect any amounts due hereunder or under the Development Agreement, or (iii) otherwise enforce any rights and obligations hereunder and under the Development Agreement.

6. **Duration.** Subject to Section 7 hereof, this Guaranty shall be continuing, absolute and unconditional, and shall be binding upon Guarantor until the later of (i) termination of the Development Agreement; and (ii) payment in full of all amounts payable to Franchisor under the Development Agreement and this Guaranty.

7. **Termination.** This Guaranty may be terminated only by a written unconditional release executed and delivered by Franchisor to Guarantor.

8. **Representations and Warranties.** Guarantor hereby represents and warrants to Franchisor that:

8.1 Guarantor has reviewed the Development Agreement.

8.2 This Guaranty constitutes the valid and legally binding obligation of Guarantor (joint and several with each other guarantor, if more than one), and is fully enforceable against Guarantor in accordance with its terms.

8.3 There are no actions or proceedings pending or, to Guarantor's knowledge, threatened before any court or administrative agency which would adversely affect the financial condition of Guarantor or the authority of Guarantor to enter into, or the validity or enforceability of, this Guaranty.

8.4 There is no provision of any agreement, contract, or law, binding on Guarantor or affecting any of his property, which would conflict with or in any way prevent the execution, delivery and performance of the terms of this Guaranty, or which would be breached or violated as a result of the execution, delivery or performance of this Guaranty.

8.5 The Guarantor has a direct and financial interest in the Developer, and the acceptance by the Guarantor of the obligations hereunder will result in direct financial benefits to Guarantor.

8.6 There is no matter or fact that Guarantor has not disclosed in writing to Franchisor that materially affects, or could be reasonably likely to materially affect, the property or financial condition of Guarantor or the ability of Guarantor to perform his obligations hereunder.

9. **Miscellaneous.**

9.1 **Notices.** Any and all notices, requests, demands and other communications required or permitted to be given to the Guarantor shall be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, or mailed by certified or

registered mail, postage pre-paid, to the Guarantor at \_\_\_\_\_, or such other address as the Guarantor shall designate in writing to the Franchisor. A notice shall be effective when delivered, if delivered personally or by delivery service, or three (3) business days after being mailed.

9.2 Entire Agreement. This Guaranty (together with the Development Agreement) constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

9.3 Amendment; Waiver. No amendment, modification or waiver of this Guaranty shall be binding unless consented to in writing by Franchisor. No waiver of any provision of this Guaranty shall constitute a waiver of any other provision of this Guaranty, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

9.4 Severability. If any provision or part of any provision of this Guaranty shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Guaranty, and this Guaranty shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

9.5 Applicable Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to principles of conflicts of laws.

9.6 Jurisdiction; Venue; Waiver of Jury Trial. Any suit involving any dispute or matter arising under this Guaranty may only be brought in the United States District Court for the District of Maryland or any Maryland State Court sitting in Baltimore County having jurisdiction over the subject matter of the dispute or matter. Guarantor hereby consents to the exercise of personal jurisdiction by any such court with respect to any such proceeding. GUARANTOR KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS GUARANTY.

**IN WITNESS WHEREOF** Guarantor has executed this Guaranty as of the day and year first above written.

**WITNESS:**

**GUARANTOR:**

\_\_\_\_\_  
Name:

\_\_\_\_\_(SEAL)  
Name:



**EXHIBIT C**  
**FRANCHISE AGREEMENT**

# eggspectation®

restaurant - café

EGGSPECTATION

FRANCHISE AGREEMENT

between

EGGSPECTATION RESTAURANTS, LLC  
Franchisor

and

---

Franchisee

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<b>EXHIBIT 6</b>	<b>STATE-SPECIFIC ADDENDUM (insert as applicable)</b>

## **EGGSPECTION FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Franchise Agreement”) is made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between EGGSPERATION RESTAURANTS, LLC, a Maryland limited liability company (“Franchisor”), and \_\_\_\_\_ (“Franchisee”).

### **RECITALS**

**WHEREAS**, Franchisor owns a distinctive concept and system relating to the establishment and operation of casual full-service restaurants (each, an “Eggspection Restaurant”) serving all day “breakfast” style food and beverages, specializing in gourmet style egg dishes for breakfast and brunch (the “Breakfast Style Concept”), as well as a full menu for lunch and dinner and a full-service bar (“System”).

**WHEREAS**, the distinguishing characteristics of the System, include, without limitation, (i) distinctive signage design, decor, color scheme, and furnishings; (ii) proprietary recipes and special menu items; (iii) uniform standards, specifications, and procedures for operations; (v) procedures for management and financial control; (vi) specialized training and assistance; and (vii) advertising, promotional and marketing programs, methods and techniques; all of which may be changed, improved and further developed by Franchisor from time to time (the “Trade Secrets”).

**WHEREAS**, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, Trade Dress and other indicia of origin, including, but not limited to, the mark “Eggspection” and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (the “Marks”).

**WHEREAS**, Franchisor continues to develop, use and control the use of the Marks in order to (i) identify for the public the source of services and products marketed thereunder and under the System, (ii) enhance public acceptance of, and demand for, Eggspection Restaurants, and (iii) represent the System’s high standards of quality, appearance and service.

**WHEREAS**, Franchisee understands and acknowledges the importance of maintaining high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

**WHEREAS**, Franchisee desires to obtain a franchise from Franchisor to use the System in connection with the operation of an Eggspection Restaurant within the Assigned Area (as hereinafter defined) at the location specified on Schedule A attached hereto.

**NOW, THEREFORE**, in consideration of the foregoing Recitals which are incorporated by reference herein, and the mutual undertakings and commitments set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### **ARTICLE I. GRANT**

1.1. In reliance upon the representations, warranties and covenants of Franchisee and its Controlling Principals (as defined in Article XXIV and identified in Schedule A) as set forth herein, Franchisor hereby grants to Franchisee the right and license, and Franchisee hereby accepts the right and obligation, to operate a full-service restaurant within the Assigned Area (as defined in Section 1.5 hereof), and only at the specific location identified (or to be identified) on Schedule A (the “Approved Location”),

under the Marks and the System in accordance with all of the provisions of this Franchise Agreement (the "Restaurant"). Franchisee may not operate the Restaurant, or offer or sell any products or services described under this Franchise Agreement, at or from any location other than the Approved Location, without the prior written consent of Franchisor. Franchisee shall not relocate the Restaurant without the prior written consent of Franchisor.

1.2. Franchisor reserves the right to revise, modify, amend and/or change the System, or any part thereof, at any time and from time to time, which may include new or different systems, programs, specifications, standards, controls, and other distinguishing elements or characteristics that Franchisor may make mandatory for the System of Eggspectation Restaurants. Franchisee specifically acknowledges that certain revisions, modifications, amendments and/or changes to the System may require Franchisee to expend resources to adopt such revisions, modifications, amendments and/or changes, as determined by Franchisor in its reasonable business judgment and subject to maximum amounts ("caps") on required Franchisee expenditures on renovations, refurbishments or new equipment purchases during the Term (as stated in Section 7.3 hereof) and as a condition of granting a successor agreement or permitting Franchisee to exercise a renewal right (as stated in Article III hereof).

1.3. Franchisee and the Controlling Principals have represented to Franchisor that they have entered into this Franchise Agreement with the intention of fully complying with the obligations to construct an Eggspectation Restaurant hereunder. Franchisee and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on (i) the business skill, financial capacity and personal character of Franchisee and the Controlling Principals, (ii) the expectations of performance hereunder by Franchisee and the Controlling Principals, and (iii) the agreement and understanding that this Franchise Agreement and the rights and obligations hereunder may not be transferred except as otherwise expressly provided in Article XIV hereof.

1.4. Franchisee acknowledges and agrees that, except as otherwise expressly provided in Section 1.5 hereof, Franchisor and its Affiliates (each an "Eggspectation Company" and, collectively, the "Eggspectation Companies") have and retain the right to develop, promote, construct, own, lease, acquire and/or operate, or authorize or otherwise license or franchise others to develop, promote, construct, own, lease, acquire and/or operate other business operations and concepts under the trade name "Eggspectation," including other Eggspectation Restaurants. Franchisee further acknowledges, accepts and agrees that Franchisor and the other Eggspectation Companies, or any of them, may exercise such right from time to time without notice to Franchisee, and Franchisee covenants that it shall not take any action, including any cause of action in a court of law or equity, that may interfere with the exercise of such right by any of the Eggspectation Companies.

1.5. Franchisor hereby assigns to Franchisee the geographic area (the "Assigned Area") identified on Schedule A attached hereto. Subject to Section 1.6 hereof and, provided that Franchisee and the Controlling Principals are in full compliance with all provisions of this Franchise Agreement and any other agreements between Franchisee or any of its Affiliates and Franchisor or any of the Eggspectation Companies, neither Franchisor nor any of the Eggspectation Companies shall establish (or authorize any other person or entity, other than Franchisee, to establish) an Eggspectation Restaurant within the Assigned Area during the term of this Franchise Agreement.

1.6. Franchisee acknowledges and agrees that Franchisor operates Eggspectation Restaurants under the Marks. In addition, notwithstanding anything in this Franchise Agreement, Franchisor and one or more of the Eggspectation Companies may also offer and sell (and may authorize others to offer and sell), in the Assigned Area: (i) collateral products under the Marks, at or from any location, such as gift cards and gift certificates, pre-packaged food products, memorabilia and other nonfood items, and (ii) any products or food and beverage services under any names and marks other than the Marks. Franchisor retains the right, within the Assigned Area, to operate Franchisor-owned restaurants in "nontraditional venues,"

which include airports, hospitals, cafeterias, commissaries, schools, hotels, stadiums, arenas, ballparks, festivals, fairs and other mass gathering locations or events, and the premises of businesses or customers with corporate campus or institutional feeding sites that have an agreement with Franchisor or any of the Eggspectation Companies for the placement of an Eggspectation Restaurant in one or more of their facilities. Franchisor, any other Eggspectation Company, any franchisee designated by Franchisor and any other authorized person or entity shall have the right, at any time and from time to time, to advertise and promote the System in the Assigned Area and fill customer orders by providing catering and delivery services in the Assigned Area.

## **ARTICLE II. SITE SELECTION, PLANS AND CONSTRUCTION**

2.1 Franchisee assumes all cost, liability, expense and responsibility for locating, acquiring and developing a site for the Restaurant within the Assigned Area and for constructing and equipping the Restaurant at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Restaurant unless the site is approved by Franchisor as set forth below. Franchisee acknowledges that (i) the location, selection, procurement and development of a site for the Restaurant is Franchisee's sole responsibility, (ii) in discharging such responsibility Franchisee may consult with real estate and other professionals of Franchisee's choosing, and (iii) Franchisor's consent to a prospective site or rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Restaurant operated at that site will be profitable or otherwise successful.

2.2 If the Approved Location has not been identified as of the Effective Date, Franchisee shall initiate a diligent and continuous search for a location in the Assigned Area for the Restaurant upon execution of this Agreement. Prior to acquiring by lease or purchase a site for the Restaurant, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the site, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines as provided pursuant to Section 5.1.1 together with such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee's favorable prospects for obtaining the site. Franchisor shall have twenty (20) days after receipt of such information and materials to approve or disapprove, in its sole discretion, the proposed site as the location for the Restaurant. No site may be used for the location of the Restaurant unless it is approved in writing by Franchisor.

2.3 Unless Franchisee itself will own the Approved Location of the Restaurant, Franchisee must obtain a lease for the Approved Location and must submit a copy of the lease to Franchisor for written approval prior to Franchisee's execution thereof. No lease for the Restaurant premises shall be approved by Franchisor unless it contains a collateral assignment of lease in substantially the form attached hereto as Exhibit 1; this includes, without limitation, a lease with any Affiliate of Franchisee that owns the proposed location. Franchisor shall have twenty (20) days following receipt of the lease to grant its approval or disapproval thereof. Franchisee acknowledges that Franchisor's or its representative's review of such lease is solely for the benefit of Franchisor and that any acceptance or rejection by Franchisor of such lease does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor or its representative as to any of the terms or provisions of such lease or that such lease is in any way beneficial or detrimental to Franchisee. Franchisee shall furnish to Franchisor a copy of the executed lease within fifteen (15) days after execution thereof.

2.4 After a site for the Restaurant is approved by Franchisor and secured by Franchisee, the location of the site shall be designated as the "Approved Location" on an amended Schedule A.

2.5 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any

restrictive covenants relating to the Approved Location. Prior to beginning the construction of the Restaurant, Franchisee must (a) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Restaurant, and (b) certify in writing to Franchisor that the insurance coverage specified in Article XII hereof is in full force and effect and that all required approvals, clearances, permits, licenses and certifications have been obtained. Upon request, Franchisee must provide to Franchisor additional copies of Franchisee's insurance policies and/or certificates of insurance and copies of all such approvals, clearances, permits, licenses and certifications.

2.6 Franchisee must develop the Restaurant in compliance with the System, the Manual and Franchisor's standards and specifications regarding use of the Marks, including, without limitation, Franchisor's distinctive Trade Dress for Eggspectation Restaurants. Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction of the Restaurant at its own expense from an architectural design firm and/or other firms approved by Franchisor. Franchisee must adapt the prototypical architectural and design plans and specifications for construction of the Restaurant provided to Franchisee by Franchisor in accordance with Section 5.1.3 as necessary for the construction of the Restaurant and shall submit such adapted plans to Franchisor or its designated representative for review. If Franchisor or its representative determines, in its sole discretion, that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, and in this event will notify Franchisee of any objection(s) within fifteen (15) days of receiving such plans. If Franchisor or its representative objects to any such plans within the designated time period, Franchisor or its representative must provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Franchisor or its representative must, upon a resubmission of the plans with such changes, notify Franchisee within fifteen (15) days of receiving the resubmitted plans whether the plans are acceptable. Franchisee will be responsible for paying all fees charged by any architect(s) or interior designer. Franchisee acknowledges that Franchisor's or its representative's review of any architectural and design plans relates only to compliance with the System and that acceptance by Franchisor of such plans does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor or its representative that such plans are accurate or free of error concerning their design or structural application.

2.7 Franchisee must commence and diligently and continuously pursue construction or remodeling (as applicable) of the Restaurant upon acquiring the Approved Location. Franchisor may require Franchisee to utilize the services of a construction supervisor who Franchisor designates. Commencement of construction shall be defined as the time at which any site work is initiated by or on behalf of Franchisee at the Approved Location. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises. During the time of construction or remodeling, Franchisee shall provide Franchisor or its designated representative with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor or its representative. Franchisee must notify Franchisor of the scheduled date for completion of construction or remodeling no later than twenty (20) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an inspection of the completed Restaurant. Franchisee acknowledges and agrees that it will not open the Restaurant for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Franchise Agreement.

2.8 Franchisee must furnish and equip the Restaurant in accordance with Franchisor's specifications, including (without limitation): (a) furniture and fixtures for the customer service area and the bar; (b) kitchen equipment; and (c) all computerized items and software used in the Restaurant's operations, such as the point of sale payment receiving system ("POS System") and other methods of receiving customer payments, the food costing software, and inventory control systems, except for those systems that concern the hiring, scheduling, payment or management of the Restaurant's employees.



2.9 Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. In addition, if Franchisee requests that Franchisor provide on-site advice concerning the physical development of the Restaurant, then Franchisor must make up to two (2) visits to the Approved Location during its development; however, Franchisee must reimburse Franchisor for out of pocket expenses incurred to provide this service, specifically travel, lodging and meals, within twenty (20) days of invoice.

2.10 Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, Franchisee must open the Restaurant and commence business within one hundred eighty (180) days after Franchisee has obtained all required permits and licenses to permit construction at the Approved Location, unless Franchisee obtains an extension of such time period from Franchisor in writing, which extension may be granted or withheld in Franchisor's sole discretion. Prior to opening the Restaurant for service to the general public, Franchisee must complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications approved by Franchisor, and comply with all other pre-opening obligations of Franchisee, including those pre-opening obligations described in Article VI hereof, to Franchisor's satisfaction. If Franchisee fails to comply with any of such obligations, Franchisor may prohibit Franchisee from opening the Restaurant and commencing business. Franchisee's failure to open the Restaurant and commence business in accordance with the foregoing shall be deemed a material event of default under this Franchise Agreement.

2.11 Within ninety (90) days after the date on which the Restaurant begins to serve patrons, to assist Franchisor with updating its franchise disclosure document, Franchisee who must submit a report to Franchisor detailing the following:

2.11.1. All of Franchisee's expenditures to open the Restaurant, including Leasehold Improvements, Lease Security Deposit, Kitchen Equipment, Furniture, Fixtures and Furnishings, Signage, Lighting, Initial Inventory, Architectural & Engineering fees, Computer and Point of Sale Equipment, Business licenses and government permits, Insurance deposits and premiums, Grand Opening Advertising, Professional Fees, and Additional Funds spent paying employees or for other expenses (such as utilities) prior to opening.

2.11.2. The sources of funds that Franchisee used to pay for its opening costs, including the name(s) of the funders and the amounts received from each funder.

### **ARTICLE III. TERM AND SUCCESSOR AGREEMENT**

3.1 Unless sooner terminated as provided in Article XVII hereof, the term of this Franchise Agreement shall begin on the Effective Date and shall expire on the earlier of (a) twenty (20) years from the Effective Date, or (b) the expiration or termination of Franchisee's right to possess the Restaurant premises at the Approved Location (the "Restaurant Premises"); provided, however, that if this Franchise Agreement is a successor agreement for a pre-existing Eggspectation restaurant, then the term shall begin on the Effective Date and shall expire on the earlier of (a) ten (10) years from the Effective Date, or (b) the expiration or termination of Franchisee's right to possess the Restaurant Premises.

3.2 Franchisee may, at its option, obtain a successor franchise agreement for a ten (10) year term provided that all of the following conditions are satisfied prior to and at the time of any such renewal:

3.2.1 Franchisee gives Franchisor written notice of Franchisee's election to renew its franchise agreement not less than twelve (12) months nor more than eighteen (18) months prior to the end of the term;

3.2.2 Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Restaurant Premises, or obtains Franchisor's consent to a new site for the operation of the Restaurant, for the duration of the new ten (10) year term;

3.2.3 Franchisee repairs or replaces, at Franchisee's cost and expense, equipment (including electronic cash register or computer hardware or software systems), signs, interior and exterior decor items, fixtures, furnishings, catering or delivery vehicles, if applicable, supplies and other products and materials required for the operation of the Restaurant as Franchisor may reasonably require and obtains, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Restaurant or to provide the Restaurant's services by alternative means such as through carry-out, catering or delivery arrangements, and otherwise modernizes the Restaurant Premises, (including electronic cash register or computer hardware or software systems), as reasonably required by Franchisor to reflect the then-current standards and image of the System as contained in the Manuals (as defined in Article XXIV) or as otherwise provided in writing by Franchisor, provided however that Franchisor may not require that the cost of such refurbishment exceed \$600,000, as adjusted upward to reflect the increase from the Effective Date of the U.S. Consumer Price Index, Urban Workers—All Items as published by the U.S. Department of Labor or its successors (the "CPI") from the Effective Date of this Agreement;

3.2.4 Franchisee and its Controlling Principals is not in default of any provision of this Franchise Agreement, including any amendment hereof, or any other agreement between Franchisee or any of Affiliates and Franchisor or any of the Eggspectation Companies, and Franchisee and its Controlling Principals have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

3.2.5 Franchisee shall have satisfied all monetary obligations owed by Franchisee and/or any of its Affiliates to Franchisor and/or any of the Eggspectation Companies under this Franchise Agreement or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of the Eggspectation Companies and shall have timely met those obligations throughout the terms thereof;

3.2.6 Franchisee executes Franchisor's then-current form of franchise agreement, which agreement shall supersede this Franchise Agreement in all respects, and the terms of which may differ from the terms of this Franchise Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution and/or expenditure requirement, and which will be modified to reflect the fact that the Franchisee is renewing and not starting a new business;

3.2.7 Franchisee shall pay to Franchisor, in lieu of an Initial Franchise Fee, a renewal fee equal to fifty percent (50%) of Franchisor's then-current initial franchise fee being charged to new franchisees, or, if Franchisor has ceased offering new franchises, equal to 50% of the Initial Franchise Fee specified in Section 4.1 of this Agreement;

3.2.8 Franchisee and the Controlling Principals shall execute a general release of any and all claims, actions, causes of action, damages, costs, losses, debt and expenses of any nature whatsoever, that the Franchisee and/or the Controlling Principals, or any of them, ever had, now has or hereinafter may have, against Franchisor, the Eggspectation Companies, their successors and assigns, and the directors, officers, shareholders, members, partners, managers, agents, representatives, independent contractors, servants and employees of each of them (collectively, the "Franchisor Parties"), in their corporate and individual capacities, in any way arising from or relating to any act, omission, transaction or event occurring before the effective date of the successor franchise agreement, including, without limitation, claims arising under this Franchise Agreement.

3.2.9 Franchisee, its Operating Principal (as that term is defined in Section 6.3 hereof) and its General Manager (as that term is defined in Section 6.4 hereof) and its other employees shall comply with Franchisor's then-current qualification and training requirements.

3.3 In the event that any of the conditions set forth in Section 3.2 have not been met, Franchisor will have no obligation to enter into a successor franchise agreement with Franchisee, it being understood that in such event Franchisee's successor agreement option will be deemed to have been waived by Franchisee, void, and of no force and effect.

## **ARTICLE IV. FEES**

4.1 Franchisee shall pay to Franchisor an initial franchise fee (the "Initial Franchise Fee") of Fifty Thousand Dollars (\$50,000.00) upon execution of this Franchise Agreement by Franchisee. The amount of the Initial Franchise Fee (or any portion thereof) when so paid shall be deemed fully earned and nonrefundable in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party.

4.2 During the term of this Franchise Agreement, Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee of five percent (5%) of Aggregate Sales (the "Royalty Fee"). However, if any law or regulation prohibits Franchisor from receiving a percentage royalty or fee based on alcoholic beverage revenues, Franchisee must pay Franchisor a royalty fee on all Aggregate Sales, except alcoholic beverage revenues, in the same dollar amount as would have been paid if Franchisee paid a five percent (5%) royalty on all Aggregate Sales (including alcoholic beverage revenues). Such Royalty Fee shall be due and payable weekly by 5:00 p.m. Eastern Time on every Thursday (the "Payment Date/Time") by electronic fund transfer ("EFT") in the manner designated by Franchisor, based on the Aggregate Sales for the weekly period ending on the closing of business the prior Sunday (the "Accounting Period"), with the first such Accounting Period beginning on the Opening Date and ending on at the close of business on the Sunday following the Opening Date and all subsequent Accounting Periods being Monday through Sunday.

4.3 Franchisee must submit to Franchisor a report itemizing the Aggregate Sales for each Accounting Period ("Royalty Report"). Franchisee shall provide Franchisor with the Royalty Report for each Accounting Period by each Monday at 5:00 p.m. Eastern Time of the following week (the "Report Date") by email or, if Internet access is not reasonably available, by facsimile transmission or such other method of delivery as Franchisor may reasonably direct. However, for so long as the Franchisee utilizes the required POS System and provides Franchisor with remote electronic access to that system, then Franchisor will generate the Royalty Report from the POS System each Monday between 12:00 and 5:00 p.m. Eastern Time, satisfying this requirement for Franchisee. The preceding sentence is not permission for Franchisee to deviate from Franchisor's technology requirements, and Franchisee's deviation from such requirements is a material breach of this Franchise Agreement.

4.4 By executing this Franchise Agreement, Franchisee agrees that Franchisor has the right to withdraw funds from Franchisee's designated bank account at the Payment Date/Time by EFT in the amount of the aforesaid weekly Royalty Fee. Such withdrawals shall be drawn at the Payment Date/Time for the amount of the Royalty Fee due with respect to Franchisee's Aggregate Sales for the relevant Accounting Period, as evidenced by the Royalty Report. If the Royalty Report for the Accounting Period has not been delivered within the time period required by this Franchise Agreement, then Franchisor may, at its option, process an EFT for the Royalty Fee for the subject Accounting Period based on (i) information regarding Franchisee's Aggregate Sales for the subject Accounting Period obtained by Franchisor in the manner contemplated by Section 7.5.8, or (ii) by estimating the Aggregate Sales based on the most recent four (4) Royalty Reports provided to Franchisor by Franchisee or that Franchisor has retrieved from the POS System (if applicable), provided that if a Royalty Report for the subject Accounting Period is subsequently

delivered to Franchisor and reflects (a) that the actual amount of the Royalty Fee due was more than the amount of the EFT received by Franchisor, then Franchisor may promptly withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (b) that the actual amount of the Royalty Fee due was less than the amount of the EFT received by Franchisor, then Franchisor must, at its option, return the excess amount to Franchisee or credit the excess amount to the payment of Franchisee's future royalty obligations; provided, however, that if the excess amount is owed at the end of the Term, then Franchisor shall return the excess amount to Franchisee. Franchisee shall, upon execution of this Franchise Agreement or at any time and from time to time thereafter at Franchisor's request, execute such documents or forms as Franchisor determines are necessary for Franchisor to process EFTs from Franchisee's designated bank account for the payments due hereunder. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee shall be responsible for payment of the full amount of the attempted EFT plus service charges applied by Franchisor and/or the bank, if any. Franchisor may charge interest in accordance with Section 4.5 hereof and the Late Fee (hereinafter defined) for any Royalty Fees not received when due. Upon written notice to Franchisee, Franchisor may, in its sole discretion, require Franchisee to pay Royalty Fees directly to Franchisor in lieu of EFT.

4.5 Franchisee may not withhold payments due Franchisor under this Franchise Agreement on grounds of alleged nonperformance by Franchisor under this Franchise Agreement or any other Agreement between Franchisee or any of its Affiliates and Franchisor. Any payment or Royalty Report not received by Franchisor on or before the applicable due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Franchise Agreement shall bear interest from the date due until paid at the greater of twelve percent (12%) per annum or eight percent (8%) above the Prime Rate as set by the Bank of America, N.A., or its successor in interest, plus the amount of the Late Fee (hereinafter defined). Notwithstanding anything to the contrary contained herein, no provision of this Franchise Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess interest is provided for herein, or shall be adjudicated to be so provided herein, the provisions of this Section 4.5 shall govern and prevail, and neither Franchisee nor its Principals shall be obligated to pay the excess amount of such interest.

4.6 If any Royalty Fee (or portion thereof) or other required payments, or any Royalty Reports, are not received by Franchisor as and when required by this Article IV, Franchisee shall pay to Franchisor, in addition to the overdue amount and any interest owed, a fee of \$50 per day (the "Late Fee") for each day that the Royalty Fee (or any portion thereof) or other required payment is unpaid or the Royalty Report is not received. This fee is reasonably related to Franchisor's costs resulting from the delay in payment of the Royalty Fee and/or receipt of any Royalty Report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Franchise Agreement for Franchisee's failure to pay Royalty Fees and/or submit Royalty Reports in accordance with the terms of this Franchise Agreement. If for any reason the Late Fee is deemed to be interest charged, required or permitted, in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party that paid such amount.

4.7 For purposes of this Franchise Agreement, "Aggregate Sales" means total weekly gross revenues, whether for cash or credit and including the proceeds received from any business interruption insurance claims, less sales and gross receipts taxes included thereon or associated therewith, less the monthly dollar value of complimentary meals and beverages, including, without limitation, those provided for house errors, employees, management, other Eggspectation Restaurants, liquor, school promotion, and advertising and promotional programs (collectively, "Comps"); provided, however, that the total amount of the reduction for Comps for any calendar month may not exceed four and one half percent (4.5%) of the dollar amount of total gross sales, net of sales taxes, for that week. All Royalty Reports must demonstrate Franchisee's calculation of Aggregate Sales. Franchisee must include in Aggregate Sales the entire amount of all gift cards/gift certificates redeemed upon their redemption for purposes of determining the Royalty

Fees to be paid upon the redemption of any gift card/gift certificate. In the event of a cash shortage, the amount of Aggregate Sales shall be determined based on the records of the electronic cash register system utilized at the Restaurant and any cash shortage shall not be considered in the determination. Aggregate Sales exclude:

4.7.1 Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Restaurant, and any other tax (including gross receipts tax), excise or duty that is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority; and

4.7.2 Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Restaurant nor having any material effect upon the ongoing operation of the Restaurant as required under this Franchise Agreement.

Franchisor may authorize certain other items to be excluded from Aggregate Sales. Franchisee may not enter into any barter or counter-trade sales transactions with respect to the Restaurant without Franchisor's prior written consent. If Franchisor gives such written consent, Franchisee must record all such barter and counter-trade sales and include them in the reported Aggregate Sales of the Restaurant.

## **ARTICLE V. FRANCHISOR'S OBLIGATIONS**

5.1 With regard to the Restaurant, Franchisor must:

5.1.1 Provide a copy of Franchisor's written site selection guidelines and such site selection assistance as Franchisor may deem advisable. Franchisor's guidelines for site selection may require that Franchisee conduct, at Franchisee's expense, an evaluation of: the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, tenant mix, proximity to residential neighborhoods, schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

5.1.2 Provide such on-site evaluation as Franchisor may deem necessary, whether on its own initiative or in response to Franchisee's reasonable request for site evaluation; provided, however, that Franchisor need not provide an on-site evaluation for any proposed site prior to its receipt of all required information and materials concerning such site required to be submitted to Franchisor pursuant to Section 2.2 hereof. Franchisor must provide up to two (2) on-site evaluations of proposed sites for the Restaurant at no charge; provided Franchisee shall reimburse Franchisor for its reasonable expenses incurred in providing such on-site evaluations, including, without limitation, the cost of travel, lodging and meals. If additional onsite evaluations are deemed appropriate by Franchisor, or upon Franchisee's reasonable request, Franchisor may charge a reasonable fee for performing each such evaluation and to be reimbursed for the expenses incurred by Franchisor (or its designee) in providing such on-site evaluations, including, without limitation, the cost of travel, lodging and meals. Franchisor's current site evaluation fee is \$1,500.

5.1.3 Loan to Franchisee one (1) set of prototypical architectural and design plans and specifications for an Eggspectation Restaurant, for which Franchisee shall pay Franchisor's cost of duplicating and shipping to Franchisee. Franchisee shall independently, and at Franchisee's sole cost and expense, have such architectural and design plans and specifications adapted for construction of the Restaurant in accordance with Section 2.7 hereof.

5.1.4 Loan to Franchisee one (1) set of Manuals.

5.1.5 Visit the Restaurant and conduct evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor, and as more fully described in Section 7.5.6.

5.1.6 If requested by Franchisee, provide, at a reasonable cost to Franchisee, certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Restaurant.

5.1.7 Provide information and written materials concerning techniques of managing and operating the Restaurant from time to time developed by Franchisor, including new developments and improvements in Eggspectation Restaurant equipment and food products and the packaging and preparation thereof.

5.1.8 From time to time and at Franchisor's sole discretion, at a reasonable cost, make available for resale to Franchisee's customers, certain merchandise identifying the System, such as pre-packaged food products and memorabilia and other nonfood items, in sufficient amounts to meet customer demand. Similarly, Franchisor may make available from time to time certain Eggspectation Restaurant equipment and decor items at a reasonable cost.

5.1.9 Provide a list of approved suppliers as described in Section 7.4 from time to time as Franchisor deems appropriate.

5.1.10 Conduct an initial training program for Franchisee's first General Manager and Kitchen Manager, and other training programs in accordance with the provisions of Article VI.

5.1.11 Provide on-site pre-opening and post-opening assistance at each of Franchisee's first two Restaurants in accordance with the provisions of Section 6.5.4.

5.1.12 Provide administration of any advertising fund and/or advertising cooperative(s) in accordance with Sections 8.3 and 8.4.

5.1.13 If Franchisor receives discounts on purchases of equipment, point of sale systems for software from approved suppliers, make such discounts available to Franchisee if Franchisee purchases through such approved suppliers.

In the future, when there are sufficient franchisees to justify it, Franchisor may hold an annual franchisee convention at a location to be determined by Franchisor. Franchisee may be charged a reasonable fee for attendance at such convention, and, in any event, will be responsible for its travel costs, lodging and meals.

## **ARTICLE VI. AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS OF FRANCHISEE AND CONTROLLING PRINCIPALS**

6.1 Each of Franchisee and the Controlling Principals (as identified in Schedule A) jointly and severally, covenants and agrees that they shall make all commercially reasonable efforts to operate the Restaurant so as to achieve optimum sales.

6.2 If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and the Controlling Principals represent, warrant and covenant that:

6.2.1 Franchisee is duly organized, validly existing and in good standing under the laws of the State where Franchisee was formed;

6.2.2 Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities require such qualification;

6.2.3 The execution, delivery and performance by Franchisee of this Franchise Agreement have been duly authorized by all necessary corporate action;

6.2.4 This Franchise Agreement constitutes the valid and binding obligation of Franchisee and each of the Controlling Principals, enforceable against Franchisee and each of the Controlling Principals in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization, and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and the exercise of judicial discretion;

6.2.5 Franchisee's organizational documents will at all times provide that the activities of Franchisee are confined exclusively to the operation of one or more Restaurants, unless otherwise consented to in writing by Franchisor;

6.2.6 Copies of Franchisee's organizational documents, other governing documents, resolutions and consents authorizing entry into and performance of this Franchise Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Franchisee, have been furnished to Franchisor prior to the execution of this Franchise Agreement;

6.2.7 The ownership interests in Franchisee as of the Effective Date are accurately and completely described in Schedule A to this Franchise Agreement ("Statement of Ownership Interest"). Franchisee shall promptly provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

6.2.8 If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities, and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Franchise Agreement; provided, however, that the requirements of this Article shall not apply to the transfer of equity securities of a publicly-held corporation (as defined in Article XXIV). If Franchisee is a partnership or limited liability company, its written partnership agreement or operating agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Franchise Agreement;

6.2.9 To the extent that Franchisee, any of its Affiliates, or Franchisee's Controlling Principals has provided any financial statements about themselves to Franchisor, such financial statement: (a) was prepared in conformity with generally accepted accounting principles that, except as expressly described in the applicable notes, were applied on a consistent basis; (b) presents fairly the financial position of that Person at the dates indicated therein and, with respect to Franchisee and its Affiliate, the results of its operations and its cash flow for the years then ended; (c) is true, complete and correct; and (d) does not fail to disclose, as liabilities on the financial statements, any material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent or otherwise, that existed as of the date of the statement;

6.2.10 If, after the execution of this Franchise Agreement, any person ceases to qualify as one of Franchisee's Principals (as defined in Article XXIV) or if any individual succeeds to or otherwise comes to occupy a position that would, upon designation by Franchisor, qualify him as one of Franchisee's

Principals, Franchisee shall notify Franchisor within fifteen (15) days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals or as a Controlling Principal, as the case may be, such person shall promptly execute such documents and instruments (including, as applicable, this Franchise Agreement) as Franchisor requires be executed by others in such positions;

6.2.11 The Controlling Principals shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the guaranty in the form attached hereto as Exhibit 3 (the "Guaranty"), and shall otherwise bind themselves to the terms of this Franchise Agreement as stated herein;

6.2.12 Each of Franchisee's Principals who is not Controlling Principal shall execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form attached hereto as Exhibit 2 (as amended or revised from time to time, the "Covenants"); and

6.2.13 Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth in this Article VI are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Franchise Agreement. Franchisee and the Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

6.3 Upon the execution of this Franchise Agreement, Franchisee shall designate and retain an individual to serve as the Operating Principal of the Restaurant (the "Operating Principal"). If Franchisee is an individual, Franchisee shall be the Operating Principal. The Operating Principal shall, during the entire period he serves as such, meet the following qualifications:

6.3.1 The Operating Principal must, at its option, either serve as the General Manager or, subject to the approval of Franchisor, designate another individual to serve as the General Manager, which designated individual shall also perform the duties and obligations of Operating Principal described herein; provided that Operating Principal shall take all necessary action to ensure that such designee conducts and fulfills all of Operating Principal's obligations in accordance with the terms of this Franchise Agreement, and the Operating Principal shall remain fully responsible for such performance.

6.3.2 The Operating Principal must maintain a direct or indirect ownership interest in Franchisee, which ownership interest shall at no time constitute less than ten percent (10%) of the total voting ownership interest in Franchisee then outstanding. Except as may otherwise be provided in this Franchise Agreement, or otherwise approved by Franchisor in writing, the Operating Principal's interest in Franchisee shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

6.3.3 Franchisee and the Operating Principal (or his designee, if applicable) must devote substantial efforts to supervision of the Restaurant's customer service and operations. The Operating Principal must execute this Franchise Agreement as one of the Controlling Principals, and must be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal and the Controlling Principals hereunder.

6.3.4 The Operating Principal (and his designee, if applicable) must meet Franchisor's standards and criteria for such individual, as set forth from time to time in the Manuals or otherwise in writing by Franchisor.



6.3.5 The Operating Principal (or his designee, if applicable) must satisfy the training requirements set forth in Section 6.5.

If, during the term of this Franchise Agreement, the Operating Principal or any designee is not able to continue to serve in the capacity of Operating Principal or no longer qualifies to act as such in accordance with this Article VI, Franchisee must promptly notify Franchisor and designate a replacement approved by Franchisor within ninety (90) days after the Operating Principal or such designee ceases to serve or be so qualified, such replacement being subject to the same qualifications and restrictions listed above. Franchisee must provide for interim management of the activities contemplated under this Franchise Agreement until such replacement is so designated, such interim management to be conducted in accordance with this Franchise Agreement. Any failure to comply with the requirements of this Article shall be deemed a material event of default under this Franchise Agreement.

6.4 Beginning at least twelve (12) weeks prior to opening the Restaurant, Franchisee must designate and retain at all times a general manager ("General Manager") who has been approved by Franchisor to direct the operation and management of the Restaurant. The General Manager shall be responsible for the daily operation of the Restaurant. The General Manager may be one of the Controlling Principals, including the Operating Principal. The General Manager must, during the entire period he/she serves as General Manager, meet the following qualifications:

6.4.1 The General Manager must devote his/her full-time efforts to the supervision and management of the Restaurant;

6.4.2 The General Manager must be an individual acceptable to Franchisor; and

6.4.3 The General Manager must satisfy the training requirements in Section 6.5.

If, during the term of this Franchise Agreement, the General Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Article VI, Franchisee must promptly notify Franchisor and designate a replacement within one hundred and eighty (180) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by Franchisor), who must be approved by Franchisor. Franchisee must provide for interim management of the Restaurant until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Franchise Agreement. Any failure to comply with the requirements of this Article shall be deemed a material event of default under this Franchise Agreement. If Franchisee fails to have a replacement General Manager satisfactorily complete Franchisor's training or certified as meeting such requirements, in lieu of termination, Franchisor may require Franchisee to accept an interim general manager appointed by Franchisor until Franchisee's chosen General Manager is properly trained or certified in accordance with Franchisor's requirements, and shall pay Franchisor an additional support fee in the amount of \$2,000 per week to compensate the interim general manager, which amount shall be withdrawn from Franchisee's designated bank account in accordance with Section 4.2 at the same time Franchisor withdraws the Royalty Fee. Franchisor may increase this fee by the percentage increase in the CPI from the month of the calendar year in which this Agreement has been executed.

6.5 Franchisee agrees that it is necessary to the continued operation of the System and the Restaurant that Franchisee's Operating Principal, General Manager and the person who will manage food preparation (the "Kitchen Manager") receive such training as Franchisor may reasonably require, and accordingly agrees as follows:

6.5.1 Your Operating Principal, General Manager and Kitchen Manager, including any replacements to the people who originally held such positions, must complete, to Franchisor's satisfaction,

Franchisor's initial training program. The initial training program generally lasts nine (9) weeks, although Franchisor may shorten it in its discretion depending on the prior restaurant operating experience of the trainee. Franchisor may charge a reasonable fee for providing the initial training program to each replacement Operating Principal, General Manager or Kitchen Manager of Franchisee. Franchisor's current training fee for each replacement manager or principal is \$2,500.

6.5.2 If Franchisor reasonably determines that a proposed General Manager or Kitchen Manager has not satisfactorily completed the training, or that such person is unable to do so, then Franchisee must designate a replacement General Manager, who must complete the initial training program to Franchisor's satisfaction, and Franchisee must pay our fee to train a replacement or successor General Manager or Kitchen Manager (currently \$2,500). Franchisee shall be responsible for any and all expenses incurred by Franchisee's Operating Principal, General Manager, Kitchen Manager, and other Restaurant personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

6.5.3 Franchisee's Operating Principal, General Manager and such other Restaurant personnel as Franchisor may designate must attend such additional mandatory training programs as Franchisor may offer from time to time. For all such programs, Franchisor will provide the instructors and training materials at no cost. Franchisee shall be responsible for any and all expenses incurred by Franchisee and its Operating Principal, General Manager and other Restaurant personnel in connection with such additional mandatory or optional training, including, without limitation, a registration fee and the costs of travel, lodging, meals and wages.

6.5.4 The trained representatives of Franchisor will provide on-site pre-opening (the "Pre-Opening Assistance") and opening training, supervision, and assistance to Franchisee for two (2) weeks around the Opening Date (the "Opening Assistance"). Except as provided in the following sentence, Franchisee will not be required to pay Franchisor's per diem fee for the Pre-Opening Assistance or the Opening Assistance, and Franchisor will be responsible for its costs of travel, lodging and meals during the Pre-Opening Assistance and Opening Assistance. For the third and all subsequent Restaurants opened by Franchisee or its Affiliates, Franchisor will determine if the Pre-Opening Assistance and Opening Assistance are necessary, and, if so, provide such assistance to Franchisee at Franchisor's then-current per diem rate, and Franchisee will be liable for Franchisor's expenses incurred in providing such assistance. Franchisor will provide the training materials in such circumstance without charge.

6.5.5 Upon the reasonable request of Franchisee or as Franchisor deem necessary in its reasonable business judgment, Franchisor must, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's Restaurant personnel. Without limiting the foregoing, Franchisor may require Franchisee to participate in additional training programs or measures in the event of Franchisee's violation of Franchisor's quality standards. For all additional training and assistance provided by Franchisor, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging and meals. Franchisor's current per diem fee is \$350 per representative. Franchisee will be responsible for its staff members' costs of attendance for any such additional training, or alternatively, for Franchisor's representatives' costs of providing such additional training at Franchisee's Restaurant(s).

6.6 Compliance by all franchisees and area developers operating under the System with Franchisor's training, development and operational requirements is an essential and material element of the System, and Franchisor and its franchisees and area developers operating under the System consequently expend substantial time, effort and expense in training management personnel to operate their respective Restaurants. Accordingly, Franchisee and the Controlling Principals agree that if Franchisee designates as its General Manager or employs in a managerial position any individual who is at the time or was within

the preceding ninety (90) days (i) employed in a managerial or supervisory position by Franchisor or any of the Eggspectation Companies, including, but not limited to, individuals employed to work in Restaurants operated by Franchisor or any of the Eggspectation Companies, or (ii) employed by any other franchisee or area developer, but specifically excluding individuals who have relocated their domicile more than fifty (50) miles in the preceding ninety (90) days prior to being offered such managerial position, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his/her employment with such former employer shall be paid by Franchisee to such former employer prior to such individual assuming the position of General Manager or other managerial position, unless otherwise agreed with the former employer.

6.7 Franchisee must comply with all requirements of federal, state and local laws, rules, regulations, and orders applicable to the Restaurant's development and operation. Without limiting the foregoing, Franchisee is solely responsible for complying with all laws applicable to employment of people who work in the Restaurant, including those concerning wages and hours, non-discrimination, and labor relations. Franchisee must inform each person who works in the Restaurant of Franchisee's business entity name and the fact that it is that worker's employer. Franchisee acknowledges that the System does not include any personnel policies or procedures that Franchisor may make available for franchisees' optional use in the Operations Manual or otherwise, and that Franchisee alone is responsible for determining to what extent, if any, it will utilize such suggestions in operating the Restaurant.

6.8 Franchisee must comply with all other requirements and perform such other obligations as provided hereunder.

6.9 Franchisor has provided to Franchisee on loan a current copy of the Manuals, as that term is defined in Article XXIV. The Manuals will at all times remain solely the property of Franchisor. The Manuals may be in hard copy or they may be made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manuals (or any amendments, supplements or changes thereto) are provided in a form other than paper copy, Franchisee must pay any and all reasonable costs to retrieve, review, use or access the Manuals. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee must throughout the term of this Franchise Agreement conduct its business in accordance with: (i) the Manuals as they may from time to time be modified, amended or supplemented by Franchisor, (ii) other written directives that Franchisor may issue to Franchisee from time to time whether or not such directives are included in the Manuals, and (iii) any other manuals and materials created or approved for use in the operation of the Restaurant.

6.9.1 Franchisee must at all times treat the Manuals, any written directives of Franchisor, any other manuals and materials, and the information contained therein (the "Confidential Materials"), as confidential and must maintain such information as confidential in accordance with Article X. Franchisee may not at any time copy, duplicate, record or otherwise reproduce the Confidential Materials, in whole or in part, or otherwise make the same available to any person other than as expressly permitted under the terms of this Franchise Agreement.

6.9.2 Franchisee must maintain the Manuals at all times in a safe and secure location, take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and report the theft or loss of the Manuals or any portion thereof to Franchisor promptly. At a

minimum, in the case of computer and telecommunications networks, Franchisee must use the latest available firewall, password protection, and similar technology to prevent unauthorized access. Franchisee must return the Manuals to Franchisor promptly upon request or upon termination or expiration of this Franchise Agreement.

6.9.3 Franchisor may from time to time revise the contents of the Manuals and other written materials created or approved for use in the operation of the Restaurant. Franchisee must remove and return to Franchisor, or permanently delete from Franchisee's computer, as appropriate, all pages of the Manual that have been replaced or updated by Franchisor. Franchisee expressly agrees to comply with each reasonable new or changed specification or standard upon receipt of notice from Franchisor.

6.9.4 Franchisee must at all times ensure that the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's corporate office shall control.

6.9.5 Franchisee must pay a replacement fee of \$500 for any replacement Manual requested by Franchisee.

6.9.6 A failure by Franchisee to comply with any requirements specified in the Manual shall be a breach of the Franchise Agreement, and Franchisor may enforce any such breach in accordance with Section 17.4 hereof (concerning defaults with an opportunity to cure).

## **ARTICLE VII. FRANCHISE OPERATIONS**

7.1 Franchisee acknowledges and understands the importance of maintaining uniformity among all of the Eggspectation Restaurants and the importance of complying with all of Franchisor's methods, standards and specifications relating to the operation and maintenance of the Restaurant. Franchisor may not mandate any such method, standard or specification that it does not typically require of Eggspectation restaurants in the United State of America owned or controlled, on a day to day basis, by an Eggspectation Company (as defined in Section 1.4 of this Franchise Agreement).

7.2 Subject to the System/Improvements/Equipment Spending Cap, Franchisee must maintain the Restaurant in a high degree of sanitation, repair and condition, and in connection therewith must make such additions, alterations, repairs and replacements thereto as may be reasonably required for that purpose, including, without limitation, such periodic repainting and replacement of obsolete signs, furnishings, equipment (including, but not limited to, point of sale systems and computer hardware and software) and decor as Franchisor may reasonably direct from time to time. Subject to the System/Improvements/Equipment Spending Cap, Franchisee also must obtain, at Franchisee's sole cost and expense, any new or additional equipment, software, fixtures, supplies and other products and materials that may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Restaurant, to provide the Restaurant services by alternative means, such as through carry-out, catering and/or delivery arrangements, or to improve or streamline the Restaurant's business operations. Except as may be expressly provided in the Manuals, no material alterations, additions, repairs, improvements or changes in the design, equipment, signs, interior or exterior decor items, fixtures or furnishings may be made in or about the Restaurant or the Restaurant Premises without the prior written approval of Franchisor.

7.3 To promote the continued success of the Restaurant, Franchisee, upon the request of Franchisor, must make other improvements to modernize the Restaurant Premises, equipment (including any forms of software or technology utilized in Restaurant operations), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials reasonably required for the operation of the Restaurant to meet Franchisor's then-current standards and specifications throughout the term of this Agreement. Without limiting the above, Franchisee agrees that it will make such capital improvements or

modifications described in this Section 7.3, if so requested by Franchisor, on or before the fifth (5<sup>th</sup>) anniversary of the Opening Date, or at such other time during the term of this Franchise Agreement when a majority of the Eggspectation Restaurants then operating under the System have made or are utilizing best efforts to make such improvements or modifications. Notwithstanding anything herein, Franchisee shall not be required to make the capital improvements and modifications described in this Section 7.3 prior to the second (2<sup>nd</sup>) anniversary of the Opening Date. Moreover, at no time shall the aggregate costs, fees, and expenses expended or incurred by Franchisee due to amendments or modifications by the Franchisor of required equipment, fixtures, improvements, or other betterments, during any consecutive thirty-six (36) month period, exceed \$100,000, as adjusted upward on a periodic basis (not more than annually) to reflect the increase of the CPI from the Effective Date or from the last periodic increase, as applicable (the “Improvements/Equipment Spending Cap”).

7.4 Franchisee must comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other products used or offered for sale at the Restaurant, including the utilization of all software or other technology and methods relating to ordering and paying for such items. Except as provided in Sections 7.6, 7.7 and 7.11 with respect to certain materials bearing the Marks and proprietary products, and Section 7.10 with respect to vehicles used in the operation of the Restaurant, Franchisee must obtain such items only from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Eggspectation Restaurants and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and who have not thereafter been disapproved by Franchisor. Franchisor may designate itself or an Affiliate as an approved or exclusive supplier of any category of ingredients, goods or services to your Restaurant. If Franchisee desires to purchase, lease or use any products or other items from an unapproved supplier, Franchisee must submit to Franchisor a written request for such approval, or must request the supplier itself to do so. Franchisee may not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor will have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. Franchisor may require any new supplier approved at Franchisee's request to distribute its products through Franchisor's designated broad-line distributor of ingredients and consumables used in the Restaurants. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria or if Franchisor determines, in its reasonable business judgment, that Franchisee's continued patronage of such supplier is not in the best interest of all Eggspectation Restaurants operating in the United States of America. A charge not to exceed the cost of the inspection and the actual cost of the test must be paid by Franchisee or the supplier. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier. Franchisor may change the approved suppliers for your Restaurant on its own accord from time to time as it deems appropriate using its reasonable business judgment.

7.5 To ensure that the highest degree of quality and service is maintained, Franchisee must operate the Restaurant in strict conformity with such methods, standards and specifications of Franchisor set forth in the Manuals and otherwise prescribed by Franchisor in writing from time to time. In particular, and without limitation, Franchisee agrees:

7.5.1 To sell or offer for sale all menu items, retail products and services required by Franchisor in the methods, manners and styles of preparation and distribution prescribed by Franchisor in

the Manuals or otherwise in writing, including, but not limited to, dining-in, carry-out, catering and/or delivery services.

7.5.2 To sell and offer for sale only the menu items, retail products and services that have been expressly approved for sale in writing by Franchisor; to refrain from deviating from Franchisor's standards and specifications; and to discontinue selling and offering for sale any menu items, products or services that Franchisor disapproves in writing at any time.

7.5.3 To maintain in sufficient supply and to use and sell only such food and beverage items, ingredients, products, materials, supplies and paper goods that conform to Franchisor's standards and specifications; to prepare all menu items in accordance with Franchisor's recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's standards and specifications by the use or offer of non-conforming items or differing amounts of any items.

7.5.4 To permit Franchisor or its agents, at any reasonable time during normal business hours, to remove a reasonable number of samples of food and beverage items from Franchisee's inventory, or from the Restaurant, without payment therefore, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current recipes, standards and/or specifications. In addition to any other remedies it may have under this Franchise Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of any item tested has not previously been approved by Franchisor.

7.5.5 Subject to the System/Improvements/Equipment Spending Cap, to purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including technology hardware and software), decor items, signs, catering or delivery vehicles, and related items as Franchisor or its designated store designer may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Restaurant Premises, any such items not previously approved as meeting Franchisor's standards and specifications. If any of the property described above is leased by Franchisee from a third party, Franchisee must obtain Franchisor's written approval of the lease prior to its execution. Franchisor's approval may be conditioned upon such lease containing a provision that permits any interest of Franchisee in the lease to be assigned to Franchisor upon the termination or expiration of this Franchise Agreement and that prohibits the lessor from imposing an assignment or related fee upon Franchisor in connection with such assignment.

7.5.6 To grant Franchisor and its agents the right to enter upon the Restaurant Premises and any catering or delivery vehicles during normal business hours, or within two (2) hours before the Restaurant's opening or after the Restaurant's closing if scheduled at least 24 hours prior, for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Franchise Agreement, to take such steps as may be necessary to promptly correct any deficiencies detected during any such inspections. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time after detection, Franchisor shall have the right and authority (but not the obligation) to correct such deficiencies and to charge Franchisee for expenses incurred by Franchisor in so doing, together with a reasonable fee, which charges and fee must be paid by Franchisee immediately upon written demand therefor. Franchisee shall bear the costs of all inspections, provided that if the Restaurant passes any inspection with a score of eighty-five percent (85%) or higher (determined in accordance with Franchisor's inspection policies and procedures in effect from time to time), Franchisor shall bear the cost of such inspection. If the Restaurant receives a score of seventy percent (70%) or lower on any inspection pursuant to this Section 7.5.6, in addition to Franchisee paying all costs of such inspection, at Franchisor's sole discretion, Franchisor may require remedial training of

Franchisee's staff, and if that occurs then Franchisee must pay to Franchisor upon demand the fees and expenses of such training.

7.5.7 To employ such minimum staff as may be prescribed in the Manuals or in writing by Franchisor, and to maintain a competent, conscientious, trained staff and take such steps as are necessary to ensure that Franchisee's employees preserve good customer relations and comply with such dress code, health, safety and hygiene standards as Franchisor may prescribe.

7.5.8 To install and maintain high speed telecommunications equipment and to obtain and maintain Internet access, or other means of electronic communication, as specified by Franchisor from time to time, in accordance with Franchisor's specifications that permit Franchisor to access and retrieve by telecommunication or other electronic means any information stored on the POS Systems and other computer hardware and software utilized in operating the Restaurant (including, without limitation, video surveillance systems), and to inspect and monitor electronically information concerning Franchisee's Restaurant, Aggregate Sales and such other information as may be contained or stored in such equipment and software at any time. It will be a material event of default under this Franchise Agreement if Franchisee fails to maintain such equipment, lines and communication methods in operation and accessible to Franchisor at all times throughout the term of this Franchise Agreement.

7.5.9 Prior to opening the Restaurant, to obtain and at all times thereafter maintain a liquor license to sell alcoholic beverages from and at the Restaurant.

7.5.10 To operate the Restaurant each day of the week, except for national holidays, during such hours as agreed to by Franchisor and Franchisee in writing on or upon opening of the Restaurant, which shall not be less than eighty-four (84) hours per week. Unless Franchisor and Franchisee have agreed on alternative hours, Franchisee must open the Restaurant no later than 7:30 a.m. each day and close it no earlier than 9 p.m. each day. Franchisee may request an adjustment in the agreed-upon operating hours not more than once per calendar year, and Franchisor will consider each such request in good faith in light of the business circumstances of the Restaurant; however, Franchisee may not change its operating hours without Franchisor's prior written approval, which Franchisor may deny if it results in the Restaurant operating less than the minimum hours per week stated in the first sentence of this Section.

7.6 Franchisee acknowledges and agrees that Franchisor has acquired and/or developed, and may continue to develop for use in the System, certain products that are prepared from confidential proprietary recipes and that are trade secrets of Franchisor. Because of the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that Franchisor closely controls the production and distribution of such products. Accordingly, Franchisee agrees that with respect to such products, Franchisee must use only Franchisor's recipes and Franchisor's proprietary products, and must purchase solely from Franchisor or the Eggspectation Companies or another source designated by Franchisor, all of Franchisee's requirements for such products. Franchisee further agrees to purchase from Franchisor or the Eggspectation Companies or from a source designated by Franchisor for resale to Franchisee's customers certain merchandise identifying the System as Franchisor may require, such as pre-packaged food products and memorabilia, non-food items, and promotional products, in amounts sufficient to satisfy Franchisee's customer demand.

7.7 All advertising and promotional materials, signs, menus, stationery, and other printed materials or other items used in the Restaurant, as reasonably designated by Franchisor, must bear the Marks in the form, color, location and manner prescribed from time to time by Franchisor.

7.8 Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Restaurant, as assigned or awarded by the local government where the Restaurant is located. Franchisee shall furnish to Franchisor, within fifteen (15) days after receipt thereof, a copy of all

inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Restaurant that show a material violation. Without limiting the foregoing, Franchisee and all required personnel shall obtain and maintain all necessary and required licenses and certificates for food service, food handling and the handling of alcoholic beverages as may be required by applicable local rules and regulations and/or the Manual. Without limiting the foregoing, at least two (2) people who regularly work at the Restaurant must have completed the highest level of food safety certification available in the jurisdiction where the Restaurant is located, and each person who prepares cooked food in the Restaurant's kitchen must have completed food handling certification.

7.9 Franchisee will promptly process and handle all consumer complaints connected with or relating to the Restaurant or otherwise relating to the Restaurant, and promptly notify Franchisor by electronic mail of any of the following: (a) food related illnesses, (b) claims exceeding \$50,000, and (c) any other material claims against or losses suffered by Franchisee. Franchisee must prepare and maintain written records of all of the foregoing and any information and/or reports otherwise required by applicable law throughout the term of this Franchise Agreement and for ninety (90) days after the expiration or earlier termination hereof.

7.10 All vehicles owned by Franchisee, or which Franchisee's workers use to deliver Restaurant products and services to customers must meet Franchisor's standards with respect to appearance and ability to satisfy the requirements imposed on Franchisee hereunder. Franchisee must place such signs and decor items on all such vehicles as Franchisor requires, and must at all times keep such vehicles clean and in good working order. Franchisee may not engage or utilize any individual in the operation of a motor vehicle in connection with providing services hereunder who is under the age of eighteen (18) years, who does not possess a valid driver's license under the laws of the state in which Franchisee provides such services, or whose driving record, as of a recent date, has not been reviewed by Franchisee. Franchisee must require each such individual to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, Franchisor does not set forth any standards or exercise control over any motor vehicle utilized by Franchisee. Moreover, this paragraph only applies to vehicles owned by Franchisee or used by Franchisee's employees or directly hired independent contractors, and does not apply to drivers contracted with third party delivery services such as Door Dash, Uber Eats Grub Hub or Postmates.

7.11 In the event Franchisee sells any food or beverage items that Franchisor has not prescribed, approved or authorized (each, a "Prohibited Item"), Franchisee must (i) immediately cease and desist offering for sale and selling such Prohibited Item, and (ii) pay to Franchisor a Prohibited Item fee equal to \$100 per day for each day Franchisee has offered and/or sold each Prohibited Item, with the minimum such fee being \$1,000. Payment of such fee shall be in addition to other remedies available to Franchisor at law or in equity.

7.12 Franchisor and/or the Eggspectation Companies may receive and retain for their own benefit any and all discounts, volume rebates, administration fees, commissions, advertising allowances and such other incentives received from suppliers, manufacturers, distributors or other vendors of products and/or services provided to any Eggspectation Restaurant or otherwise in connection with the System, except that if any Eggspectation Company receives discounts from approved suppliers on purchases of equipment, or software for use in its Restaurant, such discounts will also be made available to Franchisee if Franchisee purchases from the approved suppliers.

## **ARTICLE VIII. ADVERTISING, PROMOTION AND RELATED FEES**



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

8.1 Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Eggspectation 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 from time to time. In all aspects of these programs, including the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

8.2 In addition to the ongoing advertising contributions set forth herein and, subject to any allocation of Franchisee's expenditures to the Cooperative as described in Section 8.4, Franchisee must spend, annually throughout the term of this Franchise Agreement, not less than one percent (1%) of the Aggregate Sales of the Restaurant on advertising and public relations ("Local Advertising") for the Restaurant in its Area of Primary Responsibility as identified on Schedule A attached hereto (the "Area of Primary Responsibility"). Franchisee must submit to Franchisor, on or before the 1<sup>st</sup> day of February of each year during the term of this Agreement, an advertising expenditure report accurately reflecting all such Local Advertising expenditures for the preceding calendar year. If the 1<sup>st</sup> day of February is not a business day, then such report shall be due on the next business day. Any costs and expenditures incurred by Franchisee in connection with any of the following shall not be included in Franchisee's expenditures on Local Advertising for purposes of this Article, unless approved in advance by Franchisor in writing:

8.2.1 Incentive programs for employees or agents of Franchisee, including the cost of honoring any coupons distributed in connection with such programs;

8.2.2 Research expenditures;

8.2.3 Food costs incurred in any promotion;

8.2.4 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities;

8.2.5 Charitable, political or other contributions or donations;

8.2.6 In-store materials consisting of fixtures or equipment; and

8.2.7 Seminar and educational costs and expenses of employees of Franchisee.

8.3 Franchisor operates and administers an advertising, marketing and promotional fund on behalf of the System (the "Fund"). If a Fund is established, Franchisor will, from time to time, designate a percentage of the Aggregate Sales of the Restaurant to be contributed to the Fund (the "Marketing Fee") and Franchisee agrees to contribute that amount at the same time and in the same manner as Royalty Fees are paid. The Marketing Fee will not exceed two percent (2%) of Aggregate Sales, and the Marketing Fee shall be one percent (1%) of Aggregate Sales unless and until there exists twenty five (25) or more Eggspectation restaurants in the United States, . Franchisor may require Franchisee to allocate to the Fund all or any portion of Franchisee's required contributions to a Cooperative as described in Section 8.4 and expenditures for Local Advertising as described in Section 8.2. In reviewing and establishing or modifying the Marketing Fee, Franchisor may consider the level of advertising and marketing expenditures by Restaurants operated by Franchisor and by competitors of the System, media costs, available marketing resources, population changes, changes in market conditions, the degree of market penetration of the

System, and such other factors as Franchisor deems relevant to the operation of the Fund. Franchisee may be provided with thirty (30) days' prior written notice of any such change in the Marketing Fee. Franchisee agrees that the Fund shall be maintained and administered by Franchisor or its designee as follows:

8.3.1 Franchisor will direct all advertising, marketing and promotional programs and will have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Restaurants operating under the System. Franchisor must, with respect to Restaurants operated by Franchisor, contribute to the Fund generally on the same basis as Franchisee. In administering the Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising.

8.3.2 Franchisee agrees that the Fund may be used to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research and employing advertising agencies to assist therein; costs of Franchisor's personnel and other departmental costs for advertising that is internally administered or prepared by Franchisor, and third party costs incurred to administer the Fund such as accountant and attorneys' fees). Except as provided above, the Fund and its earnings shall not otherwise inure to the benefit of Franchisor. The Fund is operated solely as a conduit for collecting and expending the Marketing Fees as outlined above.

8.3.3 All sums paid by franchisees to the Fund shall be separately accounted for by Franchisor. Franchisor must prepare a statement of the operations of the Fund annually and make it available to Franchisee upon request. In addition, no more than once per calendar year Franchisee may request more detailed information about the receipts and expenditures of the Fund, and if so requested then Franchisor will provide information reasonably necessary to substantiate the statement of operations.

8.3.4 Although the Fund is intended to be of perpetual duration, Franchisor may terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for advertising or promotional purposes.

8.4 Franchisee agrees that, if four (4) or more Eggspectation Restaurants are located in the DMA where the Restaurant is located, then Franchisor may require Franchisee to join an advertising cooperative for the entire DMA ("Cooperative"). The members of the Cooperative for any area will consist of all franchisees operating Eggspectation Restaurants located in such area, as well as any Eggspectation Restaurants owned or managed by an Eggspectation Company. Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, determined in advance by Franchisor. The Cooperative shall be organized for the exclusive purposes of administering advertising programs and developing, subject to Franchisor's approval pursuant to Section 8.6, promotional materials for use by the Franchisee members in Local Advertising. If any such Cooperative is established during the term of this Franchise Agreement, Franchisee must execute such documents as are required by Franchisor within thirty (30) days of the request of Franchisor. If the Cooperative is established then Franchisee must participate in it as follows:

8.4.1 Franchisee must contribute to the Cooperative such amounts (the "Cooperative Fee") required by the documents governing the Cooperative; provided, however, Franchisee's Cooperative

Fee with respect to any Accounting Period may not exceed two percent (2%) of Franchisee's Aggregate Sales for such Accounting Period, unless the members of the Cooperative unanimously agree to the payment of a larger fee. Notwithstanding the above, the payment of any such Cooperative Funds shall be applied toward satisfaction of the Franchisee's Local Advertising requirement set forth in Section 8.2

8.4.2 Franchisee must submit to the Cooperative and to Franchisor such statements and reports as may be required by Franchisor or the Cooperative. All contributions to the Cooperative shall be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative shall be operated solely as a conduit for the collection and expenditure of the Cooperative Fees for the purposes outlined above; and

8.4.3 No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior consent of Franchisor or its representative. All such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 8.6.

8.5 Franchisor may not require Franchisee's aggregate total advertising contributions or payments with respect to any calendar year under this Article VIII (whether in the form of Marketing Fees, Cooperative Funds and/or Local Advertising expenditures) to exceed the lesser of four percent (4%) of Franchisee's Aggregate Sales for such calendar year or the amount of \$200,000, with the latter amount subject to increase as adjusted upward on a periodic basis (not more than annually) to reflect the increase of the CPI from the Effective Date.

8.6 All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and conform to the standards and requirements of Franchisor as set forth in the Manuals or otherwise in writing. Franchisee must submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed, that have not been either provided or previously approved by Franchisor. Franchisor must use commercially reasonable efforts to approve or disapprove such plans and materials within fifteen (15) days of Franchisor's receipt thereof, with any such disapproval containing the specific reasons for any such disapproval and the changes as are necessary in order to obtain approval. Franchisee may not use any unapproved plans or materials until they have been approved by Franchisor, and must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Restaurant and approved by Franchisor may, at Franchisor's option, be used in connection with other Eggspectation Restaurants without any compensation to Franchisee. In the event that Franchisor fails to provide its approval or disapproval of such plans or materials within the aforesaid 15-day period, then Franchisor shall be deemed to have approved such plans or materials. Franchisor must, upon a resubmission of such plans or materials with such changes, notify Franchisee within ten (10) days of receiving the resubmitted plans and materials whether the plans and materials are acceptable under the same procedures set forth above until such plans and materials are accepted by Franchisor.

8.7 Franchisee may not advertise or use the Marks in any fashion on the Internet, or via other means of advertising through telecommunication, without the express written consent of Franchisor. Franchisor may require Franchisee to transfer to Franchisor any domain names, Internet Accounts, websites, and social media accounts that Franchisee uses in an unapproved manner in conjunction with the name Eggspectation or any of the Marks, and Franchisee must sign any documents necessary for Franchisor to enforce this right and cooperate fully in transferring such Internet accounts to Franchisor.

8.8 With respect to the offer and sale of all menu, beverage, retail food and non-food items, Franchisor may from time to time offer guidance to Franchisee with respect to selling prices for such goods,

products and services, and may, in its sole discretion and to the extent permitted by applicable law, establish maximum and/or minimum selling prices for such goods, products and services. Franchisee must adhere to all minimum and/or maximum selling prices established by Franchisor, but otherwise Franchisee may sell its products and provide services at any price that Franchisee may determine. Franchisee acknowledges and understands that the System is designed to promote the sale of products and services at competitive prices, and accordingly, Franchisee may not exceed any maximum price or undercut any minimum price established by Franchisor. Franchisee will execute any instruments or other writings required by Franchisor to facilitate the provision of such products and services. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at Franchisor's recommended or required price will enhance Franchisee's sales or profits.

8.9 In addition to all other advertising obligations imposed on Franchisee hereunder, Franchisee must spend not less than \$5,000 on an opening marketing strategy for the Restaurant in its Area of Primary Responsibility. Franchisor will provide Franchisee with such assistance with its marketing strategy as Franchisor deems necessary in its discretion. Unless otherwise approved by Franchisor in writing, Franchisee's marketing strategy must be continuously sustained during the ninety (90) days prior to and the ninety (90) days after the Opening Date of the Restaurant. Proof of Franchisee's expenditures for the opening marketing strategy (in the form of cancelled checks, paid invoices, copies of advertisements or otherwise) must be submitted to Franchisor within sixty (60) days following the Opening Date.

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

## **ARTICLE IX. MARKS**

9.1 Franchisor grants Franchisee the right to use the Marks specified in Schedule B of during the term of this Franchise Agreement, as modified or replaced by Franchisor from time to time in accordance with Section 9.2.6 of this Franchise Agreement, and solely for use in accordance with the System and related standards and specifications.

9.2 Franchisee expressly understands and acknowledges that:

9.2.1 As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by the Marks, whether or not existing as of the date of this Franchise Agreement. Franchisee agrees to provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks.

9.2.2 Neither Franchisee nor any Controlling Principal may take any action that prejudices or interferes with, or is reasonably likely to prejudice or interfere with, the validity of Franchisor's rights with respect to the Marks. Nothing in this Franchise Agreement shall be deemed to give

Franchisee any right, title, or interest in or to any of the Marks, including Franchisor's service marks, trademarks, trade names, Trade Dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Franchise Agreement (including the Operations Manual) for the operation of the Restaurant at or from its Approved Location and in approved advertising related to the Restaurant.

9.2.3 Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Franchise Agreement and the rights and license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

9.2.4 Franchisee must not contest the validity of or Franchisor's interest in the Marks or assist others to contest the validity of or Franchisor's interest in the Marks.

9.2.5 Franchisee acknowledges that any unauthorized use of the Marks by Franchisee, including the sale of any unapproved menu items or products, is an infringement of Franchisor's rights in the Marks and a material event of default hereunder.

9.2.6 Franchisor reserves the right to add and/or substitute different Marks for use in identifying the System and the Restaurant if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee to discontinue or modify Franchisee's use of any of the Marks and/or to use one or more additional or substitute Marks. Franchisee shall pay the expenses to adopt modified or substitute Marks, but only to the extent that Franchisor may require Franchisee to adopt changes under Section 7.3. If Franchisor is unable to require such modifications pursuant to Section 7.3, then Franchisor may only require Franchisee to adopt modified or substitute Marks if Franchisor pays the cost. If the cost to adopt such modified or substitute Marks exceeds the Improvements/Equipment Spending Cap, then Franchisor may only require Franchisee to adopt modified or substitute Marks if Franchisor pays the expenses that exceed such Cap.

9.2.7 With respect to Franchisee's use of the Marks pursuant to this Franchise Agreement, Franchisee further agrees that:

a. Unless otherwise authorized or required by Franchisor, Franchisee must advertise the Restaurant only under the Mark "Eggspectation" without prefix or suffix. Franchisee must not use the Marks as part of its corporate or other legal name. Franchisee must comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, to properly inform the public of Franchisee's operation of the Restaurant at the Approved Location.

b. During the term of this Franchise Agreement and any renewal hereof, Franchisee must identify itself as the owner of the Restaurant in conjunction with any use of the Marks, including invoices, order forms, and contracts, as well as the display of a notice of its ownership at such conspicuous locations in the Restaurant Premises and any catering and delivery vehicles as Franchisor may designate.

c. Franchisee must not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

9.3 Franchisee must notify Franchisor promptly by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, and any claim by any person of any rights in any Mark, and Franchisee and the Controlling Principals must not communicate with any person

other than Franchisor or any designated Affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim unless otherwise required by law. Franchisor has complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of the Eggspectation Companies of, any settlement, litigation or Patent and Trademark Office proceeding arising out of any such alleged infringement, challenge or claim, or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks; provided that Franchisee does not incur any costs, expenses, or fees in excess of Five Hundred Dollars (\$500) in connection with the foregoing. Franchisor will indemnify Franchisee against and reimburse Franchisee for all losses, damages and expenses (excluding consequential and special damages) actually incurred by Franchisee as a result of any settlement, litigation proceeding (including any settlement amounts) arising out of a claim that Franchisee's use of any of the Marks infringes on a third party's intellectual property rights; provided such use of the Marks is in full compliance with the terms of this Franchise Agreement; and, provided further, that Franchisee and the Controlling Principals have otherwise fully complied with the provisions of this Section 9.3 (and any other applicable provisions of this Franchise Agreement) with respect to such settlement, litigation or proceeding.

9.4 Franchisee acknowledges and agrees that Franchisor is the owner of the Trade Dress that will be employed in the Restaurant (the "Trade Dress"), and that Franchisee may only use the Trade Dress in strict accordance with the terms of this Franchise Agreement. The Trade Dress, which is and will be protected under this Franchise Agreement as a component of the "Marks", consists of the overall visual image presented to customers, and which is exemplified by the "look and feel" of Eggspectation Restaurants located in the United States, including, *without limitation*, the combination of some or all of the elements specified in Schedule B of this Franchise Agreement. Franchisee may not assert the invalidity of or otherwise challenge or contest Franchisor's ownership of the Trade Dress, and may not challenge or assert in any way that the Trade Dress is not the unique, proprietary and distinctive concept and property of Franchisor.

## **ARTICLE X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS**

10.1 Except as otherwise provided in this Section 10.1, neither Franchisee nor any Controlling Principal will communicate or divulge to, or use for the benefit of, any other person or entity other than Franchisee (and then, solely in furtherance of the development, opening and operation of the Restaurant in accordance with the provisions of this Franchise Agreement) and/or Franchisor, any Confidential Information, during the term of or at any time after the termination or expiration of this Franchise Agreement. For purposes of this Franchise Agreement "Confidential Information" means all confidential and proprietary information relating to the System and/or concerning the methods of operation of the Restaurant that may be communicated to Franchisee and/or the Controlling Principals or of which Franchisee and/or the Controlling Principals may be apprised in connection with the Restaurant or otherwise in connection with the operation of the Restaurant under the terms of this Franchise Agreement, including, without limitation, all trade secrets (as that term is defined under the Maryland Uniform Trade Secrets Act, codified at Title 11, Subtitle 12 of the Maryland Code, Commercial Law Article), all data and information collected about customers who patronize the Restaurant, including their identity, personal contact information (such as electronic mail address, phone number and social media network account names), and their purchasing history (the "Customer Data"), the contents of the Manuals, all operational and sales methods and techniques that are not readily apparent to a person patronizing the Restaurant the first time all information, knowledge, know-how and materials used in or related to the System, and any and all other information and materials that Franchisor provides to Franchisee in connection with this Franchise Agreement. Franchisee and the Controlling Principals may divulge such Confidential Information only to Franchisee's Principals and/or employees who must have access to it in order to

develop, manage and/or operate the Restaurant in accordance with and subject to terms and conditions of this Franchise Agreement. Neither Franchisee nor the Controlling Principals may at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise disclose or make the same available to any person, except as expressly provided and permitted under this Franchise Agreement. The covenants in this Section 10.1 shall survive the expiration, termination or transfer of this Franchise Agreement or any interest herein, and shall be perpetually binding upon Franchisee and each of the Controlling Principals. The Manuals and all other Confidential Information shall at all times remain the sole property of Franchisor.

10.2 Franchisee covenants that during the term of this Franchise Agreement, except as otherwise approved in writing by Franchisor, neither Franchisee, any of the Controlling Principals, or the Operating Principal may, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity:

10.2.1 divert or attempt to divert any business, business opportunity, or customer of the Restaurant (or any other Eggspectation Restaurant) to any Competitive Business, as defined in Section 10.2.2 below; or

10.2.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks, which business or activity is of a character and concept substantially and materially similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu that are substantially and materially similar on an aggregate basis to the Eggspectation menu (as modified from time to time), or in which more than twenty percent (20%) of the weekly gross revenue from such business or activity is derived from the sale of "breakfast" style food and beverages, which is exemplified by the menu pages attached as Exhibit 4 but also includes other common breakfast dishes such as eggs any style, oatmeal, and cold cereal (a "Competitive Business").

10.3 In consideration for the specialized training, Confidential Information and rights described in Section 10.2, Franchisee and Operating Principal each covenant that with respect to Franchisee, and for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of Franchisee's interest in, this Franchise Agreement (or, with respect to the Operating Principal, commencing upon the earlier of: (1) the expiration, termination of, or transfer of all of Franchisee's interest in, this Franchise Agreement or (2) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as set forth in Article XXIV hereof) and continuing for two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee nor the Operating Principal may, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person or entity:

10.3.1 divert or attempt to divert any business, business opportunity, or customer of the Restaurant (or any other Eggspectation Restaurant) to any competitor of the Restaurant or the System or to any other third party, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the Marks and the System;

10.3.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any Competitive Business that is or is intended to be located within the Area of Primary Responsibility, at or within a ten (10) mile radius of the Approved Location, or within a ten (10) mile radius of any other Eggspectation Restaurant in existence or under construction as of the date of hereof or as of the date of termination, expiration or transfer, as permitted by applicable law.

10.4 Sections 10.2.2 and 10.3.2 shall not apply to ownership of less than a two percent (2%) beneficial interest in the outstanding equity securities of any publicly-held corporation. Sections 10.2.2 and 10.3.2 shall apply to operation of a business by a business entity that purchases substantially all assets of Franchisor and is owned or controlled, directly or indirectly, by any Controlling Principal or that person's spouse, as well as to the operation of a business by any Controlling Principal's spouse, any of which will be a breach of either 10.2.2 or 10.3.2 as applicable by both Franchisee and the Controlling Principal who, directly or through their spouse, conducts such business operations.

10.5 The parties acknowledge and agree that each of the restrictive covenants contained in this Article X are reasonable as to time, geographical area, and scope of activity and do not impose a greater restraint than is necessary to protect the goodwill of the System and the business interests of Franchisor. The parties agree that each of the covenants contained in this Article X shall be construed as independent of any other covenant or provision of this Franchise Agreement. If all or any portion of a covenant set forth in this Article X is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, Franchisee and the Controlling Principals 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 Article X.

10.6 Franchisor may, in its sole discretion, to reduce the scope of any covenant set forth in this Article X, or any portion thereof, without their consent, effective immediately upon notice to Franchisee. Franchisee and the Controlling Principals agree that they will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 22.3 hereof.

10.7 The existence of any claims that Franchisee may have against Franchisor, whether or not arising from this Franchise Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Article X.

10.8 Franchisee must require and obtain execution of the Covenants from its General Manager and all other personnel of Franchisee (including any of the Franchisee's Principals) who have received or will have access to training from Franchisor and/or any Confidential Information. Franchisee must obtain from its consultants and advisors who have received or will have access to any Confidential Information execution of confidentially covenants substantially similar to the confidentiality covenants set forth in the Covenants. Franchisee must deliver copies of all executed covenants required hereunder within fourteen (14) days following commencement of the relevant person's employment or other relationship with Franchisee. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or the scope of any covenant or to eliminate such covenant altogether for any party that is required to execute such agreement under this Article X.

10.9 Neither Franchisee nor the Controlling Principals may develop any new product, recipe, or improvement in the operation or promotion of the Restaurant unless Franchisee first submits to Franchisor a request for a test of such concept, process, product, recipe or improvement. A decision to perform such testing shall be in Franchisor's reasonable discretion. If Franchisor engages in such testing, and approves Franchisee's request, Franchisee may adopt such product, recipe or improvement subject to terms, conditions, and limitations imposed by Franchisor in connection with such approval, Franchisee and the Controlling Principals acknowledge that any such product, recipe, or improvement will become part of the System. Franchisor may use and/or disclose all such products, recipes and improvements to other franchisees as it deems appropriate, and Franchisee will be entitled to no compensation whatsoever in connection with any such use or disclosure.



10.10 Failure to comply with the requirements of this Article X constitutes a material event of default under this Franchise Agreement. Franchisee and the Controlling Principals hereby acknowledge and agree that, if any of the covenants set forth in Article X are breached, Franchisor may suffer immediate and irreparable harm for which monetary damages alone will not be a sufficient remedy. Accordingly, the Franchisee and the Controlling Principals hereby agree that, in addition to all other remedies Franchisor may have under this Franchise Agreement, at law or in equity, Franchisor is entitled to seek injunctive relief, specific performance or any other form of equitable relief to remedy any such breach or threatened breach. Franchisee and the Controlling Principals agree to pay all expenses, court costs and attorneys' fees incurred by Franchisor in connection with its successful enforcement of any provision of this Article X, including obtaining injunctive relief or specific performance.

## **ARTICLE XI. BOOKS, RECORDS AND DATA**

11.1 During the term of this Franchise Agreement, and for at least three (3) years from the dates of their preparation (or such longer period as may be required by applicable law), Franchisee must maintain full, complete and accurate books, records and accounts with respect to the Restaurant, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, records, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles.

11.2 In addition to the remittance of the Royalty Reports required under Article IV and the advertising reports required under Article VIII, Franchisee must comply with the following reporting obligations:

11.2.1 Submit to Franchisor, using charts of accounts prescribed by Franchisor, a profit and loss statement for Franchisee for each calendar quarter (each a "Statement Period") (which may be unaudited) within sixty (60) days after the end of each Statement Period during the term hereof. Each such statement must be signed by Franchisee's treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct;

11.2.2 Provide to Franchisor a complete annual financial statement (which may be unaudited) for Franchisee prepared by an independent certified public accountant satisfactory to Franchisor, within one hundred and twenty (120) days after the end of each fiscal year of Franchisee during the term hereof, showing the results of operations of Franchisee during such fiscal year and a balance sheet as of the end of said fiscal year; provided, however, that Franchisor may require the annual financial statements described above to be reviewed by an independent Certified Public Accountant satisfactory to Franchisor at Franchisee's cost and expense if an inspection pursuant to Section 11.2.4 discloses an understatement of five percent (5%) or more in any Royalty Report or other report delivered to Franchisor;

11.2.3 Franchisee also must submit to Franchisor, for review and/or auditing, such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in writing; However, for so long as Franchisee uses the POS System designated by Franchisor and provides Franchisor with remote access to the POS System data, Franchisor may not require Franchisee to submit any reports other than those specified in other sections and paragraphs of this Agreement. The preceding sentence is not permission for Franchisee to deviate from Franchisor's technology requirements, and Franchisee's deviation from such requirements is a material breach of this Franchise Agreement.

11.2.4 If Franchisee fails to provide a quarterly profit or loss statement as required by Section 11.2.1, or an annual financial statement as required by Section 11.2.2., by the applicable due date for such report, then Franchisee must pay Franchisor a late reporting fee of \$200 for each week by which

the report is delinquent. However, Franchisor will waive the fee if Franchisee provides the delinquent report within seven (7) days after Franchisor notifies Franchisee of the delinquency, and if Franchisee has not been delinquent in its submission of any such financial statement during the prior twelve (12) consecutive month period.

11.3 Franchisor or its designees have the right at all reasonable times to review, audit, examine and copy at the Restaurant any or all of the books and records of Franchisee related to the Restaurant as Franchisor may require. Franchisee must make such books and records available to Franchisor or its designees promptly upon request. If any required Royalty Fees or other payments to Franchisor are delinquent, or if an inspection reveals that such payments have been understated in any Royalty Report or other report to Franchisor, then Franchisee must promptly pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.5. If an inspection discloses an understatement in any report of five percent (5%) or more, or an underpayment of Royalty Fees of Four Thousand Dollars (\$4,000) or more during any fifty-two (52) week period, then Franchisee must, in addition, reimburse Franchisor for all costs and expenses incurred in connection with such inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies are in addition to other remedies Franchisor may have under this Franchise Agreement, at law or in equity;

11.4 Franchisee understands and agrees that Franchisor's receipt and/or acceptance of any Royalty Report or other report furnished by Franchisee or any Royalty Fees or other payments paid by Franchisee (or the cashing of any royalty checks or processing of any EFT) does not preclude Franchisor from questioning the correctness thereof within the thirty six (36) month period following delivery of such Royalty Report and, if any inconsistencies or mistakes are discovered in such reports or payments, such inconsistencies or mistakes must promptly be rectified by Franchisee and the appropriate payment must be made promptly by Franchisee; and

11.5 Franchisee hereby authorizes (and agrees to execute and deliver any other documents deemed necessary to affect such authorization) all suppliers and vendors with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Restaurant. Franchisee authorizes Franchisor to disclose data from Franchisee's Royalty Reports and other reports for purposes of offering franchises in its franchise disclosure document, to provide information to prospective purchasers of the Restaurant or of the Franchisor, and for ongoing training and support of System restaurants.

11.6 Franchisee hereby acknowledges and agrees that all Customer Data about people who patronize the Restaurant is proprietary to the System as part of its marketing program. To the extent that Franchisee collects Customer Data, for example (without limitation) by offering complementary wireless internet access through "Wi-Fi", Franchisee must inform such customers that both Franchisee and Franchisor may use such information for marketing purposes. Franchisee only may use Customer Data in operating the Restaurant and for no other purpose whatsoever. Franchisee must comply with data privacy and protection laws applicable to the jurisdiction in which the Restaurant operates, and must make all reasonable efforts to safeguard the Customer Data that it collects from misappropriation or unauthorized use through computer intrusion or otherwise. Upon termination or expiration of this Agreement, and unless Franchisor and Franchisee execute a successor franchise agreement for the Restaurant, all Customer Data shall immediately become Franchisor's sole and exclusive property and Franchisee must refrain from any use of the Customer Data subsequent to such termination or expiration of the franchise relationship.

## **ARTICLE XII. INSURANCE**

12.1 Upon execution of this Franchise Agreement and a lease or purchase agreement for the Approved Location, Franchise must procure and maintain in full force and effect at all times during the remaining term of this Franchise Agreement at Franchisee's expense, an insurance policy or policies

protecting Franchisee, Franchisor and the Franchisor Parties against any demand or claim with respect to personal injury, death, property damage, or any loss, liability or expense whatsoever arising or occurring upon the Restaurant Premises or otherwise in connection with the Restaurant.

12.2 Such policy or policies must be written by a reputable carrier or carriers with an A.M. Best Company rating of A+ reasonably acceptable to Franchisor and must include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time), in accordance with Franchisor's standards and specifications set forth in writing, the following:

12.2.1 In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, Franchisee must maintain builder's risks/installation insurance in forms and amounts reasonably satisfactory to Franchisor.

12.2.2 "All Risks" coverage for the full cost of replacement of the Restaurant Premises and all other property in which Franchisor may have an interest with no coinsurance clause for the Restaurant Premises.

12.2.3 Business interruption insurance covering at least twelve months' loss of profits and necessary continuing expenses for interruptions caused by an occurrence covered by the insurance referred to in Sections 12.2.1 and 12.2.2 above.

12.2.4 Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of \$5,000,000 combined single limit.

12.2.5 Crime insurance for employee dishonesty in the amount of \$10,000 combined single limit.

12.2.6 Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit.

12.2.7 Workers' compensation insurance in amounts required under applicable law.

12.2.8 Liquor Liability for combined single limits of bodily injury and property damage of not less than \$1,000,000 per occurrence.

12.2.9 Such other insurance as may be required by the state or locality in which the Restaurant is located and operated.

12.3 Franchisee's obligation to obtain and maintain the insurance policies required under this Article XII in the amounts specified shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Article XV.

12.4 Each liability policy of any kind must contain an Additional Insured Endorsement that names Franchisor and its officers, directors, partners, members and managers, as additional insureds. Additional insured status must include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form must be ISO CG 20-26 or any other form approved in writing by Franchisor that provides comparable coverage. Additional insured coverage must not be limited to vicarious liability and must extend to (and contain no endorsement limiting coverage for) the negligent acts, errors or omissions of Franchisor or other additional insureds.

12.5 Upon obtaining the required insurance coverages and thereafter in accordance with Article II and thirty (30) days prior to the expiration of any such policy, Franchisee must deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee must deliver to Franchisor a copy of the insurance policy or policies required hereunder. Further, all insurance policies required hereunder must expressly provide that no less than thirty (30) days' prior written notice must be given to Franchisor in the event of a material alteration to or cancellation of the policies.

12.6 Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Franchise Agreement or otherwise by Franchisor's standards and specifications, as such requirements may be revised from time to time by Franchisor in writing, Franchisor shall have the right and authority, but not the obligation, immediately to procure such insurance and to charge the cost thereof to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, must be paid by Franchisee immediately upon written demand therefor. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Franchise Agreement, at law or in equity.

### **ARTICLE XIII. DEBTS AND TAXES; REGULATION**

13.1 Franchisee must promptly pay when due all Taxes (as defined in Section 13.2 hereof), levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee as a result of or in connection with the conduct of the Restaurant under this Franchise Agreement. Without limiting the provisions of Article XV, Franchisee shall be solely liable for the payment of all Taxes and must indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether Taxes were correctly or legally asserted or not. Franchisee must submit a copy of all income tax filings sent to federal, state and local tax authorities to Franchisor within one hundred twenty (120) days after such filing has been made with the appropriate taxing authority. Franchisee must provide Franchisor with copies of its state and local tax filings concerning Franchisee's gross revenues (such as sales tax returns) within thirty (30) days of Franchisor's request for same, for up to twenty-four (24) months prior to the date of Franchisor's request.

13.2 Each payment to be made to Franchisor hereunder must be made free and clear and without deduction for any Taxes. The term "Taxes" means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to Franchisee's operation of the Restaurant, the payment of monies, or the exercise of rights granted pursuant to this Franchise Agreement, except Taxes imposed on or measured by Franchisor's net income.

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

13.4 Franchisee must comply with all federal, state and local laws, rules and regulations and must timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Restaurant, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

13.5 Franchisee must notify Franchisor in writing promptly of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency

or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee and/or the Restaurant.

#### **ARTICLE XIV. TRANSFER OF INTEREST**

14.1 Franchisor may transfer or assign this Franchise Agreement and all or any part of its rights or obligations hereunder to any person or legal entity without Franchisee's consent, but with at least thirty (30) days prior written notice to Franchisee. Specifically, and without limitation to the foregoing, Franchisor may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Nothing contained in this Franchise Agreement will require Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee if Franchisor assigns its rights in this Franchise Agreement.

14.2 Franchisee and the Controlling Principals acknowledge and understand that the rights and duties set forth in this Franchise Agreement are personal to Franchisee, and that Franchisor has granted the rights and license under this Franchise Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Controlling Principals and with the expectation that the duties and obligations contained in this Franchise Agreement will be performed by Franchisee and the Controlling Principals signing this Franchise Agreement. Accordingly, neither Franchisee nor any Controlling Principal, nor any successor or assign of Franchisee or any Controlling Principal, may sell, assign, transfer, convey, gift, pledge, mortgage or otherwise encumber (each, a "Transfer") any direct or indirect interest in this Franchise Agreement, in the Restaurant, in the assets of the Restaurant or in Franchisee (each, an "Interest") without the prior written consent of Franchisor, which will not unreasonably be withheld, conditioned, or delayed; provided that, in connection with an construction or improvement loan obtained by Franchisee to fund costs, fees, or expenses associated with the construction, maintenance or remodeling of the Restaurant, Franchisee shall have the right to pledge or otherwise encumber the assets of the Restaurant.. Any purported Transfer, by operation of law or otherwise, made in violation of this Franchise Agreement shall be null and void and shall constitute a material event of default under this Franchise Agreement. For purposes of this Section 14.2, Franchisee's "Affiliate" means an entity in which eighty percent (80%) or more of the equity ownership, in the aggregate, is identical to the equity ownership with Franchisee. (In other words, no more than 20% ownership in one entity is owned by persons who do not have ownership in the other entity.)

14.2.1 If Franchisee or a Controlling Principal desires to Transfer all or part of an Interest, the transferor and the proposed transferee must apply to Franchisor for its consent and provide Franchisor written notice describing all the terms and conditions of the proposed transfer, including, without limitation, an explanation of how the proposed transferee will finance the purchase. Franchisor may, in its sole discretion, require compliance with any or all of the following as conditions of its consent to any such Transfer:

a. All of the accrued monetary obligations owed by Franchisee and/or any of its Affiliates to Franchisor under this Franchise Agreement, or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of the Eggspectation Companies, are satisfied at the time of Transfer;

b. Neither Franchisee nor any of its Affiliates is at the time of Transfer in default of any provision of this Franchise Agreement, or any other agreement between Franchisee or any of its Affiliates and Franchisor;

In addition, if the Transfer is of all or substantially all of the Restaurant's assets, or of a majority of the ownership interests in Franchisee, then Franchisor may require the following additional conditions of consent be satisfied:

c. The transferor and its principals (if applicable) and Franchisor execute a mutual general release of any and all claims, actions, causes of action, damages, costs, losses, debt and expenses of any nature whatsoever, that the releasing party ever had, now has or hereinafter may have, against the released party and its directors, officers, shareholders, members, partners, managers, agents and representatives, or any of them, in their corporate and individual capacities, in any way arising from or relating to any act, omission, transaction or event occurring before the effective date of the Transfer, including, without limitation, claims arising under this Franchise Agreement, except for claims for indemnification against third party claims;

d. The transferee demonstrates that the terms of the proposed transfer (including financing) will not prevent the proposed transferee from operating the Restaurant in compliance with the Franchise Agreement and at or above the level of productivity at which it was operated by Franchisee, and that transferee meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a license, including, but not limited to, Franchisor's educational, managerial and business standards; transferee's moral character, business reputation and credit rating; transferee's aptitude and ability to conduct the Restaurant (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; and the geographic proximity and number of other Eggspectation Restaurants owned or operated by transferee;

e. The transferee enters into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all of the Franchisee's obligations, covenants and agreements contained in this Franchise Agreement; and, if transferee is an entity, transferee's shareholders, members or partners, as the case may be, must execute such agreement as a principal of transferee and guarantee the payment and performance of all such obligations, covenants and agreements;

f. If less than five (5) years remain in the Term, the transferee executes, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as Franchisor may require for the Restaurant, which agreements shall supersede this Franchise Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Franchise Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution or expenditure requirement; provided, however, that the transferee shall not be required to pay any Initial Franchise Fee; and, if transferee is an entity, transferee's shareholders, members or partners, as the case may be, must execute such agreement as principals of transferee and guarantee the performance of all such obligations, covenants and agreements;

g. The transferee, at its expense, renovates, modernizes and otherwise upgrades the Restaurant and, if applicable, any catering or delivery vehicles, to conform to the then-current standards and specifications of the System within the time period reasonably specified by Franchisor, but only if Franchisee has not completed such a modernization costing not less than One Hundred Thousand Dollars (\$100,000) during the twenty-four (24) months prior to the request for Transfer approval;

h. At the transferee's expense, the transferee, the transferee's operating principal, general manager (as applicable) and/or any other applicable Restaurant personnel complete any training programs then in effect for franchisees of Eggspectation Restaurants upon such terms and conditions as Franchisor may reasonably require;

i. The transferee pays to Franchisor a transfer fee equal to the greater of twenty-five percent (25%) of Franchisee's Initial Franchise Fee or twenty-five percent (25%) of the Initial Franchise Fee then being charged to franchisees;

j. If Franchisee will finance all or any portion of the transferee's purchase, Franchisee: (i) guaranteeing the transferee's obligations under its franchise agreement with Franchisor until the loan to the transferee is repaid in full; and (ii) subordinating any security interest(s) in transferee or its assets to Franchisor's right to be paid all amounts owed by the transferee to Franchisor.

Franchisee acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

14.2.2 Franchisee may not grant a security interest in this Franchise Agreement, in the Restaurant or in any of the assets used in the operation of the Restaurant without Franchisor's prior written consent; provided that, in connection with any construction or improvement loan obtained by Franchisee to fund costs, fees, or expenses associated with the original construction of the Restaurant, Franchisee shall have the right to pledge or otherwise encumber the assets of the Restaurant without obtaining such written approval. In connection with any security interest granted in compliance with this Section 14.2.2, the secured party will be required by Franchisor to agree that in the event of any default by Franchisee under any documents related to the security interest, Franchisor will have the right and option, but not the obligation, to be substituted as obligor to the secured party and to cure any default of Franchisee.

14.2.3 If the proposed Transfer is to an entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 14.2.1, except that the requirements in Sections 14.2.1 c, d, f, g, h and i shall not apply. With respect to a Transfer to an entity formed for the convenience of ownership, Franchisee must be the owner of all of the voting stock or interest of such entity, and if Franchisee is more than one individual, each individual must have the same proportionate ownership interest in such entity as he had in Franchisee prior to the transfer.

14.3 Anything herein notwithstanding, if Franchisee or a Controlling Principal wishes to Transfer all or part of its Interest pursuant to any bona fide offer received from a third party other than another Controlling Owner (the "Third Party Offer") to purchase such Interest (the "Seller's Interest"), then such proposed seller (the "Seller") must promptly notify Franchisor in writing (the "Offer Notice") of each such offer, including with such notice a copy of the Third Party Offer and the resume (with at least 10 years' work history and education summary) and the personal financial statement of each of the proposed purchaser's controlling principals. Franchisor shall have the right and option, but not the obligation, exercisable within thirty (30) days after receipt of the Offer Notice (the "Option Period"), to elect to purchase the Seller's Interest under the terms of the Third-Party Offer, subject to Section 14.3.2, below. Franchisor may exercise its option to purchase the Seller's Interest by delivering a written notice of acceptance (the "Election Notice") to the Seller on or before the thirtieth (30<sup>th</sup>) day following receipt of the Offer Notice. If Franchisor elects to purchase the Seller's Interest, unless otherwise agreed by the parties, closing on such purchase must occur within the later of (i) ninety (90) days from the date the Election Notice is delivered to Seller, and (ii) thirty (30) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, and (iii) the closing date set forth in the Third-Party Offer.

14.3.1 If Franchisor does not exercise its option prior to the expiration of the Option Period, Seller may Transfer the Seller's Interest to the Third Party in accordance with the terms of the Third-Party Offer; provided all applicable requirements of Section 14.2.1 have been satisfied. Any material changes in the terms of the Third Party Offer prior to closing shall constitute a new offer subject to a new right of first refusal by Franchisor. Failure of Franchisor to exercise the option afforded by this Section 14.3 shall not constitute a waiver of any other provision of this Franchise Agreement, including the requirements of Section 14.2, with respect to a proposed Transfer.

14.3.2 If the Third-Party Offer provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the Seller's Interest for the reasonable cash equivalent. If the parties cannot agree within the Option Period on the reasonable cash equivalent of the non-cash part of the Third-Party Offer, then such amount must be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and must split the appraisal fees. If Franchisor elects to purchase Seller's Interest under this Section 14.3, it may set off against any payment therefor: (i) all fees for any such independent appraiser due from Franchisee hereunder, and (ii) all amounts due from Franchisee and/or its Affiliates to Franchisor and/or any of the Eggspectation Companies.

14.4 Failure to comply with the provisions of this Article XIV prior to the Transfer of any Interest shall constitute a material event of default under this Franchise Agreement.

14.5 Upon the death of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased must transfer the Deceased's Interest to a third party in accordance with the conditions described in this Article XIV within twelve (12) months after the date of death of the Deceased. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such Interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee must transfer the Deceased's Interest to a third party approved by Franchisor within twelve (12) months after the date of death of the Deceased.

14.6 Upon the Permanent Disability (as defined herein) of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person, Franchisor may, in its sole discretion, require such disabled individual's Interest to be transferred to a third party in accordance with the conditions described in this Article XIV within six (6) months after written notice to Franchisee. "Permanent Disability" means any physical, emotional or mental injury, illness or incapacity that prevents a person from performing the obligations set forth in this Franchise Agreement or in the Guaranty made part of this Franchise Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent Disability shall be determined by a licensed practicing physician selected by Franchisor. If the individual refuses to submit to an examination, then such individual automatically shall be deemed Permanently Disabled as of the date of such refusal for the purpose of this Section 14.6. The costs of any examination required by this Section 14.6 must be paid by Franchisor.

14.7 Upon the death or claim of Permanent Disability of Franchisee or any Controlling Principal, Franchisee or a representative of Franchisee must notify Franchisor of such death within fifteen (15) days of its occurrence, or of such claim of Permanent Disability within thirty (30) days of its occurrence. Any transfer upon death or Permanent Disability shall be subject to the same terms and conditions as described in Section 14.2 for any inter vivos transfer, except that the transfer fee otherwise payable pursuant to Section 14.2.1(i) shall not apply. If an interest is not transferred upon death or Permanent Disability as required under Section 14.5 or Section 14.6, as the case may be, then such failure shall constitute a material event of default under this Franchise Agreement.

14.8 Franchisor's consent to a Transfer of any Interest shall not constitute a waiver of any claims that Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Franchise Agreement by the transferee(s).

14.9 Securities in Franchisee may be offered to the public (a "public offering") only with the prior written consent of Franchisor. As a condition of such consent, Franchisor may require that, immediately after such offering, the Controlling Principals retain a Controlling Interest in Franchisee. For



purposes of this Article XIV, "Controlling Interest" shall mean that the Controlling Principals, either individually or cumulatively, are entitled under the entity's organizational documents to cast a sufficient number of votes to require such entity to take or omit to take any action that it is required to take or omit to take under this Franchise Agreement.

14.10 All materials required for a Franchisee public offering by federal or state law must be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used by Franchisee in any exempt offering or private placement must be submitted to Franchisor for its prior review. No Franchisee offering (public or private) may imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and/or one or more of the Eggspectation Companies. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and all other Franchisor Parties in connection with the offering. In addition, for each proposed public or private offering, Franchisee must pay to Franchisor a non-refundable fee of \$25,000, or such greater amount as is necessary to reimburse Franchisor for its costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisee must give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by Sections 14.9 or 14.10.

14.11 If any person holding an Interest (other than Franchisee or a Controlling Principal, which parties shall be subject to all of the provisions of this Article XIV) desires to Transfer all or part of such Interest, Franchisee must promptly notify Franchisor of such proposed Transfer in writing and must provide to Franchisor such information relevant thereto as Franchisor may reasonably request. In no event may any transferee of an Interest be a competitor of Franchisor, the System or any Eggspectation Restaurant operating under the System. Any transferee of an Interest will be deemed a Franchisee's Principal for purposes of this Franchise Agreement and as such must execute Franchisor's then current form of Covenants. Franchisor reserves the right to designate such transferee as a Controlling Principal.

14.12 Unless specifically agreed to by Franchisor in writing, no assignment or any other Transfer by Franchisee, with or without Franchisor's consent, during the term of this Franchise Agreement or any renewal period, will release Franchisee from any liability under the terms of this Franchise Agreement, nor will Franchisee be relieved of the obligations of satisfying or performing any of the terms, covenants and conditions of this Franchise Agreement.

## **ARTICLE XV. INDEMNIFICATION**

15.1 Franchisee must at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor and all other Franchisor Parties from and against any and all "Losses and Expenses" (as defined in Section 15.5 hereof) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) (each, a "Claim") whatsoever arising or occurring upon the Restaurant Premises or otherwise in connection with the Restaurant, expressly excepting the grossly negligent or intentionally wrongful acts or omissions of the Franchisor or any Franchisor Related Parties, including (but not limited to) any of the following:

15.1.1 The infringement, alleged infringement, or any other violation or alleged violation by Franchisee of any patent, mark or copyright or other proprietary right owned or controlled by a third

party (except for any infringement, alleged infringement, or any other violation or alleged violation for which Franchisor is obligated to indemnify Franchisee pursuant to Section 9.3 hereof);

15.1.2 The violation, breach or asserted violation or breach by Franchisee of any federal, state or local law, rule, regulation, order, directive or any applicable industry standard;

15.1.3 Libel, slander or any other form of defamation of Franchisor, the Eggspectation Companies, the System or any franchisee or area developer operating under the System, by Franchisee, its Affiliates and/or any of the Controlling Principals;

15.1.4 The violation or breach by Franchisee of any warranty, representation, agreement or obligation under this Franchise Agreement; and

15.1.5 Acts, errors, or omissions of Franchisee, its Affiliates, successors or assigns, or any of the Controlling Principals and/or the directors, officers, shareholders, members, partners, managers, agents, representatives, independent contractors, servants and employees of Franchisee and/or its Affiliates (collectively, the "Franchisee Parties") in connection with the establishment or operation of the Restaurant or otherwise in connection with the Restaurant, including, without limitation, any acts, errors or omissions of the Franchisee Parties, or any of them, in the operation of any motor vehicle.

15.2 If a Claim covered by Section 15.1 concerns a lawsuit or demand on Franchisor by third party (a "Third Party Claim"), then Franchisor must send Franchisee prompt written notice of any Claim which notice must include a copy of the third party's complaint or other correspondence that describes the basis of the Claim and/or its alleged Losses and Expenses (a "Claim Notice"). Franchisee shall have fourteen (14) days from receipt of Franchisor's Claim Notice (the "Claim Notice Period") to inform Franchisee as to whether Franchisee will assume responsibility for defending against the Claim. During a Claim Notice Period Franchisor shall not consent or agree to any settlement of the Claim or take such other remedial or corrective action with respect to the Claim unless approved by Franchisee. Unless Franchisee assumes responsibility for defending against a Claim under this paragraph, at the expense and risk of Franchisee, Franchisor may assume control of, and/or select counsel of its own choosing with respect to, its defense and/or settlement of any such Claim, and such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchisee to indemnify the Franchisor Parties and to hold them harmless.

15.3 Unless Franchisee assumes defense of a Claim under Section 15.2 above, in order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others with whom any Franchisor Party has a business relationship, Franchisor may, at any time after the end of the Claim Notice Period, as it deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the Claim if Franchisor has reasonable grounds to believe that any of the acts or circumstances enumerated in Section 15.1 have occurred.

15.4 All Losses and Expenses incurred under this Article XV shall be chargeable to and paid by Franchisee pursuant to the extent that it has obligations of indemnity under this Article XV, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

15.5 For purposes of this Article XV, "Losses and Expenses" include, without limitation, all losses, damages (including consequential, compensatory and exemplary damages), fines, charges, costs, expenses, lost profits, legal fees, court costs, settlement amounts and judgments. Without in any way limiting the foregoing, Losses and Expenses include compensation for damages to Franchisor's reputation and goodwill, to its ability to obtain or maintain financing, for its costs for advertising material and media

time/space purchased in response to the covered claim, and any and all expenses of refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

15.6 Neither Franchisor nor the Franchisor Parties assume any liability whatsoever for acts, errors, or omissions of any third party with whom Franchisee, any of its Affiliates, the Controlling Principals or any other Franchisee Parties may contract, regardless of the purpose of such contract.

15.7 The terms of this Article XV shall survive the termination or expiration of this Franchise Agreement or the Transfer of any interest herein.

## **ARTICLE XVI. RELATIONSHIP OF THE PARTIES**

16.1 The parties agree that this Franchise Agreement does not create a fiduciary relationship between them, and that neither party has a special relationship with each other beyond being a licensor and licensee of the trademarks and the business system and know-how. The parties agree that Franchisee is an independent contractor and that nothing in this Franchise Agreement is intended to make either party an agent, legal representative, partner, employee, joint employer or servant of the other for any purpose. Franchisor shall not have the power to hire or fire Franchisee's employees, and except as herein expressly provided, Franchisor may not control or have access to Franchisee's funds or the expenditures thereof, or in any other way exercise dominion or control over the Restaurant.

16.2 During the term of this Franchise Agreement, Franchisee must hold itself out to the public as an independent contractor developing and operating the Restaurant pursuant to the rights granted by Franchisor. Franchisee must take such actions as may be necessary to that end, including, without limitation, exhibiting notices of that fact in a conspicuous place on the Restaurant Premises, on any catering or delivery vehicles, on all letterhead, business cards and forms utilized in connection with the Restaurant, and as further described in the Manuals. Franchisor reserves the right to specify in writing the content and form of such notices.

16.3 Franchisee understands and agrees that nothing in this Franchise Agreement authorizes Franchisee or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable under this Franchise Agreement or otherwise, as a result of any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom.

16.4 The parties agree that, as an independent contractor and as the developer and operator of the Restaurant, Franchisee is undertaking operation of a business that involves substantial financial and monetary risks to Franchisee and its Principals. Franchisor is a licensor of intellectual property and a provider of certain support services, and Franchisee is responsible for the day to day operation of the Restaurant and therefore primarily responsible for the level of financial success of the Restaurant.

## **ARTICLE XVII. DEFAULT AND TERMINATION**

17.1 Franchisee acknowledges and agrees that each of its obligations described in this Franchise Agreement is a material and essential obligation of Franchisee; that nonperformance of such obligations will adversely and substantially affect Franchisor and the System; and that the exercise by Franchisor of any or all of the rights and remedies set forth herein is appropriate and reasonable protect the legitimate interests of Franchisor and the System.

17.2 Franchisee shall be deemed to be in material default under this Franchise Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if: (i) Franchisee or any

of the Controlling Principals becomes insolvent or makes a general assignment for the benefit of creditors; (ii) Franchisee or any of the Controlling Principals files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; (iii) Franchisee or any of the Controlling Principals is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee or a Controlling Principal under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or over its business or assets is filed and consented to by Franchisee; (iv) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction for any reason other than the death of the Controlling Principal; (v) a final judgment against Franchisee or any Controlling Principal in excess of Fifty Thousand Dollars (\$50,000) remains unsatisfied or of record for one hundred twenty (120) days or longer, unless under appeal by Franchisee with a stay in place barring the creditor's collection of same; (vi) Franchisee is dissolved or execution is levied against the Restaurant or Franchisee's other property; or (vii) suit to foreclose any lien or mortgage against the Restaurant Premises or equipment is instituted against Franchisee and not dismissed within one hundred twenty (120) days.

17.3 Franchisee shall be deemed to be in material default under this Franchise Agreement and Franchisor may, at its option, terminate this Franchise Agreement and all rights granted hereunder without affording Franchisee any opportunity to cure (or additional opportunity to cure such default), effective immediately and automatically upon notice to Franchisee, upon the occurrence of any of the following:

17.3.1 Franchisee operates the Restaurant, or sells any products or services authorized by Franchisor for sale only at the Restaurant, at any location that has not been approved by Franchisor or for which Franchisor has withdrawn its approval;

17.3.2 Franchisee constructs or remodels the Restaurant in a manner that materially deviates from the plans and specifications provided to Franchisee under Section 5.1.3 hereof, as such plans may be adapted with Franchisor's approval in accordance with Section 2.7 hereof, and fails to correct the material deviation within thirty (30) days of receiving notice of same from Franchisor;

17.3.3 Franchisee fails to open the Restaurant for business within the time period specified in Section 2.9 hereof;

17.3.4 Franchisee, without the written consent of Franchisor, ceases to operate or abandons the Restaurant for a period of thirty (30) or more consecutive days, or loses the right to possession of the Restaurant Premises for a period of thirty (30) or more consecutive days; provided, however, that this provision shall not apply if, through no fault of Franchisee, such default is caused by an event of Force Majeure (as defined in Article XXIV), Franchisee applies within sixty (60) days after such event for Franchisor's approval to relocate or reconstruct the Restaurant (which approval shall not be unreasonably withheld or conditioned), and Franchisee diligently pursues such relocation or reconstruction to completion. If Franchisee has Business Interruption Insurance coverage applicable to the cause of the reconstruction or relocation, Franchisor's approval may be conditioned upon the payment of an agreed minimum fee to Franchisor, from the proceeds of the business interruption insurance, attributable to the period in which the Restaurant is not in operation;

17.3.5 Franchisee or any of the Controlling Principals is convicted of, or has entered a plea of nolo contendere to, a felony or a crime involving moral turpitude, or commits any other act that is

reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein, including, without limitation, acts of harassment or discrimination;

17.3.6 A material danger to public health or safety results from the construction, maintenance and/or operation of the Restaurant and is not remedied within forty-eight (48) hours of when either the Controlling Principal or the General Manager knew or reasonably should have known of the danger;

17.3.7 Franchisee fails to designate a qualified replacement or successor Operating Principal (or his designee, as applicable) or General Manager within the time required under Section 6.3, or Section 6.4, as the case may be;

17.3.8 Franchisee or any of the Controlling Principals purports to Transfer any rights or obligations under this Franchise Agreement or otherwise to Transfer any Interest to any third party without strict compliance with all applicable provisions of Article XIV hereof;

17.3.9 Franchisee or any of its Affiliates fails, refuses, or neglects promptly to pay when due any monetary obligation owing to Franchisor or any of the Eggspectation Companies under this Franchise Agreement, including, without limitation, the Royalty Fees, or to fails to submit Royalty Reports, and does not cure such default within five (5) days following written notice thereof from Franchisor;

17.3.10 Franchisee or any of the Controlling Principals breaches any of the covenants or obligations set forth in Section 10.1, 10.2 or 10.3;

17.3.11 Franchisee fails to obtain execution of the Covenants required under Section 10.8 within thirty (30) days after being requested to do so by Franchisor;

17.3.12 An approved Transfer upon death or Permanent Disability of Franchisee or any Controlling Principal is not affected within the time period and in the manner prescribed by Section 14.5, or Section 14.6, as the case may be;

17.3.13 Franchisee knowingly maintains false books or records or submits any false Royalty Reports or other reports to Franchisor;

17.3.14 Franchisee or any of the Controlling Principals breaches in any material respect any of the representations, warranties, covenants or agreements set forth in Article VI;

17.3.15 Franchisee fails to procure and maintain insurance policies as required by Article XII and Franchisee fails to cure such default within ten (10) days following written notice thereof from Franchisor;

17.3.16 Franchisee misuses or makes any unauthorized use of the Marks, and does not cease such misuse or unauthorized use within seventy-two (72) hours following written notice thereof from Franchisor;

17.3.17 Franchisee fails to comply with any of the requirements imposed by the lease for the Restaurant Premises or the related Franchise Lease Addendum, and does not cure such default within the cure period, if any, specified in the lease or the Franchise Lease Addendum;

17.3.18 Franchisee and any of the Controlling Principals commit two (2) or more material defaults under this Franchise Agreement in any twelve (12) month period, whether or not such defaults are

of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

17.3.19 Franchisee, any of its Affiliates or any of its Controlling Principals commits a material default under any other agreement with Franchisor or any of the Eggspectation Companies, and fails to cure the default within the time period permitted under such agreement, except for a failure to comply with the development schedule set forth in any Area Development Agreement with Franchisor.

17.4 Except as otherwise expressly provided in Sections 17.2 and 17.3 hereof, upon any default by Franchisee that is susceptible of being cured, Franchisor may terminate this Franchise Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid termination by promptly initiating a remedy to cure such default and curing it to Franchisor's satisfaction within such thirty (30)-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Franchise Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of such thirty (30)-day period or such longer period as applicable law may require.

17.5 The events of default and grounds for termination described in this Article XVII are in addition to any other grounds for termination contained elsewhere in this Franchise Agreement or otherwise. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy permitted by law.

## **ARTICLE XVIII. POST-TERMINATION**

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

18.1 Franchisee must immediately cease to operate the Restaurant under this Franchise Agreement, and must not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

18.2 Franchisee must immediately and permanently cease to use in commerce, in all manners whatsoever, the Marks, all distinctive forms, slogans, signs, symbols, menus, and devices associated with the System, all Customer Data, and all other Confidential Information, subject to the rights of Franchisee or its Affiliate to use those assets under a separate franchise agreement with Franchisor. However, during a period of thirty (30) days from the effective date of termination or expiration (the "Franchisor Option Period"), Franchisee must not destroy any advertising or sales materials containing the Marks, or remove from the Restaurant Premises any signage, trade dress, operating equipment, furnishings, furniture or trade fixtures that it used in operating the Restaurant, so that Franchisor can decide whether or not to exercise its options as specified in Sections 18.9 through 18.14 hereof, unless Franchisor waives those options by written notice to Franchisee.

18.3 Franchisee must take such action as may be necessary to cancel any assumed name or equivalent registration that contains any Mark and furnish Franchisor with evidence of its compliance with this obligation within thirty (30) days after termination or expiration.

18.4 If Franchisee continues to operate or subsequently begins to operate any other business, Franchisee must not use any reproduction, counterfeit, copy or colorable imitation of the Marks, the System

or the Manuals, either in connection with the new business or the promotion thereof, that is likely to cause confusion, mistake, or deception, or that is likely to dilute Franchisor's rights in and to the same.

18.5 Franchisee must pay all sums owing to Franchisor. Such sums shall include, without limitation, all damages, costs and expenses, including attorneys' fees incurred by Franchisor as a result of any default by Franchisee and/or its Controlling Principals under this Franchise Agreement, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, trade fixtures, and inventory owned by Franchisee and located on the Restaurant Premises at the time of default.

18.6 Franchisee must pay to Franchisor all damages, costs and expenses, including attorneys' fees, incurred by Franchisor in connection with obtaining any remedy for any violation of this Franchise Agreement and, subsequent to the termination or expiration of this Franchise Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article XVIII.

18.7 Franchisee must promptly deliver to Franchisor all Manuals, Confidential Information and Customer Data in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record whatsoever of any of the foregoing.

18.8 Franchisee and the Controlling Principals must comply with the restrictions on Confidential Information contained in Article X and shall also comply with the non-competition covenants contained in Article X. All persons required to execute the Covenants pursuant to Article X shall also comply with such Covenants.

18.9 Franchisee shall promptly furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks, whether located on the Restaurant Premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials upon reasonable advance notice to Franchisee and at a time and place mutually agreed upon by Franchisor and Franchisee. Franchisor shall have the option, exercisable within thirty (30) days of such inspection, to purchase any or all of the materials at Franchisee's acquisition cost. Any such materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose whatsoever unless authorized in writing by Franchisor, and Franchisee must destroy and properly dispose of such materials that Franchisor chooses not to purchase.

18.10 Upon execution of this Franchise Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in and to the signs and any menu boards bearing the Marks and used at the Restaurant are hereby assigned to Franchisor, and that upon termination or expiration of this Franchise Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further rights or interest therein. Furthermore, during the Franchisor Option Period, Franchisor shall have the option to assume possession and ownership of such signs and menu boards without payment of any additional consideration to Franchisee, provided that if Franchisor chooses to exercise this option and remove any such signs or menu boards from the Restaurant Premises, then Franchisor shall be responsible for the costs of such removal. If Franchisor does not exercise this option during the Franchisor Option Period, then promptly thereafter Franchisee must take all actions necessary to remove and destroy the signs, and remove from the menu boards any and all menu items associated with the System or the Marks.

18.11 Franchisee must, at Franchisor's option and provided it is allowed under the lease for the Restaurant Premises, assign to Franchisor any interest that Franchisee has in any lease for the Restaurant Premises. Franchisor may exercise such option by providing notice to Franchisee that it is doing so at any time during the Franchisor Option Period (as specified in Section 18.2 hereof). If Franchisor assumes the real property lease for the Restaurant Premises, then Franchisor shall not be obligated to compensate

Franchisee for the value of leasehold or the investments that Franchisee made in leasehold improvements to the Restaurant Premises. If Franchisor does not elect to exercise its option to acquire the lease for the Restaurant Premises or does not have such option, Franchisee shall, at its sole cost and expense, make such modifications or alterations to the Restaurant Premises as are necessary to distinguish the appearance of the Restaurant from that of all other Eggspectation Restaurants operating under the System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the de-identification requirements of this Section 18.11, Franchisor shall have the right to enter upon the Restaurant Premises, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

18.12 Franchisor shall have the option to assume any lease that Franchisee has for any item of equipment or trade fixtures. Franchisor may exercise such option by providing notice to Franchisee that it is doing so at any time during the Franchisor Option Period. Franchisee must, within five (5) days of receiving Franchisor's written request, provide Franchisor with a copy of each lease to which it is a party for equipment or trade fixtures subject to this option. If Franchisor exercises its option to assume any lease for equipment or trade fixtures, then Franchisor must pay Franchisee the fair value, as of the date Franchisor exercises its option, of Franchisee's leasehold interest in each specific piece of equipment or trade fixtures for which Franchisor is assuming the corresponding lease obligation. Franchisor's payment obligation shall be subject to offset as specified in the last sentence of Section 18.13 below. If the parties cannot agree on the fair value of Franchisee's leasehold interest in any such item within thirty (30) days of Franchisor's exercise of its option, the fair value will be determined by three appraisers chosen in the following manner: Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties. If the lessor of any item of equipment or trade fixtures refuses to consent to Franchisor's assumption of the lease for such item, within sixty (60) days of Franchisee's delivery to such lessor of a request to assign the lease, then Franchisor's exercise of its option with regard to such item shall be null and void.

18.13 Subject to Sections 18.9 through 18.12 hereof, Franchisor shall have the option, which it may exercise by providing notice to Franchisee during the Franchisor Option Period (as specified in Section 18.2) to purchase from Franchisee, any or all of the furniture, furnishings, equipment (including any electronic cash register or computer hardware and software systems), trade fixtures, motor vehicles, supplies, and inventory related to the operation of the Restaurant that Franchisee owns (the "Tangible Personal Property"), at its fair market value as of the date Franchisor exercises its option or Franchisee's acquisition cost, whichever is less. Franchisee must, within five (5) days of receiving Franchisor's written request, provide Franchisor with a list of each item of its Tangible Personal Property that includes the month and year of purchase and the original acquisition cost of such item. Unless otherwise agreed in writing, any purchase pursuant to this Section 18.13 will be a purchase of assets only and Franchisor will not be deemed to assume any liabilities or obligations with respect thereto. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, the fair market value will be determined pursuant to the appraisal process described in Section 18.12 above. If Franchisor elects to exercise any option to purchase pursuant to this Section 18.13, Franchisor may set off against any payment therefore (i) all fees for any such independent appraiser due from Franchisee hereunder, and (ii) all amounts due from Franchisee and/or its Affiliates to Franchisor and/or any of the Eggspectation Companies.

18.14 With respect to the options described in Sections 18.11 through 18.13, Franchisee must deliver to Franchisor in a form reasonably satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor reasonably deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not provided all warranties, releases of lien, bills of sale, assignments and such other documents and



instruments, Franchisor may place a reasonable and mutually agreeable portion of the purchase price in escrow pending receipt thereof.

18.15 The time for closing of the purchase and sale of any property pursuant to Section 18.13, or the assumption of any personal property leases pursuant to Section 18.12 hereof, shall be a date not later than thirty (30) days after the purchase price is determined by the parties, or the appraisers, as the case may be, or such date Franchisor receives and obtains any and all necessary permits and approvals, whichever is later, unless the parties agree to designate another date. The time for closing on the assignment of any lease described in Section 18.11 shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder, unless Franchisor is exercising its options under either Section 18.12 or 18.13, in which case the date of the closing shall be on the same closing date prescribed for such option under Section 18.12 and/or Section 18.13. Closing shall take place by mail as a "New York Styled Closing" or at such other location or by such other means as the parties may agree.

18.16 Franchisor may assign any and all of its options in this Article XVIII to any other party without the consent of Franchisee.

18.17 Franchisor shall have the option, if it assumes the real property lease for the Restaurant Premises pursuant to Section 18.11 and its options as to certain tangible property pursuant to Section 18.12 and/or 18.13, to require Franchisee to transfer control over the Restaurant and all property therein that Franchisor is acquiring within ten (10) days after Franchisor's exercise of its options, subject to Franchisee's right to compensation for tangible personal property pursuant to Sections 18.12 and/or 18.13. If Franchisor assumes control over the Restaurant pending determination of the value of the assets that Franchisor is purchasing, then at determination of such value Franchisor also shall be obligated to pay Franchisee compensation for its use of such personal property during the period between when Franchisor assumes control over it and closing of Franchisor's purchase of such assets or lease rights pursuant to Section 18.16 above.

18.18 Franchisee, at the option of Franchisor, must cease using or assign to Franchisor all rights to the telephone numbers of the Restaurant and the Franchised Business and any related advertisement or listing containing any of those numbers. Further, Franchisee, at the option of Franchisor, must cease using and assign to Franchisor all Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses and any and all other similar listings or usage that are associated with the Marks and the formerly Franchised Business (the "Internet Assets"). Franchisor shall have the option to assume such assets by sending written notice thereof to Franchisee during the Franchisor Option Period, and if Franchisor exercises any such option then it shall not be obligated to compensate Franchisee for the value of such assets, each of which Franchisee acknowledges to be fully associated with the Marks and the System. If Franchisor exercises any such options, Franchisee must execute and deliver all forms and documents required by Franchisor and any third-party provider of telephone service and/or Internet domain registries to transfer such assets to Franchisor and/or participate in any "live" or "real time" processes required to assign control over telephone numbers or Internet assets. If Franchisor does not exercise its options over the telephone number and/or Internet Assets, then Franchisee must cease all use and terminate all of its accounts for any such assets not assumed within ten (10) days after expiration of the Franchisor Option Period or the date Franchisor delivers a written notice waiving its options, whichever occurs first.

18.19 Franchisee agrees to timely execute any legal document that may be necessary to effectuate the termination of this Franchise Agreement and to furnish to Franchisor, within ninety (90) days after the

effective date of termination, written evidence satisfactory to Franchisor of Franchisee's compliance with the obligations set forth in Sections 18.1 through 18.11 and Section 18.18, above.

18.20 Other than as specifically set forth above, Franchisee will have no interest in the Restaurant upon termination or expiration of this Franchise Agreement.

## **ARTICLE XIX. ALTERNATIVE REMEDIES**

19.1 In addition to its right of termination under Article XVII, in the event Franchisee or any Controlling Principal commits one (1) or more defaults as identified in Sections 17.2, 17.3 or 17.4 of this Franchise Agreement, which defaults continue beyond any applicable notice and cure periods, the following non-exclusive alternative remedies will be available to Franchisor:

19.1.1 the rights set forth in Section 1.6 hereof shall not apply, Franchisee being deemed to have waived such rights by virtue of such uncured default. If Franchisor grants a franchise to a third party to operate an Eggspectation Restaurant within Franchisee's Assigned Area pursuant to this Section 19.1.1, such grant and the subsequent operation of such Restaurant will not constitute a violation of Franchisee's rights within the Assigned Area.

19.1.2 During any period in which Franchisee or any Controlling Principal is in default under this Franchise Agreement beyond any notice and cure period, Franchisor will have the right, but not the obligation, to send its representatives to the Restaurant Premises to operate the Restaurant during the period of default that continues after any applicable notice and cure period and until such time as Franchisee or its Controlling Principles have satisfactorily completed any and all remedial training required by Franchisor or cured such default, or until Franchisor terminates this Franchise Agreement pursuant to Article XVII, but in no event for more than ninety (90) days, renewable as necessary for up to one (1) year. Franchisee agrees to permit Franchisor's representatives to enter the Restaurant Premises for this purpose, to fully comply with their reasonable and lawful directions concerning operation of the Restaurant, and to take no action that would hinder their operation of the Restaurant. Franchisor will periodically discuss the status of the Restaurant's operations with Franchisee and provide Franchisee with such reasonable reports as shall be requested by Franchisee. Franchisee will be obligated to reimburse Franchisor for its costs and expenses incurred in providing one or more representatives to operate the Restaurant, including, without limitation, reasonable salaries and travel and lodging expenses. Franchisee also will be responsible for all costs incurred for Franchisee or its Controlling Principals to attend any required remedial training programs, including travel and lodging expenses and Franchisor's then-current training fee.

19.2 The remedies described in this Article are in addition to any other remedies available to Franchisor under this Franchise Agreement or otherwise. No right or remedy herein conferred on or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law, this Franchise Agreement or other agreement between Franchisor and Franchisee or a Controlling Principal.

## **ARTICLE XX. ARBITRATION**

20.1 Subject to the provisions contained in this Article XX, the parties agree to submit any and all claims, controversies and disputes between the parties arising out of or relating to this Franchise Agreement (including all Schedules and Exhibits attached hereto) and/or the relationship created by this Franchise Agreement (each, a "Dispute") to binding arbitration in accordance with the Commercial Rule Arbitration Rule of the American Arbitration Association ("AAA") or a comparable organization if AAA ceases to exist. The arbitration shall be conducted in Baltimore, Maryland by a single arbitrator (who shall be agreed upon by the parties) experienced in the arbitration of disputes between franchisors and franchisees. Any arbitration will be conducted on an individual basis and not on a consolidated or class-wide basis. If the parties are unable to agree on an arbitrator within thirty (30) days following delivery

from either party of a notice of such party's desire to submit the Dispute to arbitration, the arbitrator shall be selected in accordance with the AAA's arbitrator selection process. The arbitrator shall apply the Federal Rules of Evidence during the conduct of the hearing with respect to the admissibility of evidence. If such rules conflict in any way with the provisions of this Franchise Agreement, the terms of this Franchise Agreement shall control. The arbitrator shall apply Maryland law for purposes of arbitrating the Dispute.

20.2 The costs and expenses of the arbitration, including compensation and expenses of the arbitrator (excluding the attorneys' fees and other professional fees incurred by either party), shall be borne by the parties equally; provided, that the arbitrator may award costs and fees (including attorneys' fees) to the prevailing party, if any.

20.3 Notwithstanding anything herein, the mandatory arbitration provision of Section 20.1 shall not apply to (i) actions by either party for temporary or preliminary injunctive relief, and (ii) actions, which under applicable law, are not permitted to be arbitrated.

20.4 The parties hereby acknowledge and agree that a claim relating to this Franchise Agreement, except for a claim that Franchisee has underreported or misrepresented the Gross Sales of the Restaurant, must be filed with the AAA within one (1) year after the occurrence of the act or omission that is the subject of the suit, action or other legal proceeding.

20.5 Only Disputes involving Franchisor, Franchisee or any of the Principals may be brought under this Article XX. No claim for or on behalf of any other franchisee or other party may be brought by Franchisor, Franchisee or the Controlling Principals hereunder.

20.6 The parties hereto recognize, and any arbitrator is affirmatively advised, that certain provisions of this Franchise Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of our business judgment based on our assessment of the overall best interests of the Eggspectation® System. Where Franchisor has exercised the discretion described in the prior sentence, and has done so in a manner consistent with the obligations of corporate directors under the business judgment rule and with this Franchise Agreement, then the arbitrator may not substitute his or her judgment of the appropriate course of conduct for the judgment so exercised by Franchisor.

20.7 Both parties waive, to the greatest extent permitted by law, its right to seek or be awarded punitive or exemplary damages by an arbitrator, except that Franchisor may seek and obtain an award against Franchisee of trebled damages for trademark infringement should Franchisee continue to use the Marks after termination of the Franchise Agreement.

20.8 The foregoing provisions notwithstanding, if any court finds that the punitive damages limitation or class action waiver contained in this Article is unconscionable or otherwise unenforceable, then either party may require a dispute otherwise subject to this Article XX to be decided by a court in accordance with the terms of this Franchise Agreement without first submitting the dispute to arbitration.

20.9 FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING GOVERNING LAW AND FORUM SET FORTH IN SECTION 20.1 HEREOF PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS FRANCHISE AGREEMENT AND DISPUTES ARISING OUT OF THIS FRANCHISE AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS FRANCHISE AGREEMENT. EACH OF FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT TO COMPLY WITH THE PROVISIONS OF SECTION 20.1 HAVE BEEN

NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS FRANCHISE AGREEMENT.

20.10 THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER WITH RESPECT TO ANY AND ALL MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS FRANCHISE AGREEMENT. THIS WAIVER IS A MATERIAL INDUCEMENT FOR FRANCHISOR AND FRANCHISEE TO ENTER INTO THIS FRANCHISE AGREEMENT.

20.11 A party that is successful in enforcing its rights under this Franchise Agreement through commencement of an action in arbitration shall be entitled to an award of its costs (including charges for investigation and preparation, expert witness, the arbitrator and the arbitration administrator) and reasonable attorney fees incurred in such arbitration.

20.12 This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Franchise Agreement. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

20.13 The provisions in this Article are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement. Furthermore, this Article will be construed as independent of any other covenant or provision of this Franchise Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law.

## **ARTICLE XXI. GENERAL DISPUTE RESOLUTION PROVISIONS**

21.1 With respect to any and all claims, controversies and disputes between the parties arising out of or relating to this Franchise Agreement (including all Schedules and Exhibits attached hereto) and/or the relationship created by this Franchise Agreement (each, a "Dispute"), Franchisor, Franchisee and all Controlling Principals hereby irrevocably submit themselves to the jurisdiction of the United States District Court for the District of Maryland or any Maryland State Court having jurisdiction over the subject matter of the dispute. Each party hereby consents to the exercise of personal jurisdiction by any such court with respect to any such proceeding.

21.2 EACH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE ARISING UNDER OR RELATING TO THIS FRANCHISE AGREEMENT.

21.3 FRANCHISEE AND THE CONTROLLING PRINCIPALS ACKNOWLEDGE AND UNDERSTAND THAT FRANCHISOR MAY GRANT NUMEROUS FRANCHISES THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS FRANCHISE AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR THAT SUCH TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. ACCORDINGLY, THE PARTIES HEREBY AGREE THAT, UNLESS THE LAW OF THE STATE WHERE THE APPROVED LOCATION IS SITUATED DOES NOT PERMIT ENFORCEMENT OF THIS PROVISION, THIS FRANCHISE AGREEMENT AND ALL OTHER ISSUES CONCERNING THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND. HOWEVER, THE LEGALITY OR ENFORCEABILITY OF SECTION 8.8 (PRICING) SHALL BE GOVERNED BY THE LAW OF THE STATE WHERE THE

RESTAURANT IS LOCATED. FURTHERMORE, UNLESS THE FRANCHISEE IS DOMICILED IN MARYLAND, OR THE APPROVED LOCATION OR ASSIGNED AREA IS WITHIN THE BOUNDARIES OF THE STATE OF MARYLAND, FRANCHISEE HEREBY WAIVES ANY RIGHT TO BRING AN ACTION UNDER THE MARYLAND FRANCHISE REGISTRATION & DISCLOSURE LAW, IT BEING ACKNOWLEDGED BY FRANCHISEE THAT THE PURPOSE OF SUCH LAW IS TO PROTECT MARYLAND FRANCHISEES.

21.4 FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING GOVERNING LAW, JURISDICTION AND VENUE SET FORTH IN SECTIONS 21.1 AND 21.3 HEREOF PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS FRANCHISE AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS FRANCHISE AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS FRANCHISE AGREEMENT. EACH OF FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING GOVERNING LAW, JURISDICTION AND VENUE HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS FRANCHISE AGREEMENT.

21.5 In the event that any proceedings are filed by one party against the other party to enforce or defend any of the covenants or conditions hereto, the party in whose favor final judgment shall be entered shall be entitled to recover from the other reasonable attorneys' fees and related litigation expenses, to be set and ordered by the court in which the judgment is entered.

21.6 Any litigation or other dispute resolution proceedings between or among Franchisee or its Controlling Principals and Franchisor or any Franchisor Party will be conducted on an individual basis and not on a consolidated or class-wide basis.

I specifically acknowledge having reviewed and agreed to provisions in Section 21 of this Franchise Agreement.

\_\_\_\_\_  
Operating Principal of Franchisee (signature)

## ARTICLE XXII. MISCELLANEOUS

### 22.1 Notice.

22.1.1 Any and all notices, requests, demands and other communications required or permitted under this Franchise Agreement must be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, sent by electronic mail with delivery receipt (provided that, for notices of default, termination or renewal, or requesting transfer approval, a hard copy of the message also must be sent by postal mail to recipient on the same day), or mailed by certified or registered mail, postage pre-paid to Franchisee at the notice contact information identified in Schedule A, and to Franchisor as follows:

If to Franchisor:	Eggspectation Restaurants, LLC 9433 Common Brook Road #209 Owings Mills, MD 21117 Attention: Castrenze "Enzo" Renda Email: <a href="mailto:cr@eggspectation.com">cr@eggspectation.com</a>
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With a copy to: David L. Cahn, Esq.  
Offit Kurman, P.A.  
1954 Greenspring Drive  
Timonium, Maryland 21093  
Email: [david.cahn@offitkurman.com](mailto:david.cahn@offitkurman.com)

A notice shall be effective when delivered, if delivered personally or by delivery service, upon receipt of written verification of successful electronic mail transmission (subject to the requirement of mailing a printed version of certain notices to the recipient on that same day), or five (5) business days after being mailed.

22.1.2 Notwithstanding Section 22.1.1 above, Franchisor may provide Franchisee with routine information, the Manuals and other System requirements and programs, such as the quality assurance program, by regular mail or by e-mail, the internet, an extranet, or other electronic means.

22.2 Entire Agreement. This Franchise Agreement (including all Schedules, Addendums, and Exhibits attached hereto) and the agreements and documents referred to herein and all agreements executed simultaneously herewith, contain the entire, full and complete agreement and understanding among the Franchisee, the Controlling Principals and Franchisor with respect to the subject matter hereof, including, without limitation, the Restaurant and the Franchised Business, and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written; however, nothing in this Franchise Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document provided to Franchisee by Franchisor in connection with this Franchise Agreement.

22.3 Amendment; Waiver. Except as otherwise expressly provided in this Franchise Agreement, no amendment, modification or waiver of this Franchise Agreement shall be binding unless executed in writing by both parties hereto, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Franchise Agreement shall constitute a waiver of any other provision of this Franchise Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing. No failure of a party to exercise any power reserved to it by this Franchise Agreement, or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of such party's right thereafter to demand exact compliance with any of the terms herein. Waiver by a party of any particular default by the other party shall not affect or impair such party's rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, forbearance, or omission of a party to exercise any power or right arising out of any breach or default by the other party of any of the terms, provisions, or covenants hereof, affect or impair such party's right to exercise the same.

22.4 Franchisor Consent. Whenever this Franchise Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent must be obtained in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any consent, waiver, approval, advice, or suggestion to Franchisee in connection with this Franchise Agreement, or by reason of any delay in acting on or its denial of any request therefore.

22.5 Force Majeure. If a Force Majeure event occurs, then, in addition to payments required under Section 17.3.4, Franchisee must continue to pay to Franchisor any and all amounts that it became obligated to pay prior to the occurrence of any Force Majeure event, and the Franchisor Parties shall continue to be indemnified and held harmless by Franchisee in accordance with Article XV hereof. Except

as provided in the immediately preceding sentence and Section 17.3.4, and subject to full compliance with the requirements of this Section 22.5, no party hereto may be held liable for a failure to comply with any terms and conditions of this Franchise Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any Force Majeure event, the party affected thereby must give prompt written notice thereof to the other parties, together with a description of the event, the duration for which the party reasonably expects its ability to comply with the provisions of this Franchise Agreement to be affected thereby and a commercially reasonable plan for resuming operation under this Franchise Agreement, which the party must promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

22.6 Captions. All captions in this Franchise Agreement are intended solely for the convenience of the parties, and none shall be deemed to limit, modify or affect the meaning or construction of any provision hereof nor shall such captions otherwise be given any legal effect.

22.7 Survival. Any obligation of Franchisor, Franchisee or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Franchise Agreement, or after the Transfer of any interest of Franchisee or the Controlling Principals therein, shall be deemed to survive such termination or expiration of this Franchise Agreement, or Transfer of such Interest, as the case may be.

22.8 Severability. If any provision or part of any provision of this Franchise Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Franchise Agreement, and this Franchise Agreement shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

22.9 Interpretation. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. All references to “including” shall be construed as meaning “including, but not limited to.”

22.10 Remedies. All rights and remedies of the parties to this Franchise Agreement shall be cumulative and not alternative, and shall be in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity. The rights and remedies of the parties to this Franchise Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or termination of this Franchise Agreement, or exercise of Franchisor's rights pursuant to Article XVII hereof, shall not discharge or release Franchisor, Franchisee or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or termination of this Franchise Agreement, or Franchisor's exercise of its rights pursuant to Article XVII of this Franchise Agreement.

22.11 Third Party Beneficiaries. Except as otherwise expressly provided in this Franchise Agreement, nothing in this Franchise Agreement is intended, nor shall be deemed, to confer upon any individual or entity other than Franchisee, Franchisor and the Franchisor Parties any rights or remedies under or as a result of this Franchise Agreement.

22.12 Counterparts. This Franchise Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement. This

Franchise Agreement may be executed and delivered by digital transmission, or through electronic signature methods, with the same force and effect as if it were executed and delivered by the parties in the presence of one another.

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

22.14 Exemption from FTC Franchise Rule. If Franchisee's Controlling Principals will have a financial stake of at least One Million Four Hundred And Sixty Nine Thousand Six Hundred Dollars (\$1,469,600) in the Restaurant, whether provided by (a) personal loan to the entity, (b) cash investment for equity, or (c) issuing a joint and several personal guarantee of a third party's loan to the entity (such as bank financing), then each such Controlling Principal must sign the Acknowledgement of Exemption from the Federal Trade Commission Franchise Sales Rule that is Exhibit 5 to this Franchise Agreement.

## **ARTICLE XXIII. DEFINITIONS**

The following Capitalized Terms shall have the meanings indicated:

"Accounting Period" has the meaning set forth in Section 4.2.

"Affiliate" means either a natural person or any type of legal entity, including any partnership, limited partnership, limited liability company, corporation, firm, trust, body corporate, government, governmental body or agency, or unincorporated venture (any of which is a "Person") that: (a) directly or indirectly controls or is controlled by a party to this Agreement; or (b) is directly or indirectly controlled by a Person that also directly or indirectly controls a party to this Agreement. A Person controls another Person if that first Person has the power to direct or cause the direction of the management of the other Person, whether directly or indirectly, through one or more intermediaries or otherwise, and whether by ownership of shares or other equity interests, the holding of voting rights or contractual rights, by being the general partner of a limited partnership, or otherwise.

"Aggregate Sales" has the meaning set forth in Section 4.7.

"Approved Location" has the meaning set forth in Section 1.1.

"Area of Primary Responsibility" has the meaning set forth in Section 8.2.

"Assigned Area" has the meaning set forth in Section 1.5.



"Confidential Information" has the meaning set forth in Section 10.1.

"Controlling Interest" has the meaning set forth in Section 14.9.

"Controlling Principals" means and includes, collectively and individually, all Franchisee's Principals who are designated by Franchisor from time to time as a Controlling Principal hereunder. The Controlling Principals as of the Effective Date are identified on Schedule A.

"Cooperative" has the meaning set forth in Section 8.4

"Covenants" has the meaning set forth in Section 6.2.12.

"Customer Data" has the meaning set forth in Section 10.1.

"Deceased", used as a noun for "the Deceased", has the meaning set forth in Section 14.5.

"Effective Date" means the date on which both Franchisor and Franchisee have signed this Agreement.

"EFT" has the meaning set forth in Section 4.2.

"Eggspectation Companies" has the meaning set forth in Section 1.4.

"Eggspectation Restaurant" has the meaning set forth in Section 1.1.

"Election Notice" has the meaning set forth in Section 14.3.

"Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe beyond a party's control, which cannot be overcome by use of normal commercial measures. With regard to Franchisee, a Force Majeure shall occur only if the Franchisee is completely prevented from operating the Restaurant, and not if operation is limited but not completely suspended.

"Franchisee's Principals" means (i) each Controlling Principal, (ii) all directors and officers of Franchisee; and (iii) all holders of a direct or indirect ownership interest in Franchisee. The Franchisee's Principals as of the Effective Date are identified on Schedule A.

"Franchisor Parties" has the meaning set forth in Section 3.2.8.

"Fund" has the meaning set forth in Section 8.3.

"General Manager" has the meaning set forth in Section 6.4 of this Franchise Agreement.

"Interest" has the meaning set forth in Section 14.2 of this Franchise Agreement.

"Late Fee" has the meaning set forth in Section 4.6.

"Local Advertising" has the meaning set forth in Section 8.2.

"Losses and Expenses" has the meaning set forth in Section 15.5 of this Franchise Agreement.

"Manuals" means Franchisor's Operating Manual containing the official operating standards, specifications and procedures prescribed by Franchisor from time to time for the operation of an Eggspectation Restaurant, and such other written materials as Franchisor shall develop for Franchisee's use in operating the Restaurant, all as may be revised, amended and/or supplemented from time to time.

"Marketing Fee" has the meaning set forth in Section 8.3.

"Marks" has the meaning set forth in the Recitals.

"Offer Notice" has the meaning set forth in Section 14.3.

"Opening Date" means the day on which Franchisee first serves meals to members of the general public, whether to consumers who previously reserved a table or to "walk-in" consumers. Private ribbon cutting or invitation-only "pre-opening events" do not constitute the opening of the Restaurant to the public.

"Operating Principal" has the meaning set forth in Section 6.3 of this Franchise Agreement.

"Option Period" has the meaning set forth in Section 14.3.

"Permanent Disability" has the meaning set forth in Section 14.6.

"Prohibited Item" has the meaning set forth in Section 7.11.

"Publicly-held Corporation" means a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

"Restaurant" has the meaning set forth in Section 1.1.

"Restaurant Premises" has the meaning set forth in Section 3.1.

"Royalty Fee" has the meaning set forth in Section 4.2.

"Royalty Report" has the meaning set forth in Section 4.3.

"Seller" has the meaning set forth in Section 14.3.

"Seller's Interest" has the meaning set forth in Section 14.3.

"Statement Period" has the meaning set forth in Section 11.2.1.

"System" has the meaning set forth in the Recitals.

"Taxes" has the meaning set forth in Section 13.2.

"Third Party Offer" has the meaning set forth in Section 14.3.

"Transfer" has the meaning set forth in Section 14.2.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Franchise Agreement as of the Effective Date.

ATTEST/WITNESS:

FRANCHISEE

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_

FRANCHISOR

EGGSPECTATION RESTAURANTS, LLC

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name: Castrenze “Enzo” Renda  
Title: Chief Executive Officer

Date: \_\_\_\_\_

ACKNOWLEDGED AND AGREED:

OPERATING PRINCIPAL:

\_\_\_\_\_  
Name:

Date: \_\_\_\_\_

**SCHEDULE A**

APPROVED LOCATION, AREA OF PRIMARY RESPONSIBILITY, OPENING DATE,  
STATEMENT OF OWNERSHIP INTERESTS, FRANCHISEE'S PRINCIPALS AND CONTROLLING  
PRINCIPALS

Franchisee's Contact Information

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Email: \_\_\_\_\_

Approved Location:

Assigned Area:

Area of Primary Responsibility:  
(for marketing purposes)

Opening Date:

Operating Principal

Controlling Principals

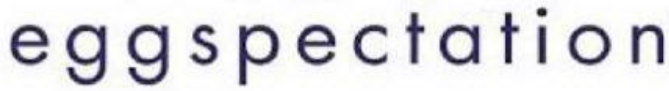

Franchisee's Principals

Statement of Ownership Interest (by  
percentages or shares owned):

## **SCHEDULE B**

### **THE MARKS**

The “Marks” include, without limitation, the following. Franchisor reserves the right to modify or discontinue use of any or all of the Marks, and to designate additional Marks, throughout the term of the Agreement as it deems appropriate in its reasonable business judgment.

Mark	Registration Number	Registration Date
	4850659	November 10, 2015
EGGSPECTATION	3585833	March 10, 2009
	3645692	June 30, 2009
GRAB THE DAY BY THE EGGS	4052972	November 8, 2011

### **TRADE DRESS**

The Trade Dress for Eggspectation restaurants, which may be revised by Franchisor from time to time in its reasonable business judgment, consists of:

Walls inside the restaurant are covered with vinyl wall covering imitating an off-white/taupe concrete looking texture, which gives warmth to the space.

The floor is made out of poured concrete with an epoxy finish to give an industrial look.

The entire restaurant is surrounded by different types of wood that fit and coordinate well together: reclaimed barn wood for feature walls, pine wood for the library, bar fascia & shelving, antique white painted wood for the low walls and walnut table tops for the furniture.

Bathrooms have an industrial style since they are covered with black bevelled subway tiles and industrial stainless-steel vanity with old style wall mounted faucets, but with more recent technologies such as electronically operated, and black and white wallpaper with different writing styles.

Kitchen wall is made out of an organic textured glass mixed with raw black steel metal serving as the frames. The choice of material was to create a semi-open kitchen concept – bringing action and dynamism to the restaurant space, while giving the chefs some privacy.

Bar countertop is made out of large quartz slab with grey veining that gives a nice clean marble look.

The industrial look is characterized by the exposed concrete columns, exposed black piping ceiling, brick walls and bevelled subway tiles.

Feature walls made out of recycled barn wood with nice variations of colors such as warm light and dark walnut, whites, greys, etc. – also giving a rustic look.

Seating arrangements include banquette style dining, a large communal table that can accommodate up to 12-14 people, bar seating and the library where a brown leather banquette and loose chairs are integrated, which offers a more private type of dining.

Tables are made out of industrial black metal base, some of them with custom metal tubing & bracing. The communal table top is made out a tree slab with resin coating.

The chairs are a mix of different antique style chairs, made out of solid wood and all painted in white to give a more uniform look.

The eclectic industrial lighting made out of metal grill with Edison bulbs, some of them are chandeliers composed of smoked glass balls, or decorative crystal chandeliers to ornate the washrooms.

## **EXHIBIT 1**

### **FRANCHISE LEASE ADDENDUM AND COLLATERAL ASSIGNMENT**

This FRANCHISE LEASE ADDENDUM AND COLLATERAL ASSIGNMENT (the "Addendum") is entered into on \_\_\_\_\_ (the "Effective Date") by and between Eggspectation Restaurants, LLC, a Maryland limited liability company (the "Franchisor"), \_\_\_\_\_, a \_\_\_\_\_ (the "Franchisee"), and \_\_\_\_\_, a \_\_\_\_\_ (the "Landlord").

### **RECITALS**

WHEREAS, Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "Franchise Agreement"), whereby Franchisor granted to Franchisee the right and license to operate a restaurant (the "Restaurant") using Franchisor's Marks and the System (as those terms are defined in the Franchise Agreement).

WHEREAS, Franchisee and Landlord are parties to that certain [Lease Agreement] by which Franchisee, as tenant or lessee thereunder, agrees to lease from Landlord those premises located at \_\_\_\_\_, which premises are more fully identified in the Lease (the "Leased Premises").

WHEREAS, in consideration of, and as a condition to, Franchisor granting to Franchisee the right and license to operate the Restaurant on and from the Leased Premises in accordance with the terms of the Franchise Agreement, and as security for Franchisee's obligations under the Franchise Agreement, Franchisee agreed to make a collateral assignment of Franchisee's interest in, to and under the Lease.

WHEREAS, Franchisee is willing to assign all of its rights, title and interest in, to and under the Lease (including all deposits paid by or for the benefit of Franchisee) to Franchisor, which collateral assignment may be exercised upon the occurrence of the termination or expiration of the Franchise Agreement for any reason or upon Franchisee's uncured default under the Lease.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee and Franchisor hereby agree as follows:

1. Collateral Assignment. Franchisee hereby unconditionally and irrevocably assigns, transfers and conveys unto Franchisor any and all of its right, title and interest as tenant or lessee in, to and under the Lease in trust to secure to Franchisor the payment and performance of all of Franchisee's obligations under the Franchise Agreement, fully intending that Franchisor shall have all rights, powers, privileges and interests, and shall be entitled to all benefits, as the tenant or lessee under the Lease, to the same degree and extent as though the Lease had been made between the Landlord and Franchisor.

2. Triggering Event.

2.1 Franchisor hereby agrees that it will not enforce or exercise, or seek to enforce or exercise, any of the rights, powers and privileges of the tenant or lessee under the Lease except (i) upon the occurrence of termination or expiration of the Franchise Agreement for any reason, or (ii) upon Franchisee's uncured default under the Lease or this Assignment (each, a "Triggering Event").

2.2 Unless and until a Triggering Event has occurred and Franchisor has delivered written notice to Franchisee of Franchisor's intention to enforce its rights under this Assignment ("Election

Notice"), as between Franchisee and Franchisor, Franchisee may continue to exercise all rights, powers and privileges, and to otherwise enjoy all other benefits, as tenant or lessee under the Lease.

2.3 Landlord must send any and all notices of default under the Lease to Franchisor, by the same method of notice prescribed in the lease, to Franchisor's notice address as seasonably updated by Franchisor from time to time. Franchisor's current notice address is 9433 Common Brook Road #209, Owings Mills, Maryland 21117, Attention: Castrenze "Enzo" Renda, Email: cr@eggspectation.com. In the event of Franchisee's default under the Lease, Franchisor shall have the right, but not the obligation, until such default is cured, to cure such default, and take any action, including taking possession of the Leased Premises, to preserve Franchisee's rights under the Lease and Franchisor's rights under this Assignment and the Franchise Agreement. Under the terms of the Lease, Franchisee and Landlord have granted to Franchisor the right of access to the Leased Premises for this purpose if such action is deemed necessary by Franchisor.

2.4 Upon delivery of an Election Notice to Franchisee, and dispatch of a copy of said notice to the Landlord, it shall be conclusively presumed by the parties hereto and the Landlord that Franchisee is no longer entitled to the use or occupancy of the Leased Premises and that all of Franchisee's rights, title and interest in and to the Lease have in all respects terminated and are by the terms of this Assignment assigned to Franchisor and assumed by Franchisor. Immediately following delivery of such Election Notice, Franchisee shall vacate the Leased Premises. The Landlord shall have no obligation to inquire any further into the matter, and Franchisee hereby expressly authorizes and requests the Landlord to act in accordance with the terms of this Assignment. Franchisee and Franchisor hereby agree that under no circumstance will either party assert any claim or cause of action against the Landlord for Landlord's reliance on, or compliance with, the terms of this Assignment.

2.5 In the event of Franchisee's failure or refusal to vacate the Leased Premises immediately following a Triggering Event and delivery of an Election Notice, Franchisor is hereby specifically authorized to enter upon and remove Franchisee and Franchisee's personal property without liability, from the Leased Premises by self-help, summary proceedings or otherwise. Franchisee shall be responsible for the payment of reasonable attorneys' fees and court costs incurred by Franchisor in connection with the prosecution of any action against Franchisee under this Franchise Agreement. The parties specifically agree that the remedies granted herein to Franchisor are in addition to and not in substitution of any or all other remedies available at law or equity.

3. Lease Obligations. The parties hereby acknowledge and agree that this Assignment is executed only as collateral security for Franchisee's obligations under the Franchise Agreement, and the execution and delivery hereof shall not subject Franchisor to any liability under the Lease, or in any way affect or modify the liability of Franchisee under the Lease. Franchisee hereby agrees that (i) all obligations and liabilities of Franchisee under the Lease shall be and remain enforceable against Franchisee, (ii) Franchisor shall not be obligated to perform or discharge any obligation, duty or liability as tenant or lessee under the Lease by reason of this Assignment, and (iii) this Assignment and Franchisor's performance hereunder or under the Lease shall not release Franchisee from any liability or obligation under the Lease. If Franchisor exercises any rights, powers or privileges under the Lease pursuant to this Assignment, Franchisee shall continue to be fully liable and responsible for all undischarged obligations or liabilities of Franchisee under the Lease.



4. Representations and Warranties of Franchisee. Franchisee hereby represents and warrants to Franchisor that:

4.1 as of the date hereof, neither Franchisee nor (to the knowledge of Franchisee) Landlord is in default of any provision of the Lease; and

4.2 Franchisee has not executed any prior assignment of the Lease nor has it performed any acts or executed any other instrument which might prevent or limit Franchisor from exercising its rights under any of the provisions of the Lease or this Assignment.

5. Covenants of Franchisee. Franchisee hereby covenants and agrees as follows:

5.1 Franchisee must deliver prompt written notice to Franchisor of any default by Franchisee or Landlord under the Lease; and

5.2 Franchisee may not do, or suffer to be done, any of the following acts without obtaining the prior written consent of Franchisor: (i) cancel the Lease; (ii) surrender the Lease; (iii) assign the Lease or any interest therein; (iv) execute or grant any amendment or modification of the Lease, (v) assign any deposit paid by or for the benefit of Franchisee under the Lease; or (vi) fail to perform any obligation of Franchisee in accordance with the provisions of the Lease. Any of said acts, if done or suffered to be done without Franchisor's prior written consent, shall constitute a default hereunder.

6. Use of the Premises and of the Marks. During the term of the Franchise Agreement, the Leased Premises may be used only for the operation of the Restaurant, and Landlord hereby consents to Tenant's use of the Marks and signs, decor items, color schemes and related components of the System (as those terms are defined in the Franchise Agreement). Franchisor may enter the Leased Premises to make any modification necessary to protect the System and Marks or to cure any default under the Franchise Agreement or under the lease, without being guilty of trespass or any other crime or tort. Landlord will not be responsible for any expenses or damages resulting from Franchisor's conduct of such activities.

6. Notices. Any notice or other communication required or permitted hereunder must be in writing and shall be given in accordance with the applicable provisions of the Franchise Agreement.

7. Dispute Resolution. Any and all disputes arising under or in connection with this Assignment shall be resolved in accordance with the arbitration and other dispute resolution provisions of the Franchise Agreement.

8. Remedies. All rights and remedies of Franchisor hereunder shall be cumulative and not alternative, and shall be in addition to and not exclusive of any other rights or remedies that may be available to Franchisor under this Assignment or the Franchise Agreement, at law or in equity.

9. Indemnification. Franchisee shall, at all times, indemnify and hold harmless Franchisor from and against any and all claims, liabilities, losses, damages, costs and expenses (including attorneys' fees and court costs) arising out of or relating to (i) the violation or breach by Franchisee of any representation, warranty, covenant, agreement or obligation under this Assignment or the Lease, (ii) the period prior to Franchisor taking possession of the Leased Premises pursuant hereto, or (iii) Franchisee's use and occupancy of the Leased Premises.

10. Miscellaneous.

10.1 Entire Agreement. This Assignment (together with the Franchise Agreement) constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and

all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

10.2 Amendment; Waiver. No amendment, modification or waiver of this Assignment shall be binding unless executed in writing by both parties hereto, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Assignment shall constitute a waiver of any other provision of this Assignment, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing. No failure of Franchisor to exercise any right under this Assignment, or to insist upon Franchisee's strict compliance with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right thereafter to demand exact compliance with any of the terms herein.

10.3 Severability. If any provision or part of any provision of this Assignment shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Assignment, and this Assignment shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

10.4 Waiver of Jury Trial. THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS ASSIGNMENT.

10.5 Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement. This Assignment may be executed and delivered via facsimile transmission with the same force and effect as if it were executed and delivered by the parties in the presence of one another.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed as of the date first above written.

FRANCHISEE

By: \_\_\_\_\_(SEAL)

Name:

Title:

Date: \_\_\_\_\_

FRANCHISOR

EGGSPECTION RESTAURANTS, LLC

By: \_\_\_\_\_(SEAL)

Name: Castrenze Renda

Title: Chief Executive Officer

Date: \_\_\_\_\_

LANDLORD

By: \_\_\_\_\_(SEAL)

Name:

Title:

Date: \_\_\_\_\_

ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_ §

§

COUNTY OF \_\_\_\_\_ §

BEFORE ME, the undersigned, on this day personally appeared \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he is the \_\_\_\_\_ of \_\_\_\_\_ (the "Franchisee"), that he is fully authorized to execute the foregoing instrument on behalf of such entity, and that he executed the same as his free act and deed in the capacity and for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

My commission expires:

\_\_\_\_\_  
Notary Public, State of \_\_\_\_\_

\_\_\_\_\_  
Notary's printed name

## **EXHIBIT 2**

### **CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE**

This CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE (the "Agreement") is entered into on \_\_\_\_\_ (date) by and among \_\_\_\_\_, a person who resides at \_\_\_\_\_ ("Individual"); \_\_\_\_\_, a [state of formation] [type of entity] with a principal place of business at \_\_\_\_\_ (the "Franchisee"); and Eggspectation Restaurants, LLC, a Maryland limited liability company (the "Franchisor").

### **RECITALS**

WHEREAS, Franchisor has acquired and owns a unique and distinctive concept and system ("System") relating to the establishment and operation of casual full-service restaurants (each, an "Eggspectation Restaurant") serving all "breakfast" style food and beverages, specializing in gourmet style egg dishes for breakfast and brunch, as well as a full menu for lunch and dinner, and a full-service bar.

WHEREAS, the distinguishing characteristics of the System, include, without limitation, (i) distinctive exterior and interior design, decor, color scheme, and furnishings; (ii) proprietary products and ingredients; (iii) proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations; (iv) quality and uniformity of products and services offered; (v) procedures for management and financial control; (vi) training and assistance; and (vii) advertising and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time.

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Eggspectation" and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor) for use in connection with the System (the "Marks").

WHEREAS, Franchisor deems all information relating to the System and/or concerning the methods of operation of an Eggspectation Restaurant under the System, including, without limitation, all data and information collected about customers who patronize any Eggspectation Restaurant, including their identity, personal contact information (such as electronic mail address, phone number and social media network account names), and their purchasing history (the "Customer Data"); the contents of Franchisor's manual(s); all information, knowledge, know-how, techniques, methods and materials used in or related to the System; all operational, sales and marketing methods and techniques; and any and all other information that Franchisor provides to its franchisees and area developers in connection with its franchise agreements and area development agreements to be confidential and proprietary (the "Confidential Information").

WHEREAS, the Marks and Franchisor's Confidential Information provide economic advantages to Franchisor and the Confidential Information is not generally known to, and is not readily ascertainable by proper means by, Franchisor's competitors or the general public who could obtain economic value from knowledge and use of the Confidential Information.

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information.

WHEREAS, pursuant to the terms of that certain Franchise Agreement dated \_\_\_\_\_ by and between Franchisor and Franchisee (the "Franchise Agreement"), Franchisor has granted Franchisee the

limited right to operate an Eggspectation restaurant (the "Restaurant") located at \_\_\_\_\_ (the "Location") using the System, the Marks and the Confidential Information for the period identified in the Franchise Agreement.

WHEREAS, Franchisor and Franchisee acknowledge the importance and necessity of restricting access to and the use and dissemination of the Confidential Information in order to protect the business interests of Franchisor, Franchisee and other franchisees and area developers under the System.

WHEREAS, it is necessary for certain owners and managers of Franchisee to be granted access to some or all of the Confidential Information in connection with the management and operation of the Restaurant.

WHEREAS, for purposes of protecting the Confidential Information and the System against unfair competition, Franchisee has agreed to obtain, and the Franchise Agreement requires Franchisee to obtain, from such owners and managers of Franchisee who are granted access to some or all of the Confidential Information, written agreements prohibiting, among other things, the unauthorized use and/or disclosure of any Confidential Information.

WHEREAS, Individual is and desires to remain, or desires to become, an owner or manager of Franchisee, and in connection with such association or employment, desires and requires access to the Confidential Information in order to effectively fulfill his/her/its obligations and duties to Franchisee.

WHEREAS, Individual acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Individual herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Recitals. The Recitals are a substantive part of this Agreement and are hereby incorporated herein by reference.

2. Confidentiality. In consideration for disclosure of Confidential Information to Individual, and in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, including Franchisor's trade secrets (as that term is defined under the Maryland Uniform Trade Secrets Act, codified at Title 11, Subtitle 12 of the Maryland Code, Commercial Law Article), Individual hereby acknowledges and/or covenants and agrees as follows:

2.1 all manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

2.2 Individual will receive any and all Confidential Information in confidence, and will use the same only in the course of his/her/its employment or association or relationship with Franchisee, and then only in connection with the development, management and/or operation of the Restaurant for so long as Franchisee is licensed by Franchisor to use the System.

2.3 Except as otherwise expressly provided under this Agreement, Individual will not, during the term of his/its employment or association with Franchisee, or at any time thereafter, communicate or divulge to, or use for the benefit of, any other person or entity other than Franchisee or its principals any Confidential Information.

2.4 Individual will communicate or disclose Confidential Information only to those employees or principals of Franchisee who must have access to such information in order to fulfill his/its duties and obligations to Franchisee in connection with the development, management and/or operation of the Restaurant under the System, and then, only to the limited extent necessary to permit such employee or principal to fulfill such duties and obligations.

2.5 Individual will not, at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise disclose or make the same available to any person, except as expressly provided and permitted under this Agreement.

2.6 Individual will surrender any and all materials (including all copies thereof) containing any Confidential Information to Franchisee or Franchisor, upon request, or upon termination of the Individual's employment or association with Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Individual.

2.7 Individual will not at any time, directly or indirectly, do any act or omit to do any act that will, or is reasonably likely to, be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

Provided, however, that as required by the U.S. Defend Trade Secrets Act, 18 U.S.C § 1833(b)(1), Individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

3. Non-Competition. In consideration for (i) Individual's employment or association, or continued employment or association, with Franchisee, and (ii) disclosure of Confidential Information to Individual, and in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, including Franchisor's and Franchisee's trade secrets, Individual acknowledges and/or covenants and agrees as follows:

3.1 Individual will not, at any time during the term of its relationship, employment or association with Franchisee, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person or entity:

3.1.1 divert or attempt to divert any business, business opportunity, or customer of the Restaurant (or any other Eggspectation Restaurant) to any Competitive Business, as defined in Section 3.1.2 below.

3.1.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks, which business or activity is (i) of a character and concept substantially and materially similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu that are substantially and materially similar on an aggregate basis to the Eggspectation menu (as modified from time to time) and (ii) in which more than twenty percent (20%) of the weekly gross revenue from such business or activity is derived from the sale of "breakfast" style food and beverages such as eggs any style, omelets, French Toast, waffles, pancakes, hot and cold cereal, and fruit salad.

3.2 Individual will not, for a period of twenty-four (24) months following the earlier of (i) termination of the Franchise Agreement, or (ii) termination of Individual's relationship with Franchisee by which Individual obtained access to any Confidential Information, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person or entity, whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity which is (i) of a character and concept substantially and materially similar to the Eggspectation Restaurants, including, without limitation, a business that offers and/or sells styles of food, recipes and/or a menu that are substantially and materially similar on an aggregate basis to the Eggspectation menu (as modified from time to time), (ii) in which more than twenty percent (20%) of the weekly gross revenue from such business or activity is derived from the sale of "breakfast" style food and beverages such as eggs any style, omelets, French Toast, waffles, pancakes, hot and cold cereal, and fruit salad; and (ii) is or is intended to be located at the physical location of or within a ten (10) mile radius of the Approved Location or any other Eggspectation Restaurant in existence or under construction as of the date hereof or as of the date of termination, as permitted by applicable law.

3.3 Sections 3.1 and 3.2 do not apply to ownership of less than a two percent (2%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

4. Acknowledgment. Individual acknowledges and agrees that each of the restrictive covenants contained in Section 2 and Section 3 of this Agreement is reasonable as to time, geographical area, and scope of activity and does not impose a greater restraint than is necessary to protect the goodwill of the System and the business interests of Franchisor and Franchisee. The parties agree that each of these covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant set forth in Section 2 or Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-sappealed final decision to which Franchisor and/or Franchisee is a party, the parties hereto 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 Section 2, or Section 3, as the case may be.

5. Remedies. Individual hereby acknowledges and agrees that if he/she/it breaches any of the covenants set forth in Section 2 or Section 3 of this Agreement, Franchisor and/or Franchisee may suffer immediate and irreparable harm for which monetary damages alone will not be a sufficient remedy. Accordingly, Individual hereby agree that, in addition to all other remedies Franchisor and/or Franchisee may have under this Agreement, at law or in equity, Franchisor and/or Franchisee will be entitled to seek injunctive relief, specific performance or any other form of equitable relief to remedy any such breach or threatened breach. Individual agrees to pay all expenses, court costs and reasonable attorneys' fees incurred by Franchisor and/or Franchisee in connection with the enforcement of any provision of Section 2 and/or Section 3, including obtaining injunctive relief or specific performance.

6. Indemnification. INDIVIDUAL WILL, AT ALL TIMES, INDEMNIFY AND HOLD HARMLESS TO THE FULLEST EXTENT PERMITTED BY LAW FRANCHISOR AND/OR FRANCHISEE FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES (INCLUDING, CONSEQUENTIAL, COMPENSATORY AND EXEMPLARY DAMAGES), FINES, CHARGES, COSTS, EXPENSES, LEGAL FEES, COURT COSTS, SETTLEMENT AMOUNTS AND JUDGMENTS ARISING OUT OF OR RESULTING FROM INDIVIDUAL'S BREACH OF ANY OF HIS/HER/ITS COVENANTS, AGREEMENTS OR OBLIGATIONS UNDER THIS AGREEMENT.

7. Miscellaneous.

7.1 Notices. Any and all notices, requests, demands and other communications required or permitted to be given under this Agreement will be in writing and will be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, or mailed by certified or registered mail, postage pre-paid, to the respective party at its address as listed on the first page, or to such other address as a party will designate in writing to the other parties. A notice will be effective when delivered, if delivered personally or by delivery service, or three (3) business days after being mailed.

7.2 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

7.3 Amendment; Waiver. No amendment, modification or waiver of this Agreement will be binding unless consented to in writing by all parties, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Agreement will constitute a waiver of any other provision of this Agreement, whether or not similar, nor will such waiver constitute a continuing waiver unless otherwise expressly provided in writing. Any failure by Franchisor or Franchisee to object to or act with respect to any breach of any provision of this Agreement by Individual will not operate or be construed as a waiver of or consent to that breach or any subsequent breach.

7.4 Severability. If any provision or part of any provision of this Agreement is for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions or the remaining part of any effective provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof will be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

7.5 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the state where the Restaurant is located, without regard to principles of conflicts of laws.

7.6 Jurisdiction; Venue; Waiver of Jury Trial. Any suit involving any dispute or matter arising under this Agreement may only be brought in the United States District Court for the District of Maryland or any Maryland State Court sitting in Baltimore County having jurisdiction over the subject matter of the dispute or matter. The parties hereby consent to the exercise of personal jurisdiction by any such court with respect to any such proceeding. THE PARTIES HERETO KNOWINGLY AND VOLUNTARILY WAIVE ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS AGREEMENT.

7.7 Assignment. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its affiliates, successors and assigns. The respective rights and obligations of Franchisee and Individual hereunder may not be assigned by Franchisee or Individual, without the prior written consent of Franchisor.

8. Role of Franchisor. Franchisor has permitted Franchisee to provide Individual with access to the Confidential Information so that Individual can perform his or her duties in the operation of the Restaurant. Individual expressly acknowledges and agrees that Individual works for Franchisee; Franchisor is not Individual's direct or indirect employer, or "joint employer;" Individual has no business or employment relationship with Franchisor; and Franchisor is executing this Agreement solely to protect its proprietary interest in the Confidential Information.



IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

ATTEST/WITNESS:

INDIVIDUAL

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:

FRANCHISEE

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

FRANCHISOR

EGGSPECTATION RESTAURANTS, LLC

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name: Castrenze “Enzo” Renda  
Title: Chief Executive Officer

### **EXHIBIT 3**

#### **GUARANTY**

THIS GUARANTY (the “Guaranty”) is executed by \_\_\_\_\_, who resides at \_\_\_\_\_ (the “Guarantor”), in favor of EGGSPECTION RESTAURANTS, LLC, a Maryland limited liability company (“Franchisor”).

#### **RECITALS**

WHEREAS, Franchisor and \_\_\_\_\_ (“Franchisee”) are parties to that certain Franchise Agreement of this same date, which is incorporated herein (the “Franchise Agreement”), whereby Franchisor granted to Franchisee the right and license to operate an Eggspection restaurant at \_\_\_\_\_ (the “Restaurant”), under the Marks and the System (as those terms are defined in the Franchise Agreement).

WHEREAS, the Guarantor stands to benefit from Franchisee’s operation of the Restaurant in accordance with the terms of the Franchise Agreement.

WHEREAS, as an inducement to Franchisor to enter into the Franchise Agreement, Guarantor, who is a Controlling Principal (as that term is defined in the Franchise Agreement), agreed to guarantee all of Franchisee’s payment and performance obligations under the Franchise Agreement.

NOW, THEREFORE, in consideration of Franchisor entering into the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Guarantor hereby provides the following guaranty to Franchisor, its successors and assigns.

1. **Recitals.** The foregoing recitals are hereby made part of this Guaranty.
2. **Guaranty and Assumption of Obligations.** Guarantor hereby unconditionally and irrevocably agrees to be personally bound by each and every provision in the Agreement as if Guarantor were substituted as the Franchisee therein, and to be personally liable for all breaches and defaults under the Agreement not timely satisfied by Franchisee. Guarantor’s assumption of the obligations of the Franchisee includes, but is not limited to, restrictions on assignment of ownership interests in the Franchisee and compliance with the covenants not to compete, confidentiality and non-disclosure; however, as required by the U.S. Defend Trade Secrets Act, 18 U.S.C § 1833(b)(1), Guarantor shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Guarantor hereby acknowledges and/or agrees as follows:

2.1 The obligations of Guarantor hereunder shall be direct, immediate and primary, and this Guaranty is one of payment and performance (and not merely collection). The liability of Guarantor hereunder is absolute, unconditional and not subject to any recoupment, setoff, reduction or defense, without regard to the liability of any other person. Franchisor may pursue its rights against the Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor, and the Guarantor hereby specifically waives any obligation of Franchisor to proceed against Franchisee or any other individual or entity.

2.2 This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment of any of the Obligations is rescinded or must otherwise be restored or returned by Franchisor upon the insolvency, bankruptcy or reorganization of Franchisee or the Guarantor, all as though such payment had not been made.

2.3 If more than one individual or entity has executed this Guaranty as a Guarantor hereunder, the liability of each such guarantor shall be joint, several and primary.

2.4 Without affecting the obligations of Guarantor, Franchisor may, without notice to the Guarantor, waive, renew, extend, modify, amend or release any indebtedness or obligation of Franchisee or settle, adjust or compromise any claims that Franchisor may have against Franchisee.

2.5 No failure or delay on the part of Franchisor to insist upon the strict performance of any term, condition, covenant, or agreement of this Guaranty or of the Franchise Agreement, or to exercise any right, power, or remedy upon a breach hereof or thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude Franchisor from exercising any such right, power or remedy at a later time or times. By accepting payment after the due date of any amount payable under this Guaranty or the terms of the Franchise Agreement, Franchisor shall not be deemed to waive the right either to require prompt payment when due of any amount payable hereunder or under the Franchise Agreement, or to declare an event of default for the failure to affect such prompt payment of any such amount.

2.6 All rights and remedies of Franchisor under this Guaranty shall be cumulative and concurrent and shall be in addition to and not exclusive of any other rights or remedies available to Franchisor under this Guaranty, the Franchise Agreement or otherwise existing at law or in equity.

2.7 No course of dealing between Franchisor and Guarantor shall be effective to amend, modify or change any provision of this Guaranty and Franchisor shall have the right at all times to enforce such provisions in strict accordance with the terms hereof, notwithstanding any conduct or custom on the part of Franchisor in refraining from so doing at any time or times.

2.8 No waiver under this Guaranty shall be deemed to be made by Franchisor unless in writing and signed, and any waiver shall apply only with respect to the specific instance involved.

2.9 The obligations of Guarantor under this Guaranty shall not be reduced, limited, terminated, discharged, impaired or otherwise affected by (i) any assignment of the Franchise Agreement unless Franchisee is released in connection therewith from its obligations under the Franchise Agreement pursuant to the terms thereof, (ii) the voluntary or involuntary liquidation, sale or other disposition of all or any portion of Franchisee's assets, or the receivership, insolvency, bankruptcy, reorganization or similar proceedings affecting Franchisee or its assets or the release or discharge of Franchisee from any of its obligations under the Franchise Agreement, or (iii) any change of circumstances, whether or not foreseeable, and whether or not any such change does or might vary the risk of the Guarantor hereunder.

2.10 The execution and delivery of this Guaranty by the Guarantor, as a Controlling Principal, are made and given in partial consideration of, and as a condition to, Franchisor entering into the Franchise Agreement, and that Franchisor would not have entered into the Franchise Agreement without the execution and delivery of this Guaranty.

3. Death of Guarantor. Upon receipt by Franchisor of notice of the death of the Guarantor, the Guarantor's estate will be bound by the terms of this Guaranty, but only for defaults and obligations under the Franchise Agreement existing at the time of death, and in such event, the obligations of all other guarantors shall continue in full force and effect.

4. Waivers by Guarantor. Guarantor waives: (a) acceptance and notice of acceptance by Franchisor of these undertakings; (b) notice of demand for payment for any indebtedness or nonperformance of any obligation guaranteed; (c) protest and notice of default to any party as to any indebtedness or nonperformance of any obligation guaranteed; (d) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) any other notices and legal or equitable defenses to which he or she may be entitled; and (f) any modification, waiver or changes to the Franchise Agreement to which this guaranty is attached, or to any related agreements.

5. Remedies Upon Triggering Event. Upon the occurrence of any event constituting an event of default under the Franchise Agreement by Franchisee, and following the expiration of any applicable cure period, Guarantor shall immediately perform each obligation of Franchisee and pay to Franchisor all amounts due and payable to Franchisor under the Franchise Agreement and all costs and expenses, including reasonable attorneys' fees and court costs, incurred by Franchisor, its affiliates or any of their respective successors or assigns in attempting to (a) remedy any defaults hereunder, (b) collect any amounts due hereunder, or (c) otherwise enforce and rights and obligations hereunder.

6. Duration. Subject to Section 7 hereof, this Guaranty shall be continuing, absolute and unconditional, and shall be binding upon Guarantor until the later of (i) termination of the Franchise Agreement; and (ii) payment in full of all amounts payable to Franchisor under the Franchise Agreement.

7. Termination. This Guaranty may be terminated only by a written unconditional release executed and delivered by Franchisor to Guarantor.

8. Representations and Warranties. Guarantor hereby represents and warrants to Franchisor that:

8.1 Guarantor has reviewed the Franchise Agreement.

8.2 This Guaranty constitutes the valid and legally binding obligation of Guarantor (joint and several with each other guarantor, if more than one), and is fully enforceable against Guarantor.

8.3 There are no actions or proceedings pending or, to Guarantor's knowledge, threatened before any court or administrative agency which would adversely affect the financial condition of Guarantor or the authority of Guarantor to enter into, or the validity or enforceability of, this Guaranty.

8.4 There is no provision of any agreement, contract, or law, binding on Guarantor or affecting any of his property, which would conflict with or in any way prevent the execution, delivery and performance of the terms of this Guaranty, or which would be breached or violated as a result of the execution, delivery or performance of this Guaranty.

8.5 The Guarantor has a direct and financial interest in the Franchisee, and the acceptance by the Guarantor of the obligations hereunder will result in direct financial benefits to Guarantor.

8.6 There is no matter or fact that Guarantor has not disclosed in writing to Franchisor that materially affects, or could be reasonably likely to materially affect, the property or financial condition of Guarantor or the ability of Guarantor to perform his obligations hereunder.

9. Miscellaneous.

9.1 Notices. Any and all notices, requests, demands and other communications required or permitted to be given to the Guarantor shall be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, or mailed by certified or registered mail, postage pre-paid, to the Guarantor at the address as identified on the first page of this Agreement, or such other address as the Guarantor designates in writing to Franchisor. A notice shall be effective when delivered personally or by delivery service, or three (3) business days after being mailed.

9.2 Entire Agreement. This Guaranty (together with the Franchise Agreement) constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

9.3 Amendment; Waiver. No amendment, modification or waiver of this Guaranty shall be binding unless consented to in writing by Franchisor. No waiver of any provision of this Guaranty shall constitute a waiver of any other provision of this Guaranty, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

9.4 Severability. If any provision or part of any provision of this Guaranty shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Guaranty, and this Guaranty shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

9.5 Applicable Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to principles of conflicts of laws.

9.6 Jurisdiction; Venue; Waiver of Jury Trial. Guarantor acknowledges and agrees that he is bound by and subject to the arbitration clause of the Franchise Agreement to the same degree as the Franchisor. Otherwise any suit involving any dispute or matter arising under this Guaranty may only be brought in the United States District Court for the District of Maryland or any Maryland State Court sitting in Baltimore County having jurisdiction over the subject matter of the dispute or matter. Guarantor hereby consents to the exercise of personal jurisdiction by any such court with respect to any such proceeding. GUARANTOR KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS GUARANTY.

IN WITNESS WHEREOF Guarantor has executed this Guaranty as of the day and year first above written.

GUARANTOR:

\_\_\_\_\_(SEAL)  
Name:

ACKNOWLEDGMENT

State of \_\_\_\_\_)  
\_\_\_\_\_) ss  
County of \_\_\_\_\_)

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ before me personally came \_\_\_\_\_, known to me to be the same person whose name is signed to the foregoing Guaranty, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public  
My Commission expires:

(NOTARIAL SEAL)

**EXHIBIT 4**

Current Eggspectation “Breakfast-Style food” Menu  
(for purposes of covenants not to compete)

SEE ATTACHED PAGES

## DAY menu

### great eggsspectations

#### FRIED CHICKEN AND WAFFLES

Our buttermilk fried premium natural chicken breast tenders piled high on our famous Belgian waffles. Served with warm pure maple syrup. A dish you will not soon forget. 19

#### UNEKSPECTED

Your traditional steak and eggs favorite! A 6 oz. Angus Beef NY strip steak cooked just the way you like it with two free-range Omega-3 enriched eggs, prepared any style, and our homemade Lyonnaise-style potatoes. 29

Substitute steak for 3 baby lamb chops. 7

#### YOLK AROUND THE CLOCK

A sliced Montreal style wood-fired bagel, grilled with a sunny-side-up free range Omega-3 enriched egg in each hole. We then top it with bacon and cheddar on one half and Swiss cheese on the other, with our perfectly seasoned Lyonnaise-style potatoes on the side. 16

#### CAJUN SHRIMP AND GRITS

Grilled shrimp, andouille sausage, bacon, green peppers, garlic and onions, all seasoned in a spicy cream sauce served on cheesy grits. A free-range Omega-3 egg, prepared any-style is added on top. 20

#### TOLUCA POUTINE

Chorizo, tater tots, caramelized onions, and cheese curds, smothered in our homemade breakfast gravy and hollandaise sauce. Topped with Pico de Gallo, chimichurri, cilantro aioli, and a sunny-side-up egg. 16

#### BREAKFAST TACO

Three tacos, one bacon, one sausage and one chorizo stuffed taco in flour tortillas filled with Lyonnaise-style potatoes, scrambled eggs, cheddar cheese, avocado, Pico de Gallo and a cilantro lime sour cream aioli. Served with fresh fruit. 16

#### BREAKFAST PIZZA

San Marzano tomato sauce, two scrambled eggs, ham, bacon, and sausage with a two-cheese blend of mozzarella and cheddar, topped with diced tomatoes and onions. 16

#### EGGWHAT

Home baked corned beef, peppers, onions, and shredded potatoes with two poached Omega-3 eggs. 16

### GOLD MORNING

#### FRENCH TOAST FLAMBÉ

Fire it up! Our French toast brioche, topped with strawberries, bananas and walnuts flambéed in an orange brandy liqueur. 17

#### STRAWBERRY 'N SALTED CARAMEL WAFFLES

Belgium waffles topped with fresh strawberries and salted maple caramel sauce. 15

#### HIGH RISE PANCAKES

Kick-start your day with a mighty stack of pancakes with sausage, bacon, and potatoes layered between them. Add a sunny-side-up egg on us! 17

#### BANANA SPLIT WAFFLE

A twist of nostalgia and always welcomed. Our version with Belgian waffles topped with fresh strawberries, caramelized pineapples, bananas with chocolate and maple salted caramel sauces. Created to be shared. 17

#### LEMON RICOTTA BLUEBERRY PANCAKES

Wake up in style with three of our mouthwatering signature fluffy pancakes, with fresh blueberries, lemon ricotta cheese, our blueberry compote, and 100% pure maple syrup. 16

#### S'MORES FRENCH TOAST

Take a campfire favorite and put it on the breakfast table! Our amazing brioche, stuffed with Nutella® and marshmallows, then a drizzle of chocolate sauce to finish it off! 14

#### THE ALL-TIME CLASSICS

Choose from our signature buttermilk pancakes, our traditional Belgian waffles, crêpe bretonne or our famous French toast, baked using our recipe for an amazing artisanal brioche. Your choice, all are served hot off the griddle with 100% pure maple syrup. 12

Kick up the taste and add Seasonal Fruit & Berry mix. 4

### THE CLASSICS

#### THE ALL-AMERICAN

Fill up with two, free-range, Omega-3 enriched eggs, prepared any style, our perfectly seasoned Lyonnaise-style potatoes, bacon, Applewood smoked ham, and sausage. 17

#### EGGSPERATION BAGEL BREAKFAST SANDWICH

A BLT (Montreal style wood-fired oven bagel, lettuce and tomato) and fried egg sandwich with Swiss cheese, red onion, bacon or Applewood smoked ham. The perfect breakfast sandwich combo. 15

#### EGGSUBERANT

An Eggsspectation favorite! Two free-range, Omega-3 enriched eggs, prepared any style, two fluffy pancakes with pure maple syrup, a choice of Applewood smoked ham, bacon or sausage, and our delicious Lyonnaise-style potatoes. 17

#### BREAKFAST PARFAIT BOWL

Greek fat free yogurt with fresh fruit, berries, honey, and a wonderful layer of organic granola. 13

## eggsspectation® restaurant - bar

### benedict & beyond

#### EGGSTRAVAGANZA

Our classic dish! Two free-range, Omega-3 enriched eggs, prepared any style, two slices of brioche French toast with pure maple syrup, a choice of Applewood smoked ham, bacon or sausage, and our succulent Lyonnaise-style potatoes. 17

#### BREAKFAST POUTINE

Lyonnaise-style potatoes with chunks of bacon, sausage, Applewood smoked ham, and cheese curds all smothered with our homemade breakfast gravy, topped with a sunny-side-up egg. 16

#### HUEVOS RANCHEROS

Two free-range, Omega-3 enriched eggs prepared any style, piled high on flour tortillas, layered with refried beans, pork chorizo, homemade Pico de Gallo, avocado, jalapeños, and a drizzle of cilantro aioli. 16

#### SMOKED SALMON BENNY

Two perfectly poached eggs on multigrain toast, with smoked wild sockeye salmon and Philadelphia™ cream cheese, topped with our famous hollandaise sauce, and a sprinkle of red onions and capers. Served with fresh fruit. 22

#### CLASSIC BENEDICT

Two perfectly poached eggs, on Applewood smoked ham and a toasted English muffin, topped with our famous hollandaise sauce and our Lyonnaise-style potatoes. 16

#### AVOCADO TOAST BENEDICT

Smashed avocado with grilled tomato on multigrain toast topped with two poached eggs and hollandaise and chimichurri sauce. 16

Add Applewood smoke ham or Bacon 4 Add Smoked Salmon 7

#### LOBSTER BENNY

Two perfectly poached eggs accompanied by gently sautéed lobster on a toasted English muffin with our classic hollandaise sauce. Served with our Lyonnaise-style potatoes. MKP

#### CHESAPEAKE BENEDICT

Two eggs poached on a toasted English muffin with Gruyere cheese and our classic hollandaise sauce, topped with lump crab meat. Served with our Lyonnaise-style potatoes. MKP

### omelettes eggectera

#### SOUTHWEST SUNRISE

A very special omelette filled with cheddar, Swiss and Gruyère cheeses and sautéed peppers, topped with strips of freshly sliced avocado, homemade pico de gallo, and sour cream. Served with our Lyonnaise-style potatoes. 16

#### WESTERN OMELETTE

Applewood smoked ham, sautéed red and green peppers, red onions, and a three cheese blend of cheddar, Swiss and Gruyère and our Lyonnaise-style potatoes. 15

#### LOBSTER OMELETTE

A generous portion of gently sautéed lobster, brie cheese and green onions, topped with our classic hollandaise sauce. Served with our Lyonnaise-style potatoes. MKP

#### VEGGIE OMELETTE

This omelette appeals to everyone, with sautéed mushrooms, peppers, spinach, asparagus, and caramelized onions. Served with our Lyonnaise-style potatoes. 15

#### MEAT LOVERS OMELETTE

Filled with bacon, sausage, and cheddar cheese. Served with our delicious Lyonnaise-style potatoes. 16

#### EGGSPERATION OMELETTE

Where it all began! Three free-range, Omega-3 enriched eggs mixed with mushrooms, onions, green and red peppers, bacon, sausage, Applewood smoked ham, and cheddar cheese. Accompanied by our Lyonnaise-style potatoes. 16

#### PAN FRITTATA

Authentic Italian frittata baked in a cast-iron pan. Three free-range Omega-3 enriched eggs mixed with Parmesan and goat cheese, asparagus, mushrooms, and green onions. Served with our homemade Lyonnaise-style potatoes. 16

Add Italian sausage or Applewood smoked ham. 3

### A LA CARTE

Choice of Bacon, Turkey Bacon, Sausage, Turkey Sausage or Smoked Applewood Ham 5

Choice of Cheddar, Swiss, Philadelphia Cream Cheese, Gruyère, Provolone, Brie or Goat Cheese 3

Smoked Salmon 7  
Extra French Toast 4

Free-Range, Omega-3 Enriched Egg 2.50  
Nutella® 3

Cheesy Grits 4  
Fruit Cup 5  
Lyonnaise-Style Breakfast Potatoes 4

Maple Syrup 2  
Extra Pancake 4



## EXHIBIT 5

### EGGSPECTATION RESTAURANTS, LLC ACKNOWLEDGEMENT OF EXEPTION FROM THE FTC FRANCHISE SALES RULE

**Eggspectation Restaurants, LLC** (“We”, “Us”, or “Our”) has approved you to enter into a Franchise Agreement with us for the operation of an **Eggspectation®** franchise, and it is our understanding that you are interested in doing so. The purpose of this document is to obtain your informed acknowledgement that the franchise transaction that you and we contemplate is exempt from the Federal Trade Commission’s Franchise Rule due to the size of the initial investment you will make.

This exemption applies if:

- The amount of money that must be invested in the business to develop it prior to opening, and as working capital for the first three months of operation exceeds One Million Four Hundred And Sixty Nine Thousand Six Hundred Dollars (\$1,469,600), exclusive of the cost to purchase unimproved land and financing that we provide; and
- You will have a financial stake of at least One Million Four Hundred And Sixty Nine Thousand Six Hundred Dollars (\$1,469,600), in the venture, whether provided by (a) personal loan to the entity, (b) cash investment for equity, or (c) issuing a joint and several personal guarantee of a third party’s loan to the entity (such as bank financing).

The effect of the exemption is that we are not required to provide you a Franchise Disclosure Document as prescribed by the FTC, but rather can supply you with such information as you and we agree is reasonable to provide to allow you to properly investigate our franchise opportunity. By signing this acknowledgement, you will not be waiving your legal rights with regard to any issue other than our compliance with the FTC Franchise Rule.

Accordingly, **please sign and date this document** if you agree with the statements made below.

1. This franchise sale is for more than \$1,469,600 – excluding the cost of unimproved land and any financing received from the franchisor or an affiliate – and thus is exempt from the Federal Trade Commission’s Franchise Rule disclosure requirements, pursuant to 16 C.F.R. 436.8(a)(5)(i).
2. If I enter into the Eggspectation Restaurants, LLC Franchise Agreement, I expect to be personally risking at least \$1, 469,600 in the development and opening of an **Eggspectation®** restaurant, through some or all of the following methods: (a) personal loan to the franchisee entity, (b) cash investment for equity, and/or (c) issuing a joint and several personal guarantee of a third party’s loan to the entity (such as bank financing).

\_\_\_\_\_  
Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT 6

### ADDENDUM TO THE EGGSPECTATION RESTAURANTS, LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for Eggspectation Restaurants, LLC for the State of Maryland for Eggspectation Restaurants, LLC's Franchise Agreement.

1. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisee shall be deferral until the completes its pre-opening obligations under the Franchise Agreement.

3. The provision contained in the termination sections of the Franchise Agreement, providing for termination upon bankruptcy may not be enforceable under federal bankruptcy law.

4. The Franchise Agreement is amended as follows: 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.

5. The appropriate sections of the Franchise Agreement is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years of the grant of the franchise.

6. The Franchise Agreement is amended as follows: a franchisee may bring a case in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. The Franchise Agreement is amended to state that any representations which require a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise 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.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

EGGSPECTATION RESTAURANTS, LLC

By: \_\_\_\_\_  
Name: Castrenze Renda  
Title: Chief Executive Officer

Date: \_\_\_\_\_

FRANCHISEE

\_\_\_\_\_  
Date: \_\_\_\_\_

ADDENDUM TO THE EGGSPECTATION RESTAURANTS, LLC  
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF VIRGINIA

This will serve as the State Addendum for Eggspectation Restaurants, LLC for the State of Virginia for Eggspectation Restaurants, LLC's Franchise Agreement.

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

EGGSPECTATION RESTAURANTS, LLC

By: \_\_\_\_\_  
Name: Castrenze Renda  
Title: Chief Executive Officer

Date: \_\_\_\_\_

FRANCHISEE

\_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D**  
**ELECTRONIC TRANSFER AUTHORIZATION**

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND  
PAYABLE TO EGGSPECTION RESTAURANTS, LLC ("COMPANY")**

Depositor hereby authorizes and requests \_\_\_\_\_ (the "Depository") to initiate debit and credit entries to Depositor's ☐ checking ☐ savings account (select one) indicated below drawn by and payable to the order of Eggspection Restaurants, LLC by Electronic Funds Transfer provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_ Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until Company and Depository have received written notifications from Depositor (or either of us) of the termination of the authority in such time and in such manner to afford Company and Depository a reasonable opportunity to act on such request.

Depositor: (Please Print)

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date Signed

\_\_\_\_\_

\_\_\_\_\_  
Signature(s) of Depositor, as Printed Above

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

**EXHIBIT E**  
**CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement (the "Agreement") is made and entered into on \_\_\_\_\_ between Eggspectation Restaurants, LLC, a Maryland limited liability company ("Franchisor"), and \_\_\_\_\_ ("Covenantor").

**RECITALS**

Franchisor has acquired or developed a unique system (the "System") for the establishment and operation of casual full service restaurants having distinctive interior and exterior design and trade dress with a full menu serving all day "breakfast" style food, specializing in gourmet style egg dishes for breakfast and brunch, as well as a full menu for lunch and dinner, under the service mark "Eggspectation" and additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin ("Restaurants").

Confidential, proprietary information and various trade secrets of Franchisor pertaining to the System and to the establishment and operation of the Restaurants (collectively, "Confidential Information") is included in Franchisor's operations manuals and other written materials (the "Manuals").

The Confidential Information provides economic advantages to Franchisor and its franchisees and developers under the System and is not generally known to, nor readily ascertainable by proper means by, Franchisor's competitors and other third parties who could obtain economic benefits from knowledge and/or use of the Confidential Information.

Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information, including, without limitation, controlling access to the Manuals.

Covenantor wishes to acquire, or owns an interest in an entity which wishes to acquire, the right to operate and/or develop one or more Restaurants and, accordingly, desires to conduct an investigation of the System in order to determine whether to enter into such transaction (the "Transaction") with Franchisor.

Franchisor desires to permit Covenantor to view the Manuals in connection with its investigation of the System for the limited purpose herein stated.

Franchisor and Covenantor agree on the importance of restricting access to and the use, disclosure and dissemination of, the Confidential Information.

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

1. Recitals. The Recitals above are a substantive part of this Agreement and are hereby incorporated herein by reference.

2. Confidentiality Agreement. Franchisor shall permit Covenantor to view the Manuals for the sole purpose of investigating the Transaction. In consideration of the opportunity to view the Manuals and obtain access to the Confidential Information, Covenantor hereby agrees that Covenantor shall receive and at all times maintain the Confidential Information in confidence and shall not use the Manuals

or the Confidential Information for any purpose except to carry out its investigation of the Transaction. In addition, Covenantor shall not at any time disclose or disseminate or permit the disclosure or dissemination of any of the Confidential Information to any third party, nor shall Covenantor make copies of any part of the Manuals or of the Confidential Information.

3. Ownership. Covenantor acknowledges that the Manuals and the Confidential Information are solely owned by Franchisor and that this Agreement shall not grant to Covenantor any rights in or to the Manuals or the Confidential Information except the limited right to view the Manuals and the Confidential Information to investigate the Transaction. Covenantor shall return the Manuals and all Confidential Information, including originals, copies and summaries thereof, to Franchisor immediately upon the earlier of (i) Franchisor's written request, (ii) termination of discussions between Franchisor and Covenantor in furtherance of the Transaction, and (iii) the decision of Covenantor and/or Franchisor not to pursue the Transaction.

4. Miscellaneous.

a. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach, of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

b. Covenantor agrees to pay all expenses (including court costs and attorneys' fees) incurred by Franchisor in enforcing this Agreement.

c. Any failure by Franchisor to object or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor. Any waiver by Franchisor of any provision of the Agreement shall be effective only if in a writing

d. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT REFERENCE TO MARYLAND'S CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF/ITSELF TO THE JURISDICTION OF THE STATE COURTS OF MARYLAND HAVING JURISDICTION OVER THE SUBJECT MATTER OF THE DISPUTE AND THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM/IT IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY MARYLAND OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT, NOTWITHSTANDING ANYTHING HEREIN, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, SUCH ACTION MAY BE BROUGHT IN ANY COURT WHICH HAS JURISDICTION.**

e. 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 any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within

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

f. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

g. All notices and demands required to be given in connection with this Agreement must be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, sent by electronic mail with delivery receipt (provided that, for any notice of default or breach, a hard copy of the message also must be sent by postal mail to recipient on the same day), or mailed by certified or registered mail, postage pre-paid as follows.

If to Franchisor: Eggspectation Restaurants, LLC  
9433 Common Brook Road, Suite 209  
Owings Mills, MD 21117  
Attention: Castrenze "Enzo" Renda  
Email: [cr@eggspectation.com](mailto:cr@eggspectation.com)

With a copy to: David L. Cahn  
Offit Kurman, P.A.  
1954 Greenspring Drive  
Timonium, Maryland 21093  
Email: [david.cahn@offitkurman.com](mailto:david.cahn@offitkurman.com)

If directed to Covenantor, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

A notice shall be effective when delivered, if delivered personally or by delivery service, upon receipt of written verification of successful email transmission (subject to the requirement of mailing a printed version of certain notices to the recipient on that same day), or five (5) business days after being mailed.

h. The rights and remedies of Franchisor under this Agreement are (i) fully assignable and transferable, (ii) shall inure to the benefit of its affiliates, successors and assigns, and (iii) shall survive this Agreement and the return of the Manuals and Confidential Information to Franchisor. The obligations of Covenantor in connection with this Agreement (i) may not be assigned by Covenantor without the prior written consent of Franchisor, (ii) shall be binding on Covenantor's heirs, personal representatives, successors and assigns, and (iii) shall survive this Agreement and the return of the Manuals and Confidential Information to Franchisor.



IN WITNESS WHEREOF, the undersigned have entered this Agreement as witnessed by their signatures below.

EGGSPECTATION Restaurants, LLC, a  
Maryland limited liability company

ATTEST:

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WITNESS/ATTEST:

COVENANTOR

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
Name: \_\_\_\_\_

**[FOR DEMONSTRATIVE PURPOSES ONLY]**

**EXHIBIT F**  
**FORM OF GENERAL RELEASE**

THIS GENERAL RELEASE AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, among Eggspectation Restaurants, LLC, a Maryland limited liability company ("Franchisor"), \_\_\_\_\_ ("Releasor") and \_\_\_\_\_ ("Controlling Principal(s)") and together with Releasor, "Releasing Parties").

**RECITALS**

WHEREAS, Franchisor and Releasing Parties entered into that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ ("Franchise Agreement") pursuant to which Franchisor granted to Releasor the right and license to operate an Eggspectation Restaurant (as defined in the Franchise Agreement) within the Assigned Area (as defined in the Franchise Agreement) under the Marks (as defined in the Franchise Agreement) and the System (as defined in the Franchise Agreement).

WHEREAS, [Releasor desires to renew its rights under the Franchise Agreement ("Renewal of the Franchise Agreement")] [Releasor/Controlling Principal(s) desire(s) to Transfer (as defined in the Franchise Agreement) any or all of its Interest (as defined in the Franchise Agreement) ("Transfer Transaction")] in accordance with the terms and conditions of the Franchise Agreement.

WHEREAS, [Releasor desires Renewal of the Franchise Agreement] [Releasor/Controlling Principal(s) desire(s) consent from Franchisor for the Transfer Transaction] pursuant to the terms and conditions of the Franchise Agreement.

WHEREAS, Franchisor requires the Releasing Parties, and the Releasing Parties desire, to execute a general release that releases Franchisor of any and all claims against Franchisor arising from or relating to any act or omission occurring before the effective date of the [Renewal of the Franchise Agreement pursuant to Section 3.2.8] [Transfer Transaction pursuant to Section 14.2.1(c)] of the Franchise Agreement.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals.** The foregoing recitals are expressly made part of this Agreement.
2. **Capitalized Terms.** All capitalized terms not defined herein shall have the meanings ascribed to them in the Franchise Agreement.
3. **Release from Obligations and Liability.** The Releasing Parties hereby irrevocably release and forever discharge Franchisor and Eggspectation Companies and their predecessors, affiliates, successors, representatives, assigns, agents, servants, employees, partners, managers, independent contractors, officers, shareholders, members and directors ("Franchisor Parties") from any and all claims, actions, liabilities, demands, obligations, damages, costs, losses, debts and expenses of any nature whatsoever, known or unknown, vested or contingent, that any of the Releasing Parties ever had, now has or hereinafter may have against the Franchisor Parties, in their corporate or individual capacities, in any way arising from or relating to any act, omission, transaction or event occurring before the effective date

of the [Renewal of the Franchise Agreement] [Transfer Transaction], including, without limitation, claims arising under the Franchise Agreement.

4. **Entire Agreement.** This Agreement represents the complete, integrated and entire agreement between the parties and may not be modified except in writing signed by the parties.

5. **Parties-in-Interest.** This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, trustees, beneficiaries, executors or administrators, personal or legal representatives and assigns.

6. **Governing Law.** This Agreement shall be construed, enforced and interpreted in accordance with the laws of the State of Maryland (without regard to its laws relating to choice-of-law or conflict-of-laws).

7. **Headings.** The headings in this Agreement are inserted for convenience and reference only and are not intended to be used in construing or interpreting any provisions of this Agreement.

8. **Counterparts.** This Agreement may be executed in counterparts which when taken together will constitute one instrument. Any copy of this Agreement with the original signatures of all parties appended will constitute an original.

IN WITNESS WHEREOF, each of the parties hereto has executed and delivered this General Release Agreement as of the date first above written.

RELEASING PARTIES:

RELEASOR

\_\_\_\_\_  
Name: \_\_\_\_\_

CONTROLLING PRINCIPAL(S)

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

Acknowledged by:

FRANCHISOR:

EGGSPECTION RESTAURANTS, LLC,  
a Maryland limited liability company

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G**  
**FRANCHISEE LIST**

Our franchises operating as of December 31, 2023 are specified below.

**LIST OF FRANCHISEES FOR EGGSPECTATION RESTAURANTS, LLC**

**FRANCHISEE-OWNED UNITS**

<b>NAME AND ADDRESS</b>	<b>TELEPHONE NUMBER</b>
Crofton Eatery, LLC 2402 Brandermill Blvd Gambrills, MD 21054 Abhik Patel, Managing Member	(443) 292-4181
Aurora 7, LLC 507 Stanton Christina Road Newark, Delaware 19713 Robert A. Pancake, II, President	(302) 842-2515
Alpha 45, LLC 2235 York Road Timonium, Maryland 21093 Robert A. Pancake, II, President	(443) 652-3040
Solima People, LLC 402N Loop 1604W San Antonio, TX 78232 David Alvarez, President	(210) 545-3199
* Mid-Atlantic Eateries -- Gainesville, LLC. 8058 Crescent Park Drive Gainesville, Virginia 20155 Jon Hinkle, President	(571) 248-0990
Stony Point Eatery, LLC 9202 Stony Point Pkwy. Richmond, VA 23235 Karan Patel, Managing Member	(804) 823-8525

**Notes:**

There was 1 Eggspectation restaurants operating under Eggspectation® license agreements instead of franchise agreements. The operator of that restaurants was Mid-Atlantic Eateries – Chantilly, LLC, Jon Hinkle, President.

5009 Westone Plaza Dr.  
Chantilly, VA 20151  
Phone: (703) 263-7444

\* The Gainesville and Chantilly, Virginia locations each closed in March of 2024 after the franchisee did not sign a new contract with us, permanently closed the restaurants and vacated the properties.

Franchise Agreement signed but Restaurant not yet Open as of December 31, 2023:

NAME AND ADDRESS	TELEPHONE NUMBER
Columbia Eatery, LLC 6100 Merriweather Drive Suite A 120 Columbia MD 21044 Abhik Patel, Managing Member	(410) 917-7735
Eggspectation Charlotte, LLC * 14815 Ballantyne Village Suite 150-160 Charlotte, NC 28277 Paul J. Haviland, Lead Manager (of LLC, not restaurant)	(704) 774-8515
Eggspectation Nashville, LLC * 4060 Cane Ridge Pkwy, #101 Antioch, TN 37013 Paul J. Haviland, Lead Manager (of LLC, not restaurant)	(615) 850-1831

\* Mr. Haviland is also our Chief Financial Officer, and he can be reached through our phone number, which is (410) 363-3208. Each of these locations opened prior to this FDD's issuance date. Our parent corporation owns a 10% membership interest in each of these franchisee entities, and our CEO is a manager (the equivalent of a corporation's director) of each entity.

**Former Franchises who ceased operation in our last fiscal year:**

Mid-Atlantic Eateries, Inc.  
Suite 400  
10480 Little Patuxent Parkway  
Columbia, MD 21044  
Jon Hinkle, President  
410-202-2268

**EXHIBIT H**  
**TABLE OF CONTENTS OF RESTAURANT OPERATORS MANUAL**

(see the following pages)



## eggspectation Manuals

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### RESTAURANT OPERATOR'S MANUAL A GUIDE TO MANAGING RESTAURANT OPERATIONS

Manual Set 2 of 7

COMPETENT ADVICE SHOULD BE SOUGHT TO VERIFY THAT GENERIC INFORMATION PROVIDED IN THIS MANUAL IS IN COMPLIANCE WITH THE VARIOUS LAWS AND STATUTES IN YOUR AREA.

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Printed: February 2022 in Montreal, Quebec, Canada.



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**EXHIBIT I**  
**LIST OF STATE ADMINISTRATORS**  
**AND AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS**

We may decide to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of the franchises in that state:

**CALIFORNIA**

Department of Business Oversight  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500

**HAWAII**

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

**ILLINOIS**

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

**INDIANA**

Securities Commissioner  
Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

**MARYLAND**

Office of the Attorney General  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

**MICHIGAN**

First Assistant Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
Department of Attorney General  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
(517) 373-7117

**MINNESOTA**

Deputy Commissioner  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101  
(651) 296-6328

**NEW YORK**

New York State Department of Law  
Bureau of Investor Protection and  
Securities  
120 Broadway, 23<sup>rd</sup> Floor  
New York, New York 10271  
(212) 416-8211

**NORTH DAKOTA**

Office of Securities Commissioner  
600 East Boulevard, 5th Floor  
Bismarck, ND 58505  
(701) 328-2910

**OREGON**

Department of Insurance and Finance  
Corporate Securities Section  
Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387

**RHODE ISLAND**

John O. Pastore  
Department of Business Regulation  
Division of Securities  
Building 69-1  
1511 Pontiac Avenue  
Cranston, RI 02920-4407  
(401) 222-3048

**VIRGINIA**

Senior Examiner  
State Corporation Commission  
Division of Securities & Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219-3630  
(804) 371-9883

**WISCONSIN**

Program Assistant  
Department of Financial Institutions  
Division of Securities  
345 West Washington Avenue, 4<sup>th</sup> Floor  
P.O. Box 1768  
Madison, Wisconsin 53703  
(608) 261-9555

**SOUTH DAKOTA**

South Dakota Department of  
Revenue and Regulation  
Division of Securities  
445 E. Capitol  
Pierre, SD 57501  
(605) 773-4013

**WASHINGTON**

Securities Administrator  
Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

## **LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

Our agent for service of process is ResAgent, Inc., 7 St. Paul Street, 19<sup>th</sup> Floor, Baltimore, Maryland 21202-1636.

We may decide to register this offering circular as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

### **CALIFORNIA**

California Commissioner of Business Oversight  
Department of Business Oversight  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7505  
(866) 275-2677

### **ILLINOIS**

Illinois Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-1090

### **MARYLAND**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

### **MINNESOTA**

Minnesota Commissioner of  
Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101  
(612) 296-4026

### **NORTH DAKOTA**

North Dakota Securities Commissioner  
State Capitol  
600 East Boulevard Avenue, 5<sup>th</sup> Floor  
Bismarck, North Dakota 58505-0510

### **HAWAII**

Commissioner of Securities of the  
State of Hawaii  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

### **INDIANA**

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

### **MICHIGAN**

Michigan Department of  
Commerce,  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, Michigan 48910  
(517) 334-6212

### **NEW YORK**

Attn: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6th Floor  
Albany, NY 12231-0001  
(518) 473-2492

### **OREGON**

Director of Oregon Department of  
Insurance and Finance  
700 Summer Street, N.E.  
Suite 120  
Salem, Oregon 97310  
(503) 378-4387



**RHODE ISLAND**

John O. Pastore  
Department of Business Regulation  
Division of Securities  
Building 69-1  
1511 Pontiac Avenue  
Cranston, RI 02920-4407  
(401) 222-3048

**VIRGINIA**

Clerk of the State Corporation  
Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9733

**WISCONSIN**

Wisconsin Commissioner of  
Securities  
345 W. Washington Ave., 4th Floor  
Box 1768  
Madison, Wisconsin 53703  
(608) 261-9555

**SOUTH DAKOTA**

Director of South Dakota Division of Securities  
445 East Capitol Avenue  
Pierre, South Dakota 57501  
(605) 773-4823

**WASHINGTON**

Securities Administrator  
Washington State Department of  
Financial Institutions  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

## **EXHIBIT J**

### **ADDENDUM TO THE EGGSPECTION RESTAURANTS, LLC DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for Eggspection Restaurants, LLC for the State of Maryland for Eggspection Restaurants, LLC's Franchise Disclosure Document, Franchise Agreement and Area Development Agreement.

1. Item 5 of the Disclosure Document and each applicable section of the Franchise Agreement and Area Development Agreement are revised as follows: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisee shall be deferral until the completes its pre-opening obligations under the Franchise Agreement. In addition, under each Area Development Agreement, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The provision contained in the termination sections of the Franchise Agreement, the Area Development Agreement and Item 17 of the Disclosure Document providing for termination upon bankruptcy may not be enforceable under federal bankruptcy law.

3. Item 17 of the Disclosure Document, the Franchise Agreement and the Area Development Agreement are amended as follows: 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.

4. Item 17 of the Disclosure Document and the appropriate sections of the Franchise and Area Development Agreements are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years of the grant of the franchise.

5. Item 17 of the Disclosure Document, the Franchise Agreement and the Area Development Agreement are amended as follows: a franchisee may bring a case in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The Franchise Agreement and Area Development Agreement are amended to state that any representations which require a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise 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.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The parties hereto have duly executed, sealed and delivered this Maryland-specific Addendum  
on \_\_\_\_\_.

EGGSPECTATION RESTAURANTS, LLC

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

EXHIBIT J

**ADDENDUM TO THE EGGSPECTATION RESTAURANTS, LLC  
DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT  
AGREEMENT REQUIRED BY THE STATE OF VIRGINIA**

This will serve as the State Addendum for Eggspectation Restaurants, LLC for the State of Virginia for Eggspectation Restaurants, LLC's Franchise Disclosure Document, Franchise Agreement and Area Development Agreement.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchisee Disclosure Document for Eggspectation Restaurants, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Under 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.

The following statements are added to Item 17.t.

No statement, questionnaire, or acknowledgement 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 the applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated on \_\_\_\_\_.

ATTEST

EGGSPECTATION RESTAURANTS, LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

## **EXHIBIT K TO FRANCHISE DISCLOSURE DOCUMENT**

### **STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Maryland	Pending
Virginia	Pending

\* Franchisor files an annual registration exemption with Maryland based on the franchisee's large initial investment to open a restaurant, so this date tracks the issuance date of the disclosure document.

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.

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If **Eggspectation Restaurants, LLC** offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If you are a resident of New York, you must be provided with this Disclosure Document the earliest of the first meeting to discuss our franchise, 10 business days before signing a binding agreement or 10 business days before any payment to us. If you are a resident of Michigan you must be provided with this Disclosure Document at least 10 business days before signing a binding agreement.

If **Eggspectation Restaurants, LLC** does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit I.

See Exhibit I for our Resident Agents authorized to receive service of process.

I have received a Disclosure Document issued October 18, 2024, that included the following Exhibits:

- A. FINANCIAL STATEMENTS
- B. AREA DEVELOPMENT AGREEMENT
- C. FRANCHISE AGREEMENT
- D. ELECTRONIC TRANSFER AUTHORIZATION
- E. CONFIDENTIALITY AGREEMENT
- F. FORM OF GENERAL RELEASE
- G. FRANCHISEE LIST
- H. TABLE OF CONTENTS OF OPERATIONS MANUAL
- I. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- J. STATE SPECIFIC ADDENDA
- K. STATE EFFECTIVE DATES

Enzo Renda acts as our franchise seller. His address is 9433 Common Brook Road, Suite 209, Owings Mills, MD 21117 and his telephone number is (410) 363-3208.

Date of Receipt: \_\_\_\_\_

Prospective Franchisee

\_\_\_\_\_, individually

or as an officer or member of \_\_\_\_\_

a [\_\_\_\_\_ corporation]

a [\_\_\_\_\_ limited liability company]

KEEP THIS COPY FOR YOUR RECORDS.

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If **Eggspectation Restaurants, LLC** offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If you are a resident of New York, you must be provided with this Disclosure Document the earliest of the first meeting to discuss our franchise, 10 business days before signing a binding agreement or 10 business days before any payment to us. If you are a resident of Michigan you must be provided with this Disclosure Document at least 10 business days before signing a binding agreement.

If **Eggspectation Restaurants, LLC** does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit I.

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- C. FRANCHISE AGREEMENT
- D. ELECTRONIC TRANSFER AUTHORIZATION
- E. CONFIDENTIALITY AGREEMENT
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- H. TABLE OF CONTENTS OF OPERATIONS MANUAL
- I. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- J. STATE SPECIFIC ADDENDA
- K. STATE EFFECTIVE DATES

Enzo Renda acts as our franchise seller. His address is 9433 Common Brook Road, Suite 209, Owings Mills, MD 21117 and his telephone number is (410) 363-3208.

Date of Receipt: \_\_\_\_\_

Prospective Franchisee

\_\_\_\_\_, individually

or as an officer or member of \_\_\_\_\_

a [\_\_\_\_\_ corporation]

a [\_\_\_\_\_ limited liability company]

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE AND RETURN IT TO EGGSPECTION RESTAURANTS, LLC, 9433 COMMON BROOK ROAD, SUITE 209, OWINGS MILLS, MD 21117 OR BY SCANNING AND EMAILING TO CR@EGGSPECTION.COM.