



FRANCHISE DISCLOSURE DOCUMENT
FAZOLI'S FRANCHISING SYSTEMS, LLC

A Delaware limited liability company
2470 Palumbo Drive
Lexington, Kentucky 40509
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www.ownafazolis.com
www.fazolis.com

With this Franchise Disclosure Document (this "Disclosure Document"), Fazoli's Franchising Systems, LLC is offering a franchise to operate a Fazoli's® restaurant ("Restaurant"). This offering covers the following types of Fazoli's restaurants: (1) a freestanding restaurant typically located on shopping center out parcels; (2) smaller in-line end-cap unit locations in shopping centers; (3) a nontraditional location at venues such as colleges and universities, airports and truck stops; and (4) a delivery-only "ghost kitchen".

The total investment necessary to begin operation of a freestanding Fazoli's Restaurant, excluding the cost to purchase or lease your real estate and improvements, ranges from \$1,510,500 to \$2,399,500. This includes between \$95,500 and \$116,500 that you must pay to us or our affiliates.

The total investment necessary to begin operation of an in-line end-cap Fazoli's Restaurant, excluding the cost to purchase or lease your real estate and improvements, ranges from \$868,500 to \$1,618,500. This includes between \$95,500 and \$116,500 that you must pay to us or our affiliates.

The total investment necessary to begin operation of a Fazoli's Restaurant in a nontraditional location ranges from \$723,000 to \$1,091,000. This includes between \$60,000 and \$81,000 that you must pay to us or our affiliates.

The total investment necessary to begin operation of a Fazoli's delivery-only location ranges from \$472,500 to \$850,000. This includes between \$75,000 and \$81,000 that you must pay to us or our affiliates.

We may from time to time enter into a Multi-Unit Restaurant Agreement for nontraditional locations or delivery-only locations in a form similar to that attached as Exhibit J, under which the franchise fee is \$50,000 for each Franchise restaurant for franchisees who commit to construct and open nontraditional locations or delivery-only locations.

In some cases, we may offer a Franchise Agreement for a specific location being developed or operated by us, or an affiliate, or formerly operated by an affiliate. The terms of those offers vary on a transaction basis.

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.**

You may wish to receive this Disclosure Document in another format that is more convenient for you. To discuss this availability of disclosures in different formats, please contact the Franchise Department at 2470 Palumbo Drive, Lexington, Kentucky 40509, 859-268-1668.

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

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

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

The issuance date of this Disclosure Document is April 30, 2024 (amended November 8, 2024).

HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and litigation only in Kentucky. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Kentucky than in your own state.
2. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplier that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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

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

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

b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

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ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This Disclosure Document describes Fazoli's franchises. To simplify the language in this Disclosure Document, we will use the words “we”, “us”, “our company”, “the Company”, or “FFS” when referring to Fazoli’s Franchising Systems, LLC, the franchisor. We will refer to the person or business entity who buys the franchise as “you” and “your”. If you are a legal or business entity, then “you” also includes the individuals and entities that own an interest in you.

We are a Delaware limited liability company, formed on October 2, 2006. We do business under the name “FAZOLI’S®” and “FAZOLI’S RESTAURANTS”. We maintain our principal business address at 2470 Palumbo Drive, Lexington, Kentucky 40509-1117. Our agents for service of process are disclosed in Exhibit A to this Disclosure Document.

We have franchised Fazoli’s Restaurants since October of 2006. From October 1991 to October 2006, our predecessor operated and franchised Fazoli’s restaurants. Our predecessor was Fazoli’s Systems, Inc., a Kentucky corporation incorporated on July 25, 1990. Fazoli’s Systems, Inc. merged with and into us on October 19, 2006. We are a franchising company that grants franchises for the operation of premium fast-casual Italian food restaurants known as FAZOLI’S® RESTAURANTS. Although our affiliate, as of December 31, 2023, operated 57 Fazoli’s Restaurants, we have no direct business experience in operating Fazoli’s Restaurants and we operate no other businesses.

We are an indirect subsidiary of Fazoli’s Group, Inc. (“FGI”). FGI is a Delaware corporation incorporated on September 18, 2006. FGI shares our business address and is our indirect parent company. We refer to Fazoli’s® restaurants owned by FGI subsidiaries as “company owned” restaurants. FGI owns all of the equity interests of Fazoli’s Restaurant Group, Inc. (“FRG”), which is the Sole Member of Fazoli’s System Management, LLC (“FSM”), which is the General Partner of Fazoli’s Joint Venture, Ltd. (“FJV”). FJV is a Kentucky limited partnership formed on April 1, 1993 and has its principal business address at 2470 Palumbo Drive, Lexington, Kentucky 40509. Prior to December 31, 2018, company owned Fazoli’s restaurants in all states other than Ohio, Indiana and Kentucky were owned and operated by Fazoli’s Restaurants, LLC (“FRLLC”), which was formed on October 2, 2006 as a Delaware limited liability company, and was owned by FRG, and all company owned restaurants in Ohio, Indiana and Kentucky were owned and operated by FJV. On December 31, 2018 at 11:59 pm eastern time, FRLLC assigned all right, title and interest in its company owned Fazoli’s restaurants to FJV, which assumed all right, title and interest. FRLLC was dissolved at 11:59 pm eastern time on December 31, 2018. Prior to December 31, 2018, the limited partner of FJV was FRLLC, owning 99%. Effective on December 31, 2018, FRLLC transferred its interest in FJV to FRG, which now owns 99% interest in FJV. FSM continues as the general partner of FJV, owning 1% interest. FSM is a Delaware limited liability company formed on October 2, 2006 and has its principal business address at 2470 Palumbo Drive, Lexington, Kentucky 40509-1117. As of December 31, 2023, FGI subsidiaries own and operate 57 company owned restaurants.

FSM has in the past and may in the future provide certain products and services to our franchisees, including back-office hardware and software components, licenses and installation and support (See Items 5 and 11) and marketing services (see Item 11).

On December 15, 2021, our parent company, Fazoli's Holdings, LLC, which directly or indirectly owns us, FGI, FRG, FSM, FJV and Fazoli's Promotions, Inc., was sold to FAT Brands, Inc., a Delaware corporation ("FAT"). FAT owns Fazoli's Holdings, LLC through a wholly-owned subsidiary, FAT Brands Fazoli's Native I, LLC. FAT's principal business address is 9720 Wilshire Boulevard, Suite 500, Beverly Hills, California 90212.

As a result of the purchase by FAT, FGI is an affiliate to the following brands, currently owned directly or indirectly by FAT, which offer franchises under their own trademarks and systems. Unless otherwise disclosed, the FAT affiliates listed below share a principal business address of 9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212.

AFFILIATE FRANCHISING COMPANIES				
Franchised Business	Name of Affiliate Franchisor	Principal Place of Business	Period of Time Franchises Offered	Number of Open Franchised Outlets (as of 12/31/2023)
Bonanza Steakhouse ¹	Bonanza Restaurant Company	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1994 to present	7
Buffalo's Café ²	Buffalo's Franchise Concepts, Inc.	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1989 to present	100 (13 stand-alone locations; 87 co-branded with "Fatburger")
Elevation Burger ³	EB Franchises, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	2008 to present	35
Fatburger ⁴	Fatburger North America, Inc.	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1990 to present	191 (104 stand-alone locations; 87 co-branded with "Buffalo's Café")
Great American Cookies ⁵	GAC Franchising, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1977 to present	418
Hot Dog On a Stick ⁶	HDOS Franchising, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1997 to present	20
Hurricane ⁷	Hurricane AMT, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	2008 to present	39 (Hurricane Grill & Wings)
				1 (Hurricane BTW Burgers + Tacos + Wings)

AFFILIATE FRANCHISING COMPANIES				
Franchised Business	Name of Affiliate Franchisor	Principal Place of Business	Period of Time Franchises Offered	Number of Open Franchised Outlets (as of 12/31/2023)
Johnny Rockets ⁸	Johnny Rockets Licensing, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1989 to present	256
Marble Slab Creamery ⁹	Marble Slab Franchising, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1986 to present	384
Native Grill & Wings ¹⁰	Native Grill and Wings Franchising, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	2020 to present	20
Ponderosa Steakhouse ¹⁰	Ponderosa Franchising Company	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1994 to present	29
Pretzelmaker ¹²	PM Franchising, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1992 to present	207
Round Table Pizza ¹³	The Round Table Franchise Corporation	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	1979 to present	402
Twin Peaks ¹⁴	Twin Peaks Franchise, LLC	5151 Beltline Rd., #1200 Dallas, TX 75254	2007 to present	76
Yalla Mediterranean ¹⁵	Yalla Mediterranean Franchising Company, LLC	9720 Wilshire Blvd., Suite 500, Beverly Hills, California 90212	2019 to present	0

1. Bonanza Steakhouse is a full-service steakhouse that operates under the names “Bonanza Steakhouse” and “Bonanza Steak & BBQ” and primarily offers fresh farm-to-table salad bars and serves a menu showcase of USDA flame-grilled steaks and house-smoked barbeque.
2. Buffalo’s Café is a café that operates under the name “Buffalo’s Café” and offers chicken wings and distinctive homemade wing sauces, burgers, wraps, steaks, salads and other classic American cuisine.
3. Elevation Burger is a fast casual restaurant that operates under the name “Elevation Burger” and features organic hamburgers.
4. Fatburger is a restaurant that operates under the name “Fatburger” and primarily serves burgers, shakes and fries.
5. Great American Cookies is a specialty store that operates under the name “Great American Cookies” and offers cookies, brownies, cupcakes and related food items and beverages.
6. Hot Dog On a Stick is a specialty store that operates under the name “Hot Dog On A Stick” and offers award-winning lemonade, hot-dog-on-a-stick and cheese-on-a-stick products,

French fries and other food items and beverages.

7. Hurricane is a restaurant that operates under the name “Hurricane Grill & Wings”, “Hurricane Sports Grill”, “Hurricane Dockside Grill” or “Hurricane BTW Burgers + Tacos + Wings” and offers jumbo, fresh wings paired with over 35 signature sauces, rubs and glazes and flavorful fan favorites including fries, tacos and burgers.
8. Johnny Rockets is a restaurant that operates under the name “Johnny Rockets” and offers a menu of lunch and dinner products featuring made-to-order hamburgers, crispy fries, chili, hand-spun shakes and malts, classic sandwiches and other menu items.
9. Marble Slab Creamery is a specialty store that operates under the name “Marble Slab” or “Marble Slab Creamery” and offers ice cream that customers can order in combination with nuts, fruit and other “mix-ins” that are blended into ice cream on a chilled marble or granite slab.
10. Native Grill & Wings is a restaurant that operates under the name “Native Grill & Wings” and offers fried chicken wings served with several different sauces.
11. Ponderosa Steakhouse is a restaurant that operates under the name “Ponderosa Steakhouse” and primarily offers a buffet serving a broad array of steak, chicken and seafood entrees.
12. Pretzelmaker is a specialty store that operates under the name “Pretzelmaker” and offers soft pretzels, pretzel toppings, beverages and other food products.
13. Round Table is a restaurant that operates under the names “Round Table” and “Round Table Pizza” and offers pizza and related food items and beverages.
14. Twin Peaks is a restaurant that operates under the name “Twin Peaks” and features a full bar and offers American-style menu items and alcoholic and non-alcoholic beverages. A Twin Peaks restaurant also may offer a virtual, delivery-only concept under the name “Good as Cluck”.
15. Yalla Mediterranean is a restaurant that operates under the names “Yalla” and “Yalla Mediterranean” and offers a menu of freshly prepared California-inspired Greek and Mediterranean appetizers, sandwiches, wraps, salads, platters, side dishes and beverages.

GAC Manufacturing, LLC (“GAC Manufacturing”) an indirect, wholly-owned subsidiary of FAT, is in the business of operating the cookie dough plant that produces proprietary batter, dough, and other ingredients for making cookies and/or brownies, as we specify (“GAC Ingredients”) that are supplied to certain of our (and our affiliates’) franchises who have the right to offer and sell cookies as an add-on menu item. GAC Manufacturing produces proprietary batter, dough and other ingredients that are used in the operation of Great American Cookie stores. GAC Manufacturing has a principal business address of 4685 Frederick Drive, Atlanta, Georgia 30336. GAC Manufacturing (i) does not own or operate any franchises like the franchise that we are offering to you, (ii) has never offered franchises in any line of business, and (iii) except for manufacturing GAC Ingredients, has never provided any other franchise support services to franchisees.

If we offer the opportunity to you, you must offer cookies or brownies, as required by us, as a menu item and we require you to purchase the GAC Ingredients from our affiliate GAC Supply, LLC (“GAC Supply”). GAC Supply has a principal business address of 4685 Frederick Drive, Atlanta, Georgia 30336. GAC Supply (i) does not own or operate any franchises like the franchise that we are offering to you, (ii) has never offered franchises in any line of business, and (iii) except for selling GAC Ingredients, has never provided any other franchise support services to franchisees.

The Fazoli's Franchise

Fazoli’s is a premium fast-casual Italian restaurant concept, combining the convenience and price of fast food with the food quality and dining atmosphere associated with casual dining (the “System”). The Fazoli's Restaurant concept targets the general public. The markets for quick service and casual dining restaurant concepts are fully developed in most parts of the United States. You will be competing with a large number of other quick service and casual dining restaurants, some of which offer Italian food similar to that of the System, including national and regional restaurant chains. You must operate your Fazoli’s Restaurant according to our standards and specifications. Our market includes members of the general public. The restaurant industry is highly competitive and well developed. Sales may be seasonal in certain parts of the country, with stronger sales occurring in warmer months and favorable weather conditions.

The most common Fazoli’s Restaurant currently in operation is a freestanding restaurant in an approximately 2,800 square foot building that seats 65 guests, and it is typically located on a shopping center outparcel. We have also developed in-line end-cap Fazoli’s Restaurants that are approximately 2,600 square feet in size with interior seating for 70.

Franchisees in nontraditional locations operate a Fazoli's Restaurant in and from dedicated space within colleges and universities, airports, truck stops and similar locations (“Nontraditional Locations”). These locations can be no smaller than 1,100 square feet. Nontraditional Locations may share seating, cooler-freezer and storage facilities, POS, certain common areas and restroom facilities, certain services, supplies and consumables (table busing, food trays, drink stations, cups, napkins, utensils, etc.) and building entrances and exits with the host facility within which it is located.

Franchisees of delivery-only locations operate a Fazoli’s “ghost kitchen” typically consisting of dedicated leased space within facilities designed for hosting restaurant kitchens for delivery services only (“Delivery-Only Locations”). Delivery-Only Locations may share cooler-freezer and storage facilities, certain common areas and restroom facilities and building entrances and exits with the host facility within which it is located. The space needed to accommodate a Fazoli's Restaurant in a Delivery-Only Location can be no less than 1,000 square feet.

We may also offer certain franchisee candidates the opportunity to enter into our standard Multi-Unit Restaurant Agreement (“MURA”), which is attached as Exhibit J. Under a MURA, a franchisee agrees to develop and open an agreed number of Fazoli’s Restaurants pursuant to a fixed schedule. For each franchise opened under a MURA, the multi-unit operator may be required

to sign a form of franchise agreement that is different from the form of Franchise Agreement included in this Disclosure Document.

We may also offer certain franchisee candidates the opportunity to take part in a program involving a streamlined path for opening and operating a Fazoli's Restaurant, called the "Franchise Conversion and Expansion Plan for New and Current Franchisees" or "FCEP". The FCEP is intended to be used in connection with a non-operating/existing restaurant building or a new restaurant ground-up building, and is subject to our approval. Sample deal terms may include a royalty "ramp-up" period and additional franchisor assistance in determining existing fixtures and equipment for use in the Fazoli's Restaurant. Under the FCEP, within the first four years of your Franchise Agreement, and should the location you select be a converted site and not a ground up, you may be required to commence and complete a remodel and upgrade of the Franchised Restaurant to the then-current brand standards.

Laws and Regulations

You must comply with all local, state and federal laws that apply to businesses generally, including laws governing discrimination and sexual harassment in the work place, minimum wage, smoking in public areas as well as EEOC and OSHA standards. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws.

The United States Department of Agriculture and the Food and Drug Administration regulate the manufacture, labeling and distribution of food products. There may also be local ordinances and regulations governing food storage, preparation and serving. The Food and Drug Administration also regulates menu labeling for retail food establishments that are part of a chain of 20 or more locations operating under the same name, regardless of ownership. Many states have enacted similar state laws governing menu labeling and disclosure of nutritional content. Some state and federal laws impose general requirements or restrictions on advertising containing false or misleading claims or health and nutrient claims on menus, such as "low calorie" or "fat free".

You must comply with federal, state and local health and sanitation laws and licensure requirements applicable to food establishments, including laws that require food handlers to have certain inoculations and/or food service permits. Health laws are intended, in part, to reduce food borne illnesses and may cover issues such as: (a) requiring employees to take a test and obtain a license as a food service worker; (b) having accessible sinks and bathrooms for certain size establishments; and (c) inspections for cleanliness and sanitation standards, including equipment cleaning, food storage and packaging, ingredients utilized, refrigeration requirements, etc.

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

There may be other local, state and/or federal laws or regulations that apply to your Restaurant. We strongly suggest that you investigate these laws before buying this franchise.

ITEM 2 BUSINESS EXPERIENCE

* Unless otherwise indicated, all positions listed below are in Lexington, Kentucky.

President and Chief Operating Officer of Fazoli's – Gregg Nettleton

Mr. Nettleton has served as our President and Chief Operating Officer since October 2023. Mr. Nettleton has served as the President – Casual Dining Division of FAT since October 2016.

Chief Executive Officer of Fazoli's and Chief Development Officer of FAT – Taylor Wiederhorn

Mr. Wiederhorn has served as our Chief Executive Officer since May 2023. He has also been FAT's Chief Development Officer since October 2017 in Beverly Hills, California.

Vice President of Company Operations and Training – Tim Kimmel

Tim Kimmel assumed his current position as Vice President of Company Operations and Training with Fazoli's in April 2022. Before that, Tim was Senior Director of Company Operation from July 2020 until April 2022. Before that, Tim was Director of Company Operations from June 2017 until July 2020. Tim joined Fazoli's in March 1993.

Vice President of Franchise Operations and Development – Wayne Wright

Wayne Wright assumed his current position as Vice President of Franchise Operations and Development with Fazolis' in March 2022. Before that, he was Director of Franchise Operations from April 2017 to March 2022. Wayne joined Fazoli's in January 2013.

Senior Director of Construction and Facilities of Fazoli's – Chris Byars

Chris Byars joined Fazoli's as the Director of Construction and Facilities in late April of 2016.

Director of Franchise Sales of Fazoli's and Vice President of Franchise Sales of FAT – Kim Rogers

Ms. Rogers has served as our Director of Franchise Sales and FAT's Vice President of Franchise Sales since May 2023. Ms. Rogers became FAT's Vice President of Franchise Sales in May 2024. Prior to that Ms. Rogers served as FAT's Director of Franchise Sales, QSR Division from July 2021 to April 2024. Prior to that time, from May 2021 until July 2021, she was Director of Franchise Sales and, from September 2017 to May 2021, Senior Franchise Sales Manager, for Global Franchise Group, located in Atlanta, Georgia. Previously, from March 2016 to September

2017, Ms. Rogers was Senior Franchise Sales Manager for Round Table Franchise Corporation, then located in Concord, California.

Director of Training of Fazoli's – Kevin Karnes

Kevin Karnes assumed his current position as Director of Training with Fazoli's on April 4, 2019. Before that, he was a Senior Area Supervisor with Fazoli's from March 2018 to April 2019, and Area Supervisor from March 2016 to March 2018.

Chief Marketing Officer of Fazoli's – Tisha Bartlett

Tisha Bartlett joined Fazoli's as Chief Marketing Officer in November 2022. Prior to this, Ms. Bartlett was a Director of Marketing with Fazoli's from January 2016 until November 2022.

Co-Chief Executive Officer and Head of Debt Capital Markets of FAT – Robert Rosen

Mr. Rosen has been FAT's Co-Chief Executive Officer and Head of Debt Capital Markets since May 2023. He joined FAT in March 2021 as its Executive Vice President of Capital Markets. From 2004 to March 2021, he served as the Managing Member of Kodiak Financial Group LLC in Katonah, New York.

Treasurer and Chief Financial Officer of Fazoli's – Kenneth J. Kuick

Mr. Kuick has served as our Treasurer and Chief Financial Officer since May 2023. Mr. Kuick has been FAT's Co-Chief Executive Officer since May 2023 and Chief Financial Officer since May 2021. From November 2018 to August 2020, he served as Chief Financial Officer of Noodles & Company, a national fast-casual restaurant concept in Broomfield, Colorado. From October 2017 to August 2018, Mr. Kuick served as Chief Accounting Officer of VICI Properties Inc., a real estate investment trust specializing in casino properties in Las Vegas, Nevada.

Director of Franchise Development of Fazoli's and Vice President of Franchise Sales of FAT – Dan D. Moran, CFE

Mr. Moran has served as our Director of Franchise Development since May 2023. Mr. Moran became FAT's Vice President of Franchise Sales in May of 2024. Prior to that, Mr. Moran served as FAT's Director of Franchise Sales from October 2017 to May 2024. Prior to that, Mr. Moran served as FBNA's Vice President of Franchise Development from October 2009 until October 2017.

Senior Vice President of Finance of FAT – Ron Roe

Mr. Roe serves as FAT's Senior Vice President of Finance since August 2018 in Beverly Hills, California. He has also served as Chief Financial Officer of Fatburger since January 2010 in Beverly Hills, California.

Chief Operating Officer of FAT – Thayer Wiederhorn

Mr. Wiederhorn has served as FAT's Chief Operating Officer since November 2021 and previously as Chief Marketing Officer since October 2017 in Beverly Hills, California.

Secretary of Fazoli's – Allen Z. Sussman

Mr. Sussman has served as our Secretary since May 2023. Mr. Sussman has been the General Counsel of FAT since March 2021 in Beverly Hills, California. Prior to that, Mr. Sussman was a partner at the law firm of Loeb & Loeb LLP in Los Angeles, California, specializing in corporate and securities law, and served as primary outside corporate and securities counsel to FAT.

Vice President and Senior Franchise Counsel of Fazoli's and Deputy General Counsel and Senior Franchise Counsel of FAT – Warren Christiansen

Mr. Christiansen has served as our Vice President and Senior Franchise Counsel since May 2023. Mr. Christiansen has served as FAT's Deputy General Counsel and Senior Franchise Counsel since May 2023. From October 2017 to May 2023, Mr. Christiansen served as FAT's Legal Counsel and Franchise Development Executive. From November 2008 to October 2017, Mr. Christiansen served as Vice President, Domestic Franchise Sales for Fatburger North America, Inc.

Non-Traditional Business Development – Jessica Wiederhorn

Ms. Wiederhorn has served as FAT's Non-Traditional Business Developer since June 2022. She previously served in this same role from December 2019 to February 2021. From June 2008 to November 2019, Ms. Wiederhorn served as Finance Large Market Business Developer in Los Angeles, CA.

Senior Vice President, Non-Traditional Development - Ammy Harrison

Ms. Harrison has been Senior Vice President, Non-Traditional Development for us and for FAT since May 2024. From January 2021 to May 2024, she was the Vice President, Development and Strategy for Penn Station, Inc., a quick service restaurant franchisor in Cincinnati, Ohio. Prior to that from January 2011 to December 2020, she was the Director of New Business Development, Non-Traditional for Papa John's International, Inc., a quick service restaurant franchisor in Louisville, Kentucky.

ITEM 3 LITIGATION

Pending Litigation

Mitchell Kates v. FAT Brands, Inc., Andrew Wiederhorn, Kenneth J. Kuick and Robert G. Rosen (United States District Court for the Central District of California, Case No. 2:24-cv-04775-MWF-MAA) On June 7, 2024, plaintiff Mitchell Kates, a putative investor in FAT, filed a putative class action lawsuit against FAT, Andrew Wiederhorn, Kenneth J. Kuick and Robert G. Rosen, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), alleging that the defendants are responsible for false and misleading statements and omitted material facts in FAT's reports filed with the SEC under the 1934 Act

related to the subject matter of the government investigations and litigation discussed above, FAT's handling of these matters and cooperation with the government. The plaintiff alleges that FAT's public statements wrongfully inflated the trading price of FAT's common stock, preferred stock and warrants. The plaintiff is seeking to certify the complaint as a class action and is seeking compensatory damages in an amount to be determined at trial.

Concluded Litigation

Robert J. Matthews, et al., v. FAT Brands, Inc., Andrew Wiederhorn, Ron Roe, Rebecca Hershinger and Ken Kuick (United States District Court for the Central District of California, Case No. 2:22-cv-01820). On March 18, 2022, plaintiff Robert J. Matthews, a putative investor in the Company, filed a putative class action lawsuit against the Company, Andrew Wiederhorn, Ron Roe, Rebecca Hershinger and Ken Kuick, asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), alleging that the defendants were responsible for false and misleading statements and omitted material facts in the Company's reports filed with the SEC under the 1934 Act related to a story published by the Los Angeles Times on February 19, 2022 regarding the company and its management. The plaintiff alleged that the Company's public statements wrongfully inflated the trading price of the Company's securities. The plaintiff sought to certify the complaint as a class action and compensatory damages in an amount to be determined at trial. On April 25, 2022, Kerry Chipman, another putative investor in the Company, filed a second putative class action lawsuit against the Company, Andrew Wiederhorn, Ron Roe, Rebecca Hershinger and Ken Kuick in the United States District Court for the Central Division of California, asserting substantially the same claims as those made by Matthews in the above-referenced lawsuit. On May 2, 2022, the Court entered an order consolidating the actions filed by Matthews and Chipman under the caption *In re FAT Brands Inc. Securities Litigation*. In August 2022, after mediation the parties agreed to settle the litigation. Pursuant to the settlement, FAT agreed to pay on behalf of the defendants \$2,500,000 in cash and \$500,000 in Class A common stock of FAT to the class plaintiffs, the plaintiffs released all claims against the defendants, and the case was dismissed with prejudice in February 2023.

Commonwealth of Virginia ex rel. State Corporation Commission v. Fatburger North America, Inc. (Case No. SEC-2022-00034, Settlement Order entered Jul. 12, 2023, Final Order entered Oct. 23, 2023). This matter involves allegations by the Virginia State Corporation Commission's Division of Securities and Retail Franchising that our affiliate, FBNA, offered and sold 3 Virginia franchises at a time when it was not effectively registered in Virginia between December 2020 through August 2021. FBNA reached a settlement in principle in May 2023, without admitting or denying the allegations, and agreed: (a) to offer the affected franchisees an opportunity to rescind their franchises; (b) to pay \$27,000 to the Commonwealth of Virginia; and (3) not to violate the Virginia franchise law in the future. On July 12, 2023, the Virginia State Corporation Commission entered a settlement order with FNBA. On October 23, 2023, the Virginia State Corporation Commission entered into a final order with FNBA, affirming FNBA had fulfilled the requirements of the settlement order and dismissing the case.

Except for the actions above there is no litigation that must be disclosed in this Item.

ITEM 4 BANKRUPTCY

On April 6, 2009, a former affiliate of FBNA, Fatburger Restaurants of California, Inc. (“FB California”), filed a petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code (subsequently converted to Chapter 7 on June 24, 2011) in the Central District of California, Case No. 0913964-KT. FB California conducted an auction of some or all of its Restaurants on or about April 21, 2011. FB California auctioned some or all of its existing, operating Restaurants to the successful bidders including all of the existing furnishings and equipment of those Restaurants and an assignment of its leases or subleases for the Restaurants. As of June 19, 2014, the Chapter 7 Trustee (Amy Goldman) had concluded the administration of the matter and made all distributions as required by the Court and the United States Trustee’s Office was reviewing all final accounting before submitting the matter to the Court for case closure. The final decree order closing the case was issued on July 15, 2014.

On April 6, 2009, a former affiliate of FBNA, Fatburger Restaurants of Nevada, Inc. (“FB Nevada”), filed a petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code (subsequently converted to Chapter 7 on June 24, 2011) in the Central District of California, Case No. 0913965-KT. FB Nevada conducted an auction of some or all of its Restaurants on or about April 21, 2011. FB Nevada auctioned some or all of its existing, operating Restaurants to the successful bidders including all of the existing furnishings and equipment of those Restaurants and an assignment of its leases or subleases for the Restaurants. As of June 19, 2014, the Chapter 7 Trustee (Amy Goldman) had concluded the administration of the matter and made all distributions as required by the Court and the United States Trustee’s Office was reviewing all final accounting before submitting the matter to the Court for case closure. The final decree order closing the case was issued on July 15, 2014.

Other than these two bankruptcies, no bankruptcies are required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fees. Fazoli's Restaurant franchisees must sign a Franchise Agreement for each Fazoli's Restaurant to be owned and operated. You must pay \$50,000 as a franchise fee (the “Franchise Fee”) to develop a single franchise restaurant, regardless of what type of restaurant you develop. The the Franchise Fee is due upon execution of your signed agreement. The Franchise Fee is fully earned by us upon payment. We have no obligation to refund the Franchise Fee for any reason, including if you fail to find an acceptable site. The Franchise Fee is uniformly imposed, except in 2023, one franchisee was under the former payment structure where \$25,000 was due at signing in 2023, and the remaining \$25,000 was due upon opening in 2024.

Pre-opening and Opening Advertising. You must pay us an additional sum of \$7,500 for pre-opening and opening advertising that we arrange for and place, payable to us in cash upon our request. This fee is required for each restaurant you are opening, with the exception of Nontraditional Locations and Delivery-Only Locations. This fee will be requested no later than 30 days before your restaurant’s projected opening date, is uniform in all cases and not refundable. Any monies not used will be credited to your advertising fund or, in the event the restaurant does not open, retained by us.

Fazoli's Brand Technology System. For each Fazoli's Restaurant you develop, you must purchase the required Brand Technology System and sign our Brand Technology System Support and Service Agreement prior to the opening of the Fazoli's Restaurant, which is annexed to the Franchise Agreement, attached to this Disclosure Document, as Schedule Seven. Payment for the Brand Technology System is required prior to, and as a condition for, its installation. This will include a deposit of no less than \$15,000 twelve (12) weeks prior to the installation of the restaurant's scheduled opening. The range cost of the Brand Technology System, which includes point of sale ("POS") and back office hardware and software components, is \$47,000 to \$59,000 (excluding taxes and freight) for a freestanding unit and \$31,200 to \$59,000 (excluding taxes and freight) for an in-line facility. This cost is non-refundable and is paid directly to Fazoli's System Management or vendors that we specify. These fees do not include ongoing software license fees that vendors may charge. There are also various other programs that are not required that you may purchase to assist you in the operation of the Fazoli's Restaurant, if you so desire. The costs for these programs would also be paid directly to Fazoli's System Management or vendors that we specify.

Multi-Unit Restaurant Agreement. We may offer certain franchisee candidates the opportunity to enter into a MURA, which is attached as Exhibit J. Under a MURA, a franchisee agrees to develop and open a minimum of three Nontraditional Locations or Delivery-Only Locations pursuant to a fixed schedule for an initial Franchise Fee of \$50,000 per location. The initial Franchise Fee for each Fazoli's Restaurant is due upon execution of the signed MURA. In each instance, the franchisee signs our then current Franchise Agreement as each Fazoli's Restaurant is opened. The Franchise Fee is fully earned by us upon payment. We have no obligation to refund the Franchise Fee for any reason, including if you fail to find an approvable site.

We may, from time to time, enter into a MURA for Nontraditional Locations or Delivery-Only Locations in a form similar to that attached as Exhibit J, under which the initial Franchise Fee is \$50,000 per location for franchisees who commit to construct and open three (3) or more Nontraditional Locations or Delivery-Only Locations.

ITEM 6 OTHER FEES

Type of Fee 1	Amount	Due Date	Remarks
Royalty	5.0%	Payable weekly by electronic funds transfer on or before Wednesday of the next week, or with such frequency as we may elect from time to time ¹	"Gross Receipts" is defined in the Franchise Agreement and it generally means all revenues from sales of food, food products, beverages and any other items or services sold in or from your restaurant, excluding receipts from pay telephones; sales, use, excise and similar taxes; discounts and coupons approved by us; approved senior citizen discounts; employee meals; and charitable donations to schools, churches and similar charitable organizations. ¹ We may debit your bank account or request such other method of payment as we elect from time to time. ²
Advertising and Marketing Fee	4% of Gross Receipts ³	Same as Royalty	Currently, virtually all media purchases are placed by our agency in the local franchise markets and there is no allocation from your

Type of Fee 1	Amount	Due Date	Remarks
			advertising and marketing fee for regional or national advertising campaigns. If we begin regional or national ad campaigns in the future, then during the first 12 months of your operations, we will allocate to your restaurant 3% of your Gross Receipts to be used for local advertising and marketing programs. Currently, 1% of sales per month per restaurant are allocated for agency compensation fees, marketing support fees, and production of advertising and merchandising creative. ⁴ We may debit your bank account or request such other method of payment as we elect from time to time. ²
Interest on Late Payments	Lesser of: 18% or such higher rate allowed by law. The highest interest rate in California is 10% annually.	As incurred	Payable on all overdue amounts.
Accounting Expenses	Cost of accounting review (estimated to be \$3,000 to \$5,000)	Within 90 calendar days after the end of your fiscal years	An annual accounting review is required by the Franchise Agreement. ⁵
Additional Assistance	Our actual expenses. Approximately \$2,250 per member for additional opening assistance; approximately \$9,000 for 1 coordinator and 3 associates for continuing opening assistance; and approximately \$2,500 for a 45-hour workweek for 1 managerial representative for post-opening operational assistance. ⁶	As incurred	If you request operations assistance you may be required to reimburse our expenses.
Audit Expenses	Cost of inspection or audit (estimated to be \$3,000 to \$5,000)	As incurred	You are required to reimburse us for the costs of any audit that may be performed. ⁷
Transfer Expenses	Our reasonable legal, accounting, training and other costs associated with the transfer (50% of our then current franchise fee)	Prior to consummation of transfer	Payable when your interest in the Franchise Agreement or a material portion of the assets of your restaurant or an interest in you is transferred.
Third Party Transfer Expenses	CrunchTime may charge a fee between \$5,000 and \$7,000 for transfer of license	At or before transfer takes place	Payable to CrunchTime
Brand Technology System Support Services	Currently the fees will range from \$1,950 - \$3,000 depending on the options that are chosen and this is subject to change	Annual fee paid in quarterly electronic funds transfer payments 30 days prior to beginning of quarter for annual invoices less than \$500. For invoices above \$500, fees will be due within 15 days from receipt of invoice	Service includes help desk, limited POS program updates, Brand Technology System updates, polling and limited reporting. See Brand Technology System service agreement for details. ⁸
Software Subscription Fees	Currently the fees will range from \$9,804 - \$15,300 depending on options that	Annual fee paid to either Company or directly to the vendor. For invoices	Subscription fees for current POS and Back Of House (“BOH”) software. The current vendors are subject to change.

Type of Fee 1	Amount	Due Date	Remarks
	are chosen and this is subject to change	above \$500 from Company, fees will be due within 15 days from receipt of invoice	
Renewal Fee	Depending on the initial term of your Franchise Agreement, your renewal fee will either be 40% of our then current franchise fee per restaurant	No earlier than 9 months nor later than 6 months before the end of the current franchise term	After the initial 15-year term of your Franchise Agreement, you have the right to renew the Franchise Agreement for 2 additional 5-year periods.
Remodel/ Refurbish	Cost of remodel/refurbishment estimate for freestanding unit is \$150,000 to \$450,000 ⁹	As incurred	At the Company's request, but not more often than once every 5 years (under the FCEP, you may be required to remodel within 4 years of signing the franchise agreement), and/or upon renewal (within 12 months following renewal).
Failure to De-identify Costs	Our costs plus interim license fees of \$500 per day beginning on the 31st day after the Franchise Restaurant ceases to operate	As incurred	At our discretion, we may cure your failure to de-identify your restaurant upon termination or expiration of the franchise. ¹⁰
Insurance Default Costs	Our costs to cure	As incurred	We have the right to cure your insurance defaults and to recover the costs of curing defaults from you.
Default Costs	Varies	As incurred	Possible liquidated damages, costs, late fees or attorneys fees may be incurred upon a default left uncured by franchisee.
Indemnification	Varies	As incurred	You must reimburse us if we incur any expense, including attorney fees and other costs, or are held liable for claims arising out of your franchise operation.
Testing and Inspection Expenses for Non-approved Brand or Item	Our cost of inspection and testing of non-approved brand or item (\$500 to \$2,500)	As incurred	If you request to use a non-approved brand or item, we have the right to refuse such request. We also have the right to require that samples from the supplier be delivered to us or our agent for testing and have sole discretion in determining whether the item meets our standards.
Specific Training courses	ServSafe fee (Market Price)	As incurred	You must reimburse us our costs of course materials and third party enrollment fees.
Training Cancellation Fee	\$500 plus cost of training materials and additional non-coverable fees incurred	As incurred	A \$500 cancellation fee may be charged for any training registration cancelled within 2 weeks of the class start date.

NOTES:

(1) Except for Cooperative Advertising fees, all fees are imposed by, collected by and payable to us. All fees are non-refundable. The Franchise Agreement gives us the right to require that you make all payments owed to us (other than the Franchise Fee and Pre-opening/Opening Advertising Fee) via electronic funds transfer.

(2) All fees and expenses due to the Company, other than the initial Franchise Fee and Pre-opening/Opening Advertising Fee, may be collected and paid by electronic funds transfer initiated by or at the direction of the Company from the accounts of the Franchisee maintained in

accordance with Franchise Agreement Section 6.05, or at the Company's election by any other means, payable weekly by Wednesday of each week for the preceding week's Gross Receipts, or with such frequency as the Company may elect from time to time. The electronic funds transfer and debit entries to Franchisee's bank account will be made pursuant to the Bank Authorization Agreement for pre-authorized payments which Franchisee agrees to execute and deliver to the Company no later than thirty (30) days prior to the opening of the Restaurant, in the form annexed to the Franchise Agreement, which is attached to this Disclosure Document, as Schedule Six, or at such times and in such other forms as the Company may specify from time to time.

(3) Nontraditional and Delivery-Only Locations do not pay a specific fee for advertising and marketing. A Franchisee of a Nontraditional or Delivery-Only Location may purchase from time to time, point of purchase promotional items that relate to the promotions initiated or approved by the Company from Company or a vendor approved by Company. Company shall supply such materials at a reasonable cost considering Company's out of pocket expenses, including, but not limited to, internal and external creative resources, minimum purchase quantities, order processing, and shipping.

(4) All advertising programs are subject to our control and approval (see Section 7.01 of the Franchise Agreement). If your advertising and marketing fees exceed expenditures during or following the term of any Franchise Agreement under this program, we may retain the excess as fees otherwise payable under the Franchise Agreement. Currently, there is no national advertising program in effect for the System. Until the System undertakes national or regional promotional campaigns, all of your advertising fees (less applicable media production and advertising agency and marketing support fees) will be spent for advertising and marketing programs directed to the area of your restaurant. If we introduce national or regional promotional campaigns in the future, then up to 100% of your advertising fees (less applicable advertising agency fees and media production cost) may then be directed to these campaigns. No advertising fees in addition to the 4% fee provided by the Franchise Agreement will be imposed to support a national advertising program unless mutually agreed. We track each franchisee's advertising fee receipts and expenditures separately. You may obtain an accounting of our advertising expenditures upon written request to the Chief Marketing Officer at our principal business office. See Item 11 of this Disclosure Document for more details regarding our advertising and marketing programs.

(5) You must obtain at your expense a review by an independent certified public accountant showing your results of operations for each fiscal year during the term of the Franchise Agreement. Additionally, at our request, you must obtain a review by an independent certified public accountant anytime during the term of the Franchise Agreement.

(6) Pursuant to our current policy noted in Section 5.03(f) of the Franchise Agreement, we must furnish, at our expense, on-site opening assistance for each Franchise Restaurant by 1 representative to assist in opening activities for approximately one 50-hour workweek. It has historically been and is currently our policy to furnish opening assistance consisting of 1 coordinator and additional team members to assist with pre-opening activities at no additional charge to you for your first 2 restaurant openings. If our opening assistance policy were to be changed in the future so that only 1 coordinator is provided, as strictly required by the Franchise

Agreement, then the cost of additional opening team members would be approximately \$2,250 per member, including, but not limited to, travel, wages, hotel accommodations and meals.

Additionally, upon your request, we may furnish you with continuing on-site opening assistance for the Franchise Restaurant, which may consist of a coordinator and up to 3 FIT Team members, and you must reimburse us for expenses incurred for this. We estimate the expenses including salary, travel and local accommodations for 1 coordinator and 3 FIT Team members will total approximately \$9,000 for one 45-hour workweek. Upon your request, we may also furnish you with post-opening operational assistance, which may be 1 managerial representative, and you must reimburse us for expenses incurred including salary, travel and local accommodations. We estimate these expenses will total approximately \$2,500 for a 45-hour workweek.

(7) You must reimburse us for the costs of audits or inspections, including reasonable accounting and legal fees and the travel expenses, room and board and compensation of our accountants, attorneys and employees if: (a) we conduct an inspection or audit of your business as a result of your failure to furnish reports, other information required by the Franchise Agreement, or to furnish these reports, records or information on a timely basis, or (b) an understatement of Gross Receipts for any period of not less than 4 weeks is determined by any audit or inspection to be greater than 3%. This remedy is in addition to and not in lieu of any other remedies and rights that we may have. All audit fees incurred are paid to us, but we may forward a portion of them to an accounting firm that we retain to perform the audit. Audit expenses may vary based upon location, scope and duration of the audit. We estimate these costs would range from \$3,000 to \$5,000.

(8) As we require, you must enter into a maintenance and/or support agreement with us, or one of our approved suppliers or vendors, for maintenance of and support for the Information System. The Information System is further defined in Item 11. We may charge you a reasonable fee if we provide maintenance and/or support services to you for the Information System. We currently have a help desk staff that collects and processes your data and provides telephonic Brand Technology System support services pursuant to a Brand Technology System Support Services Agreement annexed to the Franchise Agreement, attached to this Disclosure Document, as Schedule Seven. You must pay us an annual fee, in quarterly installments, for the support services, subject to change. The fee depends on what services and options you choose for your Fazoli's Restaurant.

(9) For the cost of remodel/refurbishment, the low cost represents queuing area, dining room and restroom upgrade (including paint, all new casework, booths, chairs, menu board and wainscot). The high cost represents everything in the low-cost range plus exterior facade/tower, signage and parking lot upgrade.

(10) We have the right, further described on the Online Information Center, to change, remove, or alter all restaurant signs, sign faces, awnings, emblems, tower canopy and/or tower, buildings and other items identifying the restaurant as a Fazoli's Restaurant, if you fail to do so after the time allotted in the Franchise Agreement, and to recover our costs plus an interim license fee.

ITEM 7 ESTIMATED INITIAL INVESTMENT

Freestanding Fazoli's Restaurant Estimated Initial Investment

Type of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (See Note 1)	\$50,000	See Note 1	See Note 1	Us
Site Preparation (See Note 2a)	\$250,000 to \$485,000	As Arranged	As Arranged	Landlord or Contractor
Architectural Services (See Note 3)	\$25,000 to \$75,000	As Arranged	As Arranged	Architect
Cost of the Building (See Note 4a)	\$865,000 to \$1,020,000	As Arranged	As Arranged	Landlord or Contractor
Furniture, Fixtures, and Equipment (See Note 5a)	\$170,000 to \$470,000	As Arranged	As Arranged	Suppliers and Contractor
Information System and related technology (See Note 6)	\$38,000 to \$59,000	As Arranged	As Arranged	FSM, Suppliers and Contractor
Training Expenses (See Note 7)	\$10,000 to \$35,000	As Arranged	As Incurred	Various Vendors
Inventory & Uniforms (See Note 8)	\$15,000 to \$30,000	As Arranged	As Arranged	Suppliers
Security Deposits, Utilities and Insurance (See Note 9)	\$5,000 to \$27,000	As Arranged	As Arranged	Landlord, Utilities, Insurance Company
Trade Area Analysis, Sales Projection and Sales Impact Report (see Item 8)	\$15,000	Lump Sum	As Arranged	Approved Vendor
Pre-opening and Opening Advertising (See Note 10)	\$7,500	Lump Sum	As Requested, but no later than 30 days before Restaurant opens	Us
Additional Funds- 3 Months (See Note 11)	\$60,000 to \$120,000	As Arranged	As Incurred	Miscellaneous
TOTAL	\$1,510,500 to \$2,399,500			

In-line/End-cap Fazoli's Restaurant Estimated Initial Investment

Type of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (See Note 1)	\$50,000	See Note 1	See Note 1	Us
Site Preparation (See Note 2b)	\$15,000 to \$200,000	As Arranged	As Arranged	Landlord or Contractor
Architectural Services (See Note 3)	\$28,000 to \$50,000	As Arranged	As Arranged	Architect
Cost of the Building (See Note 4b)	\$465,000 to \$580,000	As Arranged	As Arranged	Landlord or Contractor
Furniture, Fixtures, and Equipment (See Note 5a)	\$170,000 to \$470,000	As Arranged	As Arranged	Suppliers and Contractor
Information System and related technology	\$38,000 to \$59,000	As Arranged	As Arranged	FSM, Suppliers and Contractor

Type of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment is to be Made
(See Note 6)				
Training Expenses (See Note 7)	\$20,000 to \$35,000	As Arranged	As Incurred	Various Vendors
Inventory & Uniforms (See Note 8)	\$10,000 to \$20,000	As Arranged	As Arranged	Suppliers
Security Deposits, Utilities and Insurance (See Note 9)	\$5,000 to \$27,000	As Arranged	As Arranged	Landlord, Utilities, Insurance Company
Pre-opening and Opening Advertising (See Note 10)	\$7,500	Lump Sum	As Requested, but no later than 30 days before Restaurant opens	Us
Additional Funds- 3 Months (See Note 11)	\$60,000 to \$120,000	As Arranged	As Incurred	Miscellaneous
TOTAL	\$868,500 to \$1,618,500			

Nontraditional Fazoli's Restaurant Estimated Initial Investment

Type of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (See Note 1)	\$50,000	See Note 1	See Note 1	Us
Site Preparation (See Note 2c)	N/A			
Architectural Services (See Note 3)	\$25,000 to \$50,000	As Arranged	As Arranged	Architect
Cost of Premises Construction (See Note 4c)	\$265,000 to \$353,000	As Arranged	As Arranged	Suppliers and Contractor
Furniture, Fixtures, and Equipment (See Note 5b)	\$310,000 to \$470,000	As Arranged	As Arranged	Suppliers and Contractor
Information System and related technology (See Note 6)	\$10,000 to \$31,000	As Arranged	As Arranged	FSM, Suppliers and Contractor
Training Expenses (See Note 7)	\$20,000 to \$35,000	As Arranged	As Incurred	Various Vendors
Inventory & Uniforms (See Note 8)	\$8,000 to \$15,000	As Arranged	As Arranged	Suppliers
Security Deposits, Utilities and Insurance (See Note 9)	\$5,000 to \$27,000	As Arranged	As Arranged	Landlord, Utilities, Insurance Company
Pre-opening and Opening Advertising (See Note 10)	As ordered from Franchisee	As Arranged	As Arranged	Us or Our Vendor
Additional Funds- 3 Months (See Note 11)	\$30,000 to \$60,000	As Arranged	As Incurred	Miscellaneous
TOTAL	\$723,000 to \$1,091,000			

Delivery-Only "Ghost Kitchen" Fazoli's Restaurant Estimated Initial Investment

Type of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (See Note 1)	\$50,000	See Note 1	See Note 1	Us
Site Preparation (See Note 2c)	N/A			
Architectural Services (See Note 3)	\$20,000 to \$40,000	As Arranged	As Arranged	Architect
Cost of Premises Construction (See Note 4d)	\$165,000 to \$265,000	As Arranged	As Arranged	Suppliers and Contractor
Furniture, Fixtures, and Equipment (See Note 5b)	\$170,000 to \$355,000	As Arranged	As Arranged	Suppliers and Contractor
Information System and related technology (See Note 6)	\$25,000 to \$31,000	As Arranged	As Arranged	FSM, Suppliers and Contractor
Training Expenses (See Note 7)	\$5,000 to \$17,000	As Arranged	As Incurred	Various Vendors
Inventory & Uniforms (See Note 8)	\$2,500 to \$5,000	As Arranged	As Arranged	Suppliers
Security Deposits, Utilities and Insurance (See Note 9)	\$5,000 to \$27,000	As Arranged	As Arranged	Landlord, Utilities, Insurance Company
Pre-opening and Opening Advertising (See Note 10)	As ordered from Franchisee	As Arranged	As Arranged	Us or Our Vendor
Additional Funds- 3 Months (See Note 11)	\$30,000 to \$60,000	As Arranged	As Incurred	Miscellaneous
TOTAL	\$472,500 to \$850,000			

NOTES:

(1) See Item 5 concerning the payment of the Franchise Fee for each Fazoli's Restaurant. The total Franchise Fee for each Fazoli's Restaurant is due upon execution of your signed MURA or Franchise Agreement. We have no obligation to refund any costs paid to us. Whether any third party will refund any costs will depend on the third party involved. The Franchise Fee for a Nontraditional and a Delivery-Only Location is \$50,000. As noted above in Item 5, we may from time to time enter into a MURA for Nontraditional or Delivery-Only Locations in a form similar to that attached as Exhibit J, under which franchisees who commit to construct and open three (3) or more Nontraditional or Delivery-Only Locations, the Franchise Fee is \$50,000 for each location.

(2) (a) We estimate that the cost of site preparation will vary between a low of \$250,000 and a high of \$485,000. The precise amount will depend upon a number of variables, including the condition of the land to be improved, the size of the property and construction costs prevailing in the area where the restaurant will be constructed.

(b) Because the location of the Fazoli's Restaurant will be a strip shopping center, in-line end cap space, there generally will be no site preparation costs. However, you may have to trench for utilities, and add drive-thru menu board.

(c) Because the location of the Fazoli's Restaurant will be a Nontraditional or Delivery-Only Location, there generally will be no site preparation costs.

(3) You will incur architectural services, which may include Civil Engineering and Geo Technical costs, to complete the plans and other documents required by Section 3.02 of the Franchise Agreement at your expense. Architectural expenses will be more for a freestanding building than they will be for an in-line or end-cap completion, but there will be architectural expenses regardless of the type of development.

(4) (a) A freestanding Fazoli's Restaurant premises typically consists of a building located on a developmental outparcel or a commercial building lot with direct road frontage. All of the figures given above assume you will lease the land on which the restaurant is situated. The high estimate assumes you will construct a new 66 seat building and the low estimate assumes a smaller 50 seat restaurant. The building cost does not take into account special requirements such as sprinkler systems or other jurisdictional requirements. The price of land is not included in the range of total expenditures disclosed in the above chart. If land is purchased rather than leased, you will incur additional capital or financing costs determined by market conditions and other factors. Site preparation and cost of the building includes HVAC, parking lot lights, lighting package and electrical work.

The land needed to accommodate a freestanding Fazoli's Restaurant is between 37,000 and 43,560 square feet. Land requirements will vary depending on road frontage, the shape of the site, ingress and egress and parking available via easements. The price of rent is not included in the range of total expenditures disclosed in the above chart. The precise amount will depend upon a number of variables, including the area of the country in which the land is situated, the availability of and demand for vacant land, the size of the parcel and whether the landlord requires "percentage rent" based upon the sales revenues of your restaurant. The figures given represent the best estimates currently available to us for these costs and generally exclude dense urban areas, where rents may be higher than the range given.

Labor costs incurred in building construction may vary significantly depending on the availability of labor, prevailing labor rates for skilled and unskilled labor, and other factors that may vary from market to market.

The figures given above assume that an acceptable environmental site assessment will be conducted on the site and that the assessment will cost approximately \$1,000 to \$2,500. If the engineer conducting the assessment recommends that testing procedures not ordinarily within the scope of the applicable assessment be conducted, then the cost of the environmental assessment could be substantially greater.

(b) An in-line end cap Fazoli's Restaurant premises typically consists of space in a commercial shopping center. All of the figures given above assume you will lease the land on which the restaurant is situated. The high estimate assumes you will construct a new 50 to 66 seat building. The price of land is not included in the range of total expenditures disclosed in the above chart.

The shopping center space needed to accommodate an in-line end cap Fazoli's Restaurant is approximately 2,500 to 2,800 square feet. Space requirements will vary depending on the shape and configuration of the strip center site and whether the design is for an in-line unit or an end cap unit with a drive-thru facility. The price of rent is not included in the range of total expenditures disclosed in the above chart. The precise amount will depend upon a number of variables, including the area of the country in which the land is situated, the availability of and demand for vacant land, the size of the parcel and whether the landlord requires "percentage rent" based upon the sales revenues of your restaurant. The figures given represent the best estimates currently available to us for these costs and generally exclude dense urban areas, where rents may be higher than the range given.

Labor costs incurred in building construction may vary significantly depending on the availability of labor, prevailing labor rates for skilled and unskilled labor, and other factors that may vary from market to market.

While it is unlikely that an environmental site assessment will need to be conducted for an in-line unit, the figures given above assume that an acceptable environmental site assessment will be conducted on the site and that the assessment will cost approximately \$1,000 to \$2,500.

(c) We expect that a Fazoli's Restaurant premises in a Nontraditional Location typically consists of dedicated leased space within a venue such as a college/university, truck stop, or airport. Nontraditional Locations may share seating, cooler-freezer and storage facilities, POS, certain supplies and consumables (food trays, drink stations and equipment, cups, napkins, utensils, etc.), certain common areas and restroom facilities and building entrances and exits with the host facility within which it is located. The space needed to accommodate a Fazoli's Restaurant in a Nontraditional Location can be no less than 1,000 square feet. Space requirements will vary depending on the shape and configuration of the site. The price of rent is not included in the range of total expenditures disclosed in the above chart. The precise amount will depend upon a number of variables, including the area of the country in which the venue is situated, the availability of and demand for vacant space, and whether the landlord requires "percentage rent" based upon the sales revenues of your restaurant. The figures given represent the best estimates currently available to us for these costs and generally exclude dense urban areas, where rents may be higher than the range given.

Labor costs incurred in building construction may vary significantly depending on the availability of labor, prevailing labor rates for skilled and unskilled labor, and other factors that may vary from market to market.

Freight and taxes are not included. The estimates assume that all new equipment is purchased and installed. Note that this number does not include computers, computer peripherals, Brand Technology System, or cash register equipment (all of which is included in the Line Item “Information System and related technology” in the above charts).

(d) We expect that a Fazoli’s Restaurant premises in a Delivery-Only Location typically consists of dedicated leased space within facilities designed for hosting restaurant kitchen spaces. Delivery-Only Locations may share cooler-freezer and storage facilities, certain common areas and restroom facilities and building entrances and exits with the host facility within which it is located. The space needed to accommodate a Fazoli's Restaurant in a Delivery-Only Location can be no less than 1,000 square feet. Space requirements will vary depending on the shape and configuration of the site. The price of rent is not included in the range of total expenditures disclosed in the above chart. The precise amount will depend upon a number of variables, including the area of the country in which the venue is situated, the availability of and demand for vacant space, and whether the landlord requires “percentage rent” based upon the sales revenues of your restaurant. The figures given represent the best estimates currently available to us for these costs and generally exclude dense urban areas, where rents may be higher than the range given.

Labor costs incurred in building construction may vary significantly depending on the availability of labor, prevailing labor rates for skilled and unskilled labor, and other factors that may vary from market to market.

Freight and taxes are not included. The estimates assume that all new equipment is purchased and installed. Note that this number does not include computers, computer peripherals, Brand Technology System, or cash register equipment (all of which is included in the Line Item “Information System and related technology” in the above charts).

“Premises Construction” includes the following cost items (including installation/construction): electric, plumbing, flooring, carpentry, HVAC Hood Installation, lighting, signage, equipment installation, counters, and kiosk materials.

(5) (a) This item includes the following: casework, cooler/freezer, décor, dining room equipment, drink system installation, kitchen equipment, signs and installation, awnings and installation, smallwares and sound and drive-thru headset systems. Freight and taxes are not included. The low end of the range assumes that you take over existing restaurant space with some of the items already in place. The high end of the range assumes that all new equipment is purchased and installed. Note that this number does not include computers, computer peripherals, Brand Technology system, or cash register equipment (all of which is included in the Line Item “Information System and related technology” in the above charts).

(b) This item includes the following (including installation/construction): Drink System and installation, Menu Boards, Hoods, kitchen equipment, smallwares, and casework.

Nontraditional and Delivery-Only Locations may share seating, cooler-freezer and storage facilities, and even POS, certain supplies and consumables (food trays, drink stations and

equipment, cups, napkins, utensils, etc.), certain common areas and restroom facilities and building entrances and exits with the host facility within which it is located. Freight and taxes are not included. The estimates assume that these items will be shared. The estimates also assume that all new equipment is purchased and installed. Note that this number does not include computers, computer peripherals, Brand Technology System, or cash register equipment (all of which is included in the Line Item “Information System and related technology” in the above charts.)

(6) The Information System and related technology high end of the range includes the purchase and installation of a touch screen POS system (with associated software, touch screen registers, networking equipment, thermal printers and monitors) along with the purchase of Brand Technology System, the administrative software system, which is required for all Restaurant openings. Both estimates include the installation of a drive-thru order system and purchase and installation of WAN hardware. The Information System is further defined in Item 11. The range of costs depends on the type and size of restaurant you have. Nontraditional Locations may share certain POS equipment and systems with the host facility within which it is located.

(7) We have the right to require you to pay us for any training supplies or materials, and we have the right to require you to compensate or reimburse us for labor and other related costs associated with providing training to you. Fazoli’s will furnish Fazoli’s representatives to assist you in the opening activities of the Restaurant. You or your employees must pay any salaries, wages, benefits, meals and travel expenses incurred by you or your employees during the training process. The total amount of these expenses, which is included in the estimated training expenses in the Item 7 chart, varies according to a number of factors, including distance and mode of travel, number of employees trained, etc.

(8) Although inventory purchases are part of your initial investment, these purchases will also be an ongoing cost during the operation of your restaurant. The estimate includes the cost of employee uniforms at \$40 to \$70 per uniform. See Item 8 below.

(9) The amounts stated for security deposits assume the land will be leased. Land and real estate leases typically require at least 1 month's prepaid rent, and some may require security deposits equal to 1 or 2 months' rent. The actual amounts will depend on the size, condition and location of the premises and the demand for the premises among prospective lessees. This item also covers other miscellaneous opening expenses, including telephone service installation, deposits for gas, electricity and related items, business licenses, legal and accounting expenses and insurance premiums. Insurance costs will vary depending upon the size, condition, and location of the restaurant, your claims history, and other factors. You must obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering items specified in the Franchise Agreement, including comprehensive general liability, fire and extended coverage, and business interruption coverage.

(10) As described in Item 5, the local advertising fee is not refundable. There is no requirement for advertising expenditures for a Nontraditional or Delivery-Only Location. For a Nontraditional or Delivery-Only Location, you will only pay for what advertising services you request from Company.

(11) You will need additional funds to pay operating expenses until the restaurant generates sufficient cash from operations to cover the operating and other expenses of the restaurant. This item includes payroll costs, food products, paper products, and general administrative costs. The cost range does not include an owner's salary or draw. Our estimates are based solely on the experience of our affiliates' company owned in-line and end cap Restaurants.

(12) Please note, Franchisor or an affiliate will not finance part or all of the initial investment. Please see Item 10 regarding financing information.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to maintain the quality and standards of our products, and to protect, maintain and foster the reputation, goodwill and public acceptance of our trade names, trademarks, service marks and products, you must purchase proprietary items either directly from us or from sources designated by us. You must adhere to uniform standards and specifications regarding supplies, packaging, food, beverages, ingredients, equipment, fixtures, furnishings, inventory and distribution by purchasing and utilizing items that are designated by us as Approved Brands on the Equipment List, Smallwares / Vendors List, Food and Packaging Vendor List, Purchasing Specifications for Produce List ("Approved Brands") all of which are Approved Suppliers which are part of the Fazoli's Online Information Center (the "Online Information Center"). The Online Information Center is updated regularly. You may purchase Approved Brands from any source, although some Approved Brands may only be available through limited sources. All purchases of equipment, fixtures, furnishings and food inventory and service items must be Approved Brands. These purchases will comprise approximately 24-40% of your initial expenditures in the establishment of your franchise. (See Item 7). In the ongoing operation of your franchise, purchases of Approved Brands will constitute approximately 98% of your annual purchases. You must also purchase, for your employees' use, uniforms from our approved uniform supplier, which can be found in the Online Information Center on the Approved Brands List under Fazoli's National Service and Construction Vendors. Access to the Online Information Center will be made available to you when you sign the Franchise Agreement. Upon written notice from us that any brand, item or distributor does not meet our standards and specifications, you must immediately cease using the brand, item or distributor.

The following products are proprietary items that you must purchase from us or a supplier we designate: Pastas/Bread: Spaghetti, Fettuccine, Mostaccioli, Ravioli, Tortellini, Lasagna, Breadsticks, Submarinos® bread, Breadstick Slider Rolls, Pizza Crust; Desserts: Chocolate Chip Cookies, Brownie, Cheesecakes (including Limited Time Offers (LTO)); Proteins/Cheese: Meatballs, Spicy Sausage, Bacon, Breaded Chicken Parmesan, Chicken Breast Pieces, Mozzarella/Provolone Cheese, Cheese Spice Blend; Sauces: Marinara, Alfredo, Meat, Pizza; Miscellaneous: Breadstick Oil, Granulated Garlic Salt, Fazoli's-labeled Salad Dressings, all LTO items, Fazoli's Packaging; Drinks: Italian Lemon Ice, Syrups for Lemon Ice.

The present suppliers of proprietary items are not affiliated with us and are subject to change. The current supplier list is included in the Online Information Center. These items comprise approximately 90% of a restaurant's annual food inventory purchases.

In addition, you must purchase two types of ovens; one oven having unique panel configurations presently available in the Lincoln Impinger II chain oven and your choice of the Turbochef High Conveyor 2020 or Ovention electric ovens. The chain ovens represent approximately 6% of your total equipment purchases. You must also purchase a 3- station point of sale system that represents approximately 10% of total equipment purchases. The point of sale system is described further in Item 11 below. None of the suppliers of these items is affiliated with us.

As of the date of this Franchise Disclosure Document, there is only one approved distributor to the System, which is Performance Food Group, Inc. ("PFG"), a Colorado Corporation, 12500 West Creek Parkway, Richmond, VA 23238. PFG is approved for distribution of all proprietary and non-proprietary food items, supplies, produce, beverages, chemical and janitorial supplies.

If you want to purchase any brand or item, or utilize a particular distributor, other than one that we have approved, you must submit a written request to us for approval or must request the supplier or distributor to do so. The Company has the right to refuse such request for approval. In its sole discretion, however, Company may, but is not be obligated to, require, among other things, that samples from the supplier be delivered, at our option, to either us or our designated agent for testing and that samples demonstrate the supplier's ability consistently to meet our standards and specifications to our satisfaction. You or the supplier seeking approval must pay us a charge not to exceed the cost of the inspection and testing. The testing costs may range from \$500 to \$5,000. The actual costs will vary based upon the type and level of testing required to fully review the product including consumer testing, laboratory testing, in-restaurant testing or engineering testing. We reserve the right to retest any brand or item, and to review any distributor's operations at any time and to revoke our approval if the brand, item or distributor has failed to continue to meet any of our criteria. Revocation of approval will be issued to you in writing. We have sole discretion in deciding whether a brand, item or distributor meets our approval. Our criterion for approval is generally based upon considerations of quality, consistency, reliability, and ease of preparation and use. We do not maintain written criteria for approving suppliers, and thus these criteria are not available to you or your proposed supplier. We will notify you in writing, within a reasonable time, not to exceed 60 days, whether the brand, item or distributor meets our specifications. None of our officers own any interest in any required or approved supplier, with exception of a less than 1% ownership interest in one of more of our publicly-owned suppliers.

In order to assure uniformity of appearances of Fazoli's Restaurant buildings, we require the building to be constructed or renovated in accordance with our current standard building plans, specifications and layouts.

If you decide to lease the land on which you operate your restaurant, you must include in the lease specific provisions relating to use, default, notice, lien waivers, length of term, quiet enjoyment, assignment, remodeling, personal property rights, de-identification, and non-competition by the landlord. Before you sign a lease, you must also submit Fazoli's' form of Lease Amendment Agreement to the landlord, which is an attachment to the Franchise Agreement.

PepsiCo, Inc., our approved fountain beverage supplier, pays funds to us or to FSM, exclusively for the benefit and use of our franchisees or the System, based upon franchisee purchases. These funds are calculated on a per gallon basis. The amount of the allowance varies depending on whether or not the restaurants offer Pepsi® products exclusively. These funds are paid through us to our franchisees and we may in some instances offset from those payments amounts due from our franchisees to us. These monies are also paid through FSM to fund System marketing programs and other System purposes such as periodic system meetings and conferences.

We do not have purchasing or distribution cooperatives. None of our suppliers offers rebates to our operating affiliates for volume purchases. We have negotiated prices with certain suppliers, distributors and/or vendors (none of whom is affiliated with us) of approved products, menu items and services (such as CO2, security and music services). These prices are made available to our operating affiliates and those of our franchisees that choose to purchase from these suppliers. In the past, we have been able to obtain favorable pricing for certain products and we expect to continue to do so in the future. Our operating affiliates pay the same FOB supplier cost per unit as our franchisees that elect to purchase products pursuant to these negotiated arrangements, but landed store-level costs may vary according to which distribution center services the Restaurant, payment terms and delivery frequency. Although you may benefit from these negotiated arrangements, you do not have to purchase from these suppliers and you will not be bound by our negotiated terms with them if you comply with our procedures for obtaining approval for an alternate supplier. If you elect to offer a menu item that is promoted for a “limited time only,” then you must commit to and are responsible for a specific purchase of the ingredients for that menu item as a means of inventory control.

Our approved food and paper suppliers pay a variable fee, primarily calculated as a percentage of their revenues from both company-operated and franchised Fazoli's (and adjusted in certain cases), to our affiliate, FSM, to defray the costs of quality assurance and procurement services, which benefit the entire System. That portion of the funds paid to FSM is based on reasonable overhead costs and expenses to support quality assurance and procurement related services, which amount fluctuates from year to year based upon amounts required to provide such services in that year. The payments to FSM for the fiscal period of December 22, 2022 through December 31, 2023 were \$460,430.93.

Other than as disclosed above, we do not provide any material benefits to you based upon use of any designated or approved sources and neither we nor any person affiliated with us derives any income, revenue or other material consideration as a result of purchases or leases you must make from any designated supplier. However, we expressly reserve the right to require you to purchase secret recipe and Approved Brand, Equipment and Furnishings items from us or our designated suppliers or distributors in the future from which our affiliates or we may derive revenue.

If you are opening a Nontraditional Location, you will be required to execute the Addendum to Franchise Agreement [Nontraditional Locations] attached to this Disclosure Document as Exhibit K contains certain requirements for any ancillary business that may be operated adjacent to or within the same facility as the Nontraditional Location Restaurant (the “Ancillary Business”), including the following: (1) You must provide Company with the name and type of any Ancillary

Business; and (2) the Ancillary Business must comply with all applicable laws, ordinances and regulations governing the sale from the Ancillary Business of alcoholic beverages, lottery tickets, games of chance, stimulants, energy drinks, pornographic literature and drug paraphernalia.

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.

Franchise Agreement

The table below lists your principal obligations under the Franchise Agreement:

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Section 3.01, 3.02 Schedule One, Schedule Two-A and Schedule Two-B	Items 8, 11, and 22
b. Pre-opening purchases/leases	Sections 3 and 6.02	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Section 3.01, 3.02, 6.02(b) Schedule One, Schedule Two-A and Schedule Two-B	Items 1, 5, 6, 7, 11 and 22
d. Initial and ongoing training	Section 5.03	Items 11 and 15
e. Opening	Section 2.03, 3.01 and 5.03	Item 11
f. Fees	Section 6	Items 5, 6 and 7
g. Compliance with standards and policies/Online Information Center	Sections 4 and 5	Items 8 and 11
h. Trademarks and proprietary information	Section 1.01 and Section 10	Items 13 and 14
i. Restrictions on products/services offered	Sections 4 and 5	Items 8, 11 and 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Section 1.01 and Schedule One	None
l. On-going product/service purchases	Sections 4 and 5	Item 8
m. Maintenance, appearance and remodeling requirements	Section 3	Item 9
n. Insurance	Section 9	Items 6, 7 and 8
o. Advertising	Sections 6 and 7	Items 6, 7, 8 and 11
p. Indemnification	Section 9.01	Item 6
q. Owner's participation/management/staffing	Section 1.03	Items 11 and 15
r. Records/reports	Section 8	Item 6
s. Inspections/audits	Section 8.05	Items 6 and 11
t. Transfer	Section 13	Item 17

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
u. Renewal	Section 2.02	Item 17
v. Post-termination obligations	Section 11	Item 17
w. Non-competition covenants	Section 12	Item 17
x. Dispute Resolution	Section 14.04	Item 17
y. Additional Obligations	Section 14.10 and Schedule Four	Item 15

Multi-Unit Restaurant Agreement

The table below lists your principal obligations under the MURA:

OBLIGATION	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	N/A	Item 22
b. Pre-opening purchases/leases	N/A	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3(a), 3(b), Schedule Two	Items 6, 7, 11 and 22
d. Initial and ongoing training	N/A	Item 11
e. Opening	Sections 3(a), 3(b), 3(c), Schedule Two	Item 11
f. Fees	Section 2	Items 5, 6 and 7
g. Compliance with standards and policies/Online Information Center	Section 6.1	Items 8 and 11
h. Trademarks and proprietary information	N/A	Items 13 and 14
i. Restrictions on products/services offered	N/A	Items 8, 11 and 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Sections 4(a) and 4(b)	None
l. On-going product/service purchases	N/A	Item 8
m. Maintenance, appearance and remodeling requirements	N/A	Item 9
n. Insurance	N/A	Items 6, 7 and 8
o. Advertising	N/A	Items 6, 7, 8 and 11
p. Indemnification	N/A	Item 6
q. Owner's participation/management/staffing	Sections 8.1, 8.21.03	Items 11 and 15
r. Records/reports	Section 4(b)	Item 6
s. Inspections/audits	Section 4(b)	Items 6 and 11
t. Transfer	Section 7.2	Item 17
u. Renewal	Section 4(c)	Item 17
v. Post-termination obligations	Sections 4(b), 8.2	Item 17

OBLIGATION	SECTION IN DEVELOPMENT AGREEMENT	DISCLOSURE DOCUMENT ITEM
w. Non-competition covenants	Sections 8.1, 8.21.03	Item 17
x. Dispute Resolution	Section 9	Item 17
y. Additional Obligations	Section 6.1, 8.2	Item 11 and 15

ITEM 10 FINANCING

We do not offer any financing arrangements to you, either directly or indirectly. We do not guarantee your note, lease or other obligation.

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

Except as listed below, Fazoli's Franchising Systems, LLC is not required to provide you with any assistance.

Pre-opening Obligations: Before the opening of your Fazoli's Restaurant, we will:

1. Provide site selection guidelines and criteria upon request. (Section 1.04(a) of the Franchise Agreement)
2. Provide you with 1 set of current standard building plans incorporating standard layouts and specifications for fixtures, furnishings, interior design, artwork, signs and equipment pursuant to the System for adaptation to a Franchise Restaurant. Plans will need to be adapted to local, State, and Federal codes including, but not limited to, the ADAA (Americans with Disabilities Act as Amended) (Section 1.04(b) of the Franchise Agreement)
3. Furnish to you and your selected employees a training program in the operation of a Fazoli's Restaurant, as more fully described in this Item 11. (Section 1.04(d) and 5.03 of the Franchise Agreement)
4. Provide you with access to the Online Information Center (which will be provided online in electronic form) that will include current specifications and quality standards and will designate approved suppliers and distributors for all signs, equipment, food products, paper and plastic goods, service items, and other personal property to be purchased, installed and used in the Franchise Restaurant. (Sections 3.03, 4.03, 5.01 and 10.08 of the Franchise Agreement)
5. Approve suppliers and distributors of certain products or supplies you may propose to use in accordance with our specifications and quality standards, consistent with our specified procedures. (Section 4.03 of the Franchise Agreement)

6. Arrange for and place pre-opening and opening advertising for your Fazoli's Restaurant. You must reimburse us for costs we incur in connection with this advertising in an amount of \$7,500, as more fully described in Item 7 above. (Section 6.02 of the Franchise Agreement)

7. Furnish you with cost-control procedures and a format of a chart of accounts that you must use in reporting your sales to us. (Sections 1.04(g) and 8.01 of the Franchise Agreement)

8. Furnish you with on-site opening assistance for the Franchise Restaurant that will include at least 1 of our representatives to assist in the opening activities of the Franchise Restaurant for approximately 1 week, consisting of a minimum of 50 person hours. Upon your request, or if we deem additional assistance necessary, our representative will remain for a reasonable period determined by us, and you must reimburse us for expenses incurred (including, without limitation, salary) in providing the representative for the additional period. (Sections 1.04 and 5.03(f) of the Franchise Agreement)

Multi-Unit Restaurant Agreement

We do not have any pre-opening obligations under the MURA that are independent of or in addition to our obligations under the Franchise Agreement.

Continuing Obligations:

During your operation of your Fazoli's Restaurant, we will:

1. Provide you access to our Online Information Center during the term of the Franchise Agreement via online in electronic format. The Online Information Center contains mandatory and suggested specifications, standards and operating procedures that we prescribe at any time for Fazoli's Restaurants and information relative to your other obligations under the Franchise Agreement and the operation of your restaurant. The Online Information Center may be modified anytime to reflect the changes as we may elect, in our discretion, including changes in the image, decor, design, format, appearance, methods, standards and specifications, operating procedures, suggested pricing, menus and recipes and food products and beverages approved for Fazoli's Restaurants. You may not copy any part of the Online Information Center for any reason without our prior written approval. (Section 5.01 of the Franchise Agreement) The table of contents of the Online Information Center is contained in Exhibit E.

2. Assume the defense of, and pay all reasonable attorney fees relating to, any and all actions, suits or proceedings of any kind arising from any challenge from a third party of your right to utilize the Proprietary Marks pursuant to and in compliance with the Franchise Agreement, other than a claim of unfair competition. As described in Item 13 below, we make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Proprietary Marks. (Section 10.04 of the Franchise Agreement)

3. Send representatives to the Franchise Restaurant to consult with Franchisee or its management representative relative to the operation of the Franchise Restaurant, and shall

inspect the Franchise Restaurant premises with or without prior notice to determine the efficiency and quality of the operation of the faithfulness of your compliance with the requirements of the Franchise Agreement and the System. (Section 5.04 of the Franchise Agreement)

4. Furnish you, at your request, with guidance, assistance and training concerning operating problems of your Franchise Restaurant disclosed by reports submitted to, or inspections made by, us or by our representatives. This includes guidance with methods, standards and operating procedures utilized by Fazoli's Restaurants; preparation of food products and development of new products; purchasing approved equipment, furnishings, fixtures, signs, food products, beverages and supplies; advertising and promotional programs; employee training; and administrative, bookkeeping, accounting and general operating procedures. This guidance may, in our discretion, be furnished in the form of our Online Information Center, bulletins, other written materials and/or telephonic consultations or consultations at our offices or at your restaurant. (Section 5.04 of the Franchise Agreement)

5. Develop, conduct and administer regional and local advertising, promotion, public relations and other marketing programs as we may deem necessary or appropriate in our discretion to develop general public recognition of our trademarks and increased patronage of all Fazoli's Restaurants. Media may include television, radio, newspaper, direct mail, outdoor, Internet and promotional events. You must pay us or our designee 4% of your Gross Receipts as a non-refundable advertising and marketing fee.

Site Selection and Construction.

Although site selection and negotiation of a lease or purchase agreement is your sole responsibility, all sites, leases and deeds must be accepted by us. We will review and either accept your proposed site, following which you will receive a Preliminary Site Acceptance memo, or reject your proposed site, following which you will be contacted to discuss.

If, at the time of execution of the Franchise Agreement, a location for the Restaurant has not been accepted by us, then you must lease or otherwise acquire a location subject to our acceptance. As a condition to our acceptance of a location for your Fazoli's Restaurant, we may require you to obtain a trade area analysis and sales projection from a real estate analysis vendor. We may also require that you obtain a sales impact analysis from a real estate analysis vendor in order to estimate the effect your proposed restaurant may have on other Fazoli's restaurants in the same market area. The total cost for the trade area analysis, sales projection and sales impact analysis can potentially cost up to approximately \$15,000. We consider traffic patterns, demographic characteristics of the area, access, visibility and other factors when deciding whether to accept a proposed location for a restaurant. We generally accept or reject the location of a restaurant within 30 days after receipt of the required materials from you. Unless otherwise agreed in writing by the Company, you must open the Restaurant to the public for business within 1 year from the date of the Franchise Agreement. If no mutual agreement can be reached on a site for the restaurant, then the Franchise Agreement will be terminated.

To begin the site review process, you must submit any information that we reasonably request, which could include, but may not be limited to, trade area demographics, maps, a preliminary site plan and building layout, projected equity investment, photos and similar information. We will visit the site if we determine it is necessary. Within 30 days following the site visit (or 30 days after we receive all requested information, if we decide not to visit the site), we will preliminarily accept or reject the proposed site in writing. Preliminary acceptance is given in writing on a designated Preliminary Acceptance Form, which will specify conditions to our final acceptance. Our standard Preliminary Site Acceptance form will indicate our acceptance of the site contingent upon our review and acceptance of a final engineered site plan, final building plan approved by all agencies, execution of a Franchise Agreement as well as receipt and acceptance of your attorney certification letter and all applicable attachments (see Schedule Two-A and Schedule Two-B to the Franchise Agreement). Within 30 days following satisfaction of all conditions specified in the Preliminary Acceptance Form, we will issue our written acceptance to commence construction and you may begin construction of the restaurant. Neither closing nor construction on the site may proceed before our written approval to commence construction is issued for the proposed site. We do not enter into arrangements where we own the premises and/or improvements and lease them to franchisees.

The typical length of time between the signing of the Franchise Agreement or the payment of any consideration for the franchise and the opening of the applicable Fazoli's Restaurant is 3 months to 6 months if a location has been accepted by us as of the date you execute the Franchise Agreement, or 9 months to 12 months if no location has been accepted by us at that time. Factors affecting this length of time usually include financing arrangements, local ordinance compliance questions, construction of the restaurant and delivery and installation of equipment and signs. We strongly recommend that you have a Franchise Agreement fully signed by us and your franchise group, and we have issued our final acceptance of the location before closing on the property or beginning construction. If, for any reason, you close on a property and a Franchise Agreement is not ultimately issued, then you will bear any financial consequences.

You must, under the Franchise Agreement, complete construction of the restaurant building and all improvements and open the restaurant to the public for business within 12 months from the date of the Franchise Agreement, plus any extension of time granted by us under Section 2.03 of the Franchise Agreement. In addition, you must open the restaurant for business as soon after completion of the building and installation of furnishings and equipment as is reasonably possible, but not before our final inspection is performed and written approval is given. We have the right to terminate the Franchise Agreement if you do not open the Restaurant within 12 months after signing the Franchise Agreement.

If we offer you the opportunity to enter into a MURA, you must construct and open a specified number of Fazoli's Restaurants in accordance with a development schedule. We will determine or approve the location of future units and any territories for those units, and our then-current standards for sites and territories will apply. When you sign a MURA, you must pay us one half of the Franchise Fee for each Fazoli's Restaurant to be developed and those amounts are nonrefundable. You must also comply strictly with the terms of the development schedule, including meeting certain deadlines for signing Franchise Agreements, commencing construction

and opening the Fazoli's Restaurants to the public. You may extend certain deadlines within the development schedule on a limited basis and upon paying us a nonrefundable fee of \$10,000. (See also Item 6) If you do not comply with the development schedule or other provisions of the MURA, we may terminate your rights under that Agreement. The MURA incorporates the terms of the Franchise Agreement and a default under a Franchise Agreement is a default under the MURA.

Advertising.

We do not currently conduct regional or national advertising campaigns. Until we do, your advertising and marketing fee (less agency compensation fees, marketing support fees, and media production costs) will be spent on advertising and marketing programs directed to your local market area. If we introduce national or regional promotional campaigns in the future, then up to 100% of your advertising fee (less agency compensation fees, marketing support fees, and media production costs) may then be directed to these campaigns. No advertising fees in addition to the 4% advertising and marketing fee provided by the Franchise Agreement will be imposed to support national or regional advertising programs. If we are conducting national or regional media campaigns (and we are using your advertising fee to fund them), then we agree to allocate at least 2% of your Gross Receipts during your first 12 months of operation to local advertising and marketing programs that you authorize. If your actual expenditures are less than this amount, then we retain the excess for use in other marketing programs. Fazoli's Restaurants operated by us and our affiliates are required to allocate funds equal to 4% of their combined Gross Receipts for advertising and marketing.

We track each franchisee's advertising fee receipts and expenditures separately. We currently make available to each franchise group a monthly statement of their advertising and marketing fee receipts and expenditures. Advertising expenditures are not audited except as a part of the audit of our and our affiliates' financial statements.

We will direct all programs financed by the advertising and marketing expenditure fees, with sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs. We do not permit you to develop or produce your own advertising materials. The advertising fees may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering local, regional and multi-regional advertising programs, including purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies to provide assistance; and supporting public relations, market research and other advertising, promotion and marketing activities.

From the 4% advertising fee, we pay 1.0% of sales per month, per restaurant, for agency compensation fees and production of advertising and merchandising creative; and a portion of these funds is paid to our affiliate, FSM, to defray the cost of marketing support fees, which benefit your restaurant. Our operating affiliates also pay monthly agency compensation fees and marketing support fees at the same rate. The remaining 3.0% is allocated to media buys, local production, media commissions and solicitation of new franchise sales. We estimate approximately 15% of the advertising fees we collect will be used to solicit new franchise sales.

Any unused advertising fees that you pay in any year will be carried over to the following year; however, we generally aim to manage advertising expenditures so that no significant surplus remains at year-end. It is our policy not to refund unused advertising fees. We are not required to spend any money on advertising in franchised territories. Use of franchise advertising funds for the 2023 fiscal year included administrative expenses totaling 43.3% (consisting of the total agency fees and production costs, and local restaurant marketing tools); digital media expenses totaling 32.8%; television and cable media expenses totaling 6.3%; research expenses totaling 3.4%; outdoor and miscellaneous media expenses totaling 1.1%; public relations expenses totaling 1.4%; local restaurant marketing expenses (including local marketing materials, point of purchase materials, and local production costs and sponsorships) totaling 11.7%. No advertising funds were used in the 2023 fiscal year to solicit new franchise sales.

All of our advertising is intended to maximize public recognition of the trademarks and patronage of Fazoli's Restaurants. Although we will try to develop advertising and marketing materials and programs and to place advertising so that all Fazoli's Restaurants will benefit, we are not obligated to ensure that our advertising expenditures in or affecting any geographic area are proportionate or equivalent to the contributions made by Fazoli's Restaurants operating in that geographic area or that any Fazoli's Restaurant will benefit directly or in proportion to its contribution of advertising fees. We are, however, obligated to provide advertising. We agree in Section 7.01 of the Franchise Agreement that the entire amount of your advertising fee, less applicable advertising agency fees, production and marketing support fees, will be used for advertising and marketing programs directed to the local market area of your Franchise Restaurant until we implement a national or regional promotional campaign. If an advertising cooperative is formed by franchisees within your relevant media market, then all expenditures of the amounts contributed to the cooperative subject to our general controls will be directed by the cooperative.

We assume no direct or indirect liability or obligation to you with respect to amounts spent making, directing or administering advertising and marketing expenditures. Advertising expenditures may be used to meet any and all costs incident to advertising and marketing, including reasonable administrative costs and overhead, if any, in conducting market research, preparing advertising and marketing materials, or in other activities reasonably related to the administration or direction of advertising funds. We track the advertising fee receipts and expenditures of the shared fund. Advertising expenditures of the shared fund are not audited except as a part of the audit of our and our affiliates' financial statements. The shared fund can be reviewed by the franchisee if a request is made.

We do not currently have any advertising cooperatives (a "Cooperative"), but we may in the future designate any geographic area for establishing a Cooperative. If a Cooperative is formed for your geographical area after you have developed your Fazoli's Restaurant, you must become a member. Each Cooperative will have the right to require its members to make contributions to the Cooperative in amounts to be determined by the Cooperative with our approval. We will continue to collect our 4% advertising fee and will contribute to the Cooperative from these amounts the designated Cooperative fees. The combined total of advertising fees and cooperative fees will not exceed 4% of your Gross Receipts. The Cooperative will be administered by the members, Franchise Marketing Managers or an appointed advertising agency, subject to our approval. We

retain the power to require Cooperatives to be dissolved or merged at our sole discretion. All Cooperatives must operate from written governing documents that have been approved by us and all Cooperatives must generate financial statements for our review. The governing documents and financial statements of a Cooperative organized for your franchise territory will be made available for your review. The areas for which Cooperatives have been formed do not include affiliate-owned restaurants. Thus, the issue of the membership and voting power of affiliate-owned restaurants in a Cooperative has not been addressed. We anticipate that our affiliate-owned restaurants would have the same membership voting rights as Franchise Restaurants in any Cooperative in which both are members. We do not have an advertising council of franchisees to advise us on our advertising policies.

As referenced in Item 7, Nontraditional and Delivery-Only Locations have no requirement for advertising expenditures. A Franchisee with a Nontraditional or Delivery-Only Location will only pay for what advertising services you request from Company, which may include point of purchase promotional items that relate to the promotions initiated or approved by the Company. These will be purchased from the Company or a vendor approved by the Company. Company shall supply such materials at a reasonable cost considering Company's out of pocket expenses, including, but not limited to, internal and external creative resources, minimum purchase quantities, order processing, and shipping.

Computer Systems.

The Franchise Agreement gives us the right to require you to purchase or lease and maintain, at your own expense, only those brands, types, makes and/or models of computer hardware and software, communications hardware and software, point of sale hardware and software, kitchen display systems, kiosk(s), data and/or databases and any other items that, collectively or independently, provide for administering, tracking, measuring, managing or reporting business information including, without limitation, sales, food cost and other operating cost management (collectively, the "Information System") that we specify in the Online Information Center. The total estimated cost to purchase the Information System is estimated to be \$47,000 to \$59,000, including Wide Area Network ("WAN") hardware and service (see Item 7 and below in Item 11). The Company's standards and specifications for the Information System may include, without limitation, configurations, programming and support and service processes. We may periodically modify specifications for and components of the Information System. Certain modifications or other technological developments or events may require you to purchase, lease or license new or modified computer hardware and software and to obtain service and support for the Information System. Although we cannot estimate the future costs of the Information System, you agree to incur the costs of obtaining the computer hardware and software comprising the Information System (or additions or modifications) and required service or support. There are no contractual limitations on the frequency or cost of required upgrades or updates to the computer system. We have no obligation to reimburse you for any Information System costs. Within 60 days after you receive notice from us, you agree to obtain the components of the Information System that we designate and ensure that your Information System, as modified, is functioning properly. You agree that you will not use any hardware or software system or component in connection with the Information System that we have not approved for your use. Although we do have independent

access to the information generated and stored in franchisee's computer systems, we do not regularly monitor your information. However, we may, from time to time, and at any time, retrieve such data and information from your computer system as we, in our sole discretion, deem appropriate, with the cost of such retrieval to be borne by us. There are no contractual limits on our access to your computer information.

At this time, the Information System includes, but is not limited to, the following hardware and software components: (1) PC with monitor for the back office; (2) printer for printing data; (3) Brink point of sale system for sales transaction processing; (4) drive-thru wireless system for wireless servicing and processing of guest orders; (5) Crunchtime software for food cost and labor management; and (6) Google Apps for email; (7) OLO catering and online ordering; (8) Punchh mobile ordering application and loyalty program; (9) Cellular backup in the event Franchisee's primary ISP fails; and (10) Bite for kiosk ordering. You must purchase these items from our approved suppliers or vendors. The required hardware may be purchased from FSM or directly from the manufacturer, dealer or vendor that FSM specifies. FSM reserves the right to require Franchisee to purchase specific equipment models from a single supplier or manufacturer. The Information System also includes the hardware and service necessary to access our WAN, which provides the user with access to certain internet sites. You must obtain this hardware and WAN service from an approved vendor. We are currently unable to specify any vendor, but we will do so from time to time in the Online Information Center or otherwise in writing. There are also several optional software programs that are offered, but not required, to assist you in the operation of your Fazoli's Restaurant. The costs of these can be discussed with you when explaining these programs.

As we require, you agree that you will enter into a maintenance and/or support agreement with us, or one of our approved suppliers or vendors, for the provision of maintaining and supporting the Information System, or any part of the Information System. We may charge you a reasonable fee if we provide maintenance and/or support services to you for the Information System. We currently have a help desk staff that collects and processes your data and provides telephonic Brand Technology System support services pursuant to a Brand Technology System Support Services Agreement which is annexed to the Franchise Agreement, attached to this Disclosure Document, as Schedule Seven. Under the Brand Technology System, you must pay us an annual fee, in quarterly installments, for the support services, subject to change. The fee depends on what services and options you choose for your Fazoli's Restaurant. As shown on Attachment 1 to Brand Technology System Support Services Agreement, currently your fees could range from \$11,400 annually to \$13,080 total annually, depending on the services and options you choose.

The Brand Technology System Support Services Agreement places a one-year renewable contractual limit on our company's limited access to the information and/or data stored on the Information System.

We may also charge you a reasonable fee if we develop or have developed (and, once developed, for supporting, modifying and enhancing) proprietary software that we license to you and for other Information System maintenance and support services that we, or our affiliates, provide to you. If we, or our affiliates, license proprietary software to you, or otherwise allow you to use similar

technology we develop or maintain, you agree to sign any Software License Agreement or similar document that we, or our affiliates, prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software.

Notwithstanding the fact that you must buy, use and maintain the Information System under our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance and upgrading of the Information System; (2) the manner in which your Information System interfaces with our information system and those of other third parties; and (3) any and all consequences that may arise if the Information System is not properly operated, maintained and upgraded.

Training.

Before operating your restaurant, at a time we designate, we will furnish you and selected employees with a management-training program. There is not a minimum amount of time before the restaurant opens that the training must be completed. We will determine the number of your employees to be trained, the training period necessary and when the employees have satisfactorily completed training. Training may be furnished at our principal offices or in a certified training restaurant designated by us. The training includes instructional manuals and hands-on training in food production and guest service in a Fazoli's Restaurant setting. Our training programs are regularly revised and updated in an effort to improve them and remain current.

All general correspondence, management-training programs, manuals and materials, including the Online Information Center, are written, presented and conducted in the English language. To ensure proper training and the highest quality of safety and service to our guests, both you and your management personnel must be proficient in the English language.

The Franchise Restaurant's Designated Manager, as defined in the Franchise Agreement, must complete our training program to our sole satisfaction. Subsequently hired managers must similarly complete our training program. Training may be furnished at our principal offices or in a certified training restaurant designated by the Company.

Training for managers consists of 3 required programs – Position training, Hourly manager training and salaried Manager training. As of our most recent fiscal year end, we offered the following training programs:

TRAINING PROGRAM

Subject ¹	Hours of Classroom Training	Hours of On the Job Training	Location
Hourly Manager Training ²		40-45 hours per week for 4 weeks.	Company Certified Training Restaurant
Salaried Manager Training ²		45-50 hours per week for 6 weeks.	Company Certified Training Restaurant

If at any time you or your affiliates own or operate three or more Fazoli's Restaurants then we may determine, in our sole discretion, it is advisable for you to designate someone to serve as Key Operator who will devote full time and best efforts exclusively to the supervision and conduct of your franchise business and the restaurants. Upon our request, you must designate a Key Operator to be approved by us in accordance with the Online Information Center. Qualifications for this position will vary with the size of your franchise organization, plans for development of additional restaurants and experience of the candidate. In general, the candidate should have prior multi-unit restaurant supervisory experience. Your Key Operator must assume a supervisory role and may not have daily shift management responsibilities for a Franchise Restaurant. The Key Operator (if other than you, an owner) may, but need not, hold an equity interest in your franchise business.

We must approve your Key Operator designate in writing and he or she must complete all levels of Management Training within six months of opening your Franchise location, or in accordance with State/Local regulations, whichever is the earliest, and ServSafe Certification. Upon the satisfactory completion of these training programs, we will certify your Key Operator designate. If a Key Operator loses certification for any reason, then you must name a successor for the Company's approval and certification.

You must recruit, select and hire your Key Operator and our approval and certification process is for our own internal purposes. You must make an independent decision regarding all personnel decisions in your franchise organization.

NOTES:

(1) Franchisee Designated Agents and Key Operators are required to complete 6 weeks of training (Salaried Manager training).

Currently, each restaurant must have 4 management personnel who have completed Management Training (2 management personnel Salaried Manager training, 2 management personnel complete Hourly Manager training) before restaurant opening. In addition, the Designated Manager must be ServSafe certified, before opening. (Note: ServSafe training may also be required for other managers based on state or local health department requirements.) If a manager or other employee, in our reasonable determination, does not meet our standard for knowledge and performance or does not pursue or complete the training program to our satisfaction, we reserve the right to require another manager or employee to be trained and perform the functions of the employee who did not satisfactorily complete our training program.

(2) Management Training is a structured program involving a combination of 25% instruction and 75% "hands-on" experience designed to prepare managers for basic operations in a Fazoli's Restaurant. Management Training focuses on food preparation, guest services and quality control, but also covers topics of orientation, ordering and receiving, nightly closing, policies and procedures, scheduling, weekly inventory, and introduction to local restaurant marketing. Management Training will be conducted in a Fazoli's Company Certified Training Restaurant that has met the standards of certification as set by the Training and Development Department.

Additional information:

Scheduling: Scheduled throughout the year by our Training Department. (Booking is required 4 to 10 weeks in advance)

Instructional Materials: Online training system, printed materials and Fazoli's Online Information Center

Instructor: Certified Fazoli's Trainers. These trainers have been trained and certified by the Fazoli's Training Department, and each instructor also operates a certified training Restaurant. These instructors are required to work for our company for a minimum of six months and complete our Certified Trainer Program.

On-line training tool access must be acquired from our Information Technology Help Desk.

The experience level of our Company Certified Fazoli's Trainers and Subject Matter Experts in the field and with us varies, but it generally averages 10 years of field experience and 4 years of experience working for us.

You must pay for all expenses of travel, room, board, uniforms, training supplies and materials and salaries or wages of your employees while attending training programs. A cancellation fee of \$500 plus the cost of training materials and other non-coverable costs may be levied for any training program registration cancelled within 2 weeks (or 10 business days) of the class start date.

We currently do not offer or require any additional training programs or refresher courses for either the management training programs or employee training programs. However, during the 15-year Franchise Agreement term, we may require additional training courses in the future.

Multi-Unit Restaurant Agreement

We do not have any continuing obligations under the MURA that are independent of or in addition to our obligations under the Franchise Agreement.

ITEM 12 TERRITORY

You will not receive an exclusive territory under your Franchise Agreement. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we or our affiliates control. Under the Franchise Agreement you do not receive any exclusive or protected territory around the Franchise Restaurant, any other territorial rights, any options or rights of first refusal to acquire additional franchises for Fazoli's Restaurants or any similar rights or protection.

You may only operate a Fazoli's Restaurant at the specific site designated in the Franchise Agreement and under the terms provided there. Relocation of a restaurant site requires our advance

approval. We will consider approving a relocation if you are in compliance with your Franchise Agreement and any other agreements with us, you have paid all money owed to us, and the proposed location meets our criteria. You may also have to sign a new Franchise Agreement and pay an initial Franchise Fee.

By entering into a Franchise Agreement, you receive the franchise and license to construct, own and operate a single Fazoli's Restaurant at a specific site accepted by us (the "Location"). You have no rights to develop additional sites pursuant to the Franchise Agreement. We reserve the right to own or operate or license others to own or operate Fazoli's Restaurants anywhere.

You may deliver food to locations off the premises of your Fazoli's Restaurant. However, all such food preparation and delivery service must be conducted only in accordance with the Online Information Center. Otherwise, there are no limitations on you for soliciting sales or accepting orders and except for fees imposed on your sales generally, no additional compensation must be paid by you with respect to these sales or orders. See Item 16 regarding delivery of food off premises.

In all of our Franchise Agreements, we expressly reserve the right, either directly or through any affiliate, to sell, directly or through third parties, products that are the same as, or similar to those sold in Fazoli's Restaurants, using brand names the same as, or similar to, the Proprietary Marks (as defined in Item 13) designated for use with the System. We also reserve the right to operate and franchise restaurants and food establishments other than Fazoli's Restaurants at any location.

We and our affiliates may sell products under the Proprietary Marks (defined in Item 13) or under different trademarks and service marks through any method of distribution, including a dedicated Fazoli's restaurant and sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (collectively, "alternative distribution channels"). You may not use alternative distribution channels to make sales and you will receive no compensation for our sales through alternative distribution channels.

As discussed above under Item 1, we are an indirect subsidiary of FAT. As of the date of this Disclosure Document, FAT's affiliates own and operate restaurants and other food service businesses, including "Fatburger," "Buffalo's Café," "Ponderosa Steakhouse®," "Bonanza Steakhouse®," Hurricane Grill & Wings®, "Hurricane Sports Grill®," "Hurricane Dockside Grill®," "Hurricane BTW Burgers + Tacos + Wings," "Yalla Mediterranean®," "Elevation Burger" "Johnny Rockets", "Round Table Pizza," "Hot Dog On A Stick," "Pretzelmaker," "Great American Cookies," "Marble Slab," "Twin Peaks" and "Good as Cluck" restaurants and food service businesses. These goods and services and trademarks of each are described in Item 1. Affiliates of FAT or us may offer franchises or operate company-owned restaurants providing similar food products or services under these or different trademarks and may solicit or accept orders within your territory or market area. We do not anticipate conflicts between outlets that we operate or franchise because each offers a distinct experience and differing menus. If conflicts do arise, we and our affiliates may resolve them as we deem appropriate. The principal business addresses of our affiliates are set forth in Item 1. We do not currently plan to maintain physically separate offices or training facilities.

If you sign a MURA with us (see Item 5), we will not operate or grant a franchise for others to operate a franchise under our Proprietary Marks (see Item 13) within your Development Area (as defined in the MURA) so long as the Agreement is in effect and so long as you comply with its terms, which includes paying all sums due under and meeting all deadlines in the Agreement. The MURA is attached as Exhibit J. Under the MURA, you must develop and open a specified number of Fazoli's Restaurants within the deadlines set forth in a specific schedule. If you fail to meet any deadline, we may terminate the MURA and any exclusive rights you have in the Development Area. The MURA incorporates the terms of the Franchise Agreement and a default under a Franchise Agreement is a default under the MURA.

ITEM 13 TRADEMARKS

We use trademarks, service marks, and other commercial symbols in conjunction with the operation of the System. The trademarks, service marks (including "Fazoli's" and "Fazoli's Restaurant") and all logos, signs, designs, slogans and emblems that we designate in the Online Information Center or otherwise in writing (the "Service Marks") are the property of FSM. Pursuant to a non-exclusive license granted under the Amended and Restated Management Services Agreement (the "License Agreement") between us and FSM, we have a license to use the Service Marks and to franchise use of the Service Marks throughout the United States. The License Agreement, dated August 7, 2018, provides for a 1-year term that is automatically extended for successive 1-year periods, absent notice to the contrary by either party. The Franchise Agreement grants you the right to use the Service Marks in the manner we prescribe in the Online Information Center or otherwise in writing. (The Service Marks and other trademarks and service marks that we may from time to time authorize for use in the System are referred to as the "Proprietary Marks").

The Proprietary Marks currently in use in the System include the following:

Description of Mark	Registration Date	Registration Number	Principal or Supplemental Register of the U.S. Patent and Trademark Office
Fazoli's Italian Food....Fast (with design)	November 7, 1989	1565210	Principal
Fazoli's Italian Food....Fast (with design)	March 9, 1993	1757441	Principal
Fazoli's (with design)	February 12, 2002	2537949	Principal
Fazoli's	October 26, 1993	1801207	Principal

Real Italian. Real <i>Fast</i> .	February 1, 1994	1819276	Principal
Tower Logo Design	December 12, 1995	1940398	Principal
Building Configuration Design	July 9, 1996 Renewed March 21, 2016	1984926	Principal
1999 Building Design	December 21, 1999	2302979	Supplemental
Submarinos	July 25, 2000	2369691	Principal
Everyone's Italian	November 26, 2002	2653663	Principal
Today's Italian	December 30, 2003	2800036	Principal
Fazoli's Fast.Fresh.Italian. & Tomato Design	November 24, 2015	4860829	Principal
Fazoli's & Tomato (black & white reg.)	June 26, 2018	5502862	Principal
Life is better with Breadsticks	November 27, 2018	5616504	Principal
Wingville (word)	August 31, 2021	6469361	Principal
Wingville (design plus words)	August 31, 2021	6469362	Principal
Macaroniville (word)	May 31, 2022	6748473	Principal
Macaroniville Elbows on the Go (design plus words)	May 31, 2022	6748474	Principal
Elbows on the Go Macaroniville (design plus words)	May 31, 2022	6748472	Principal

FSM has filed all required affidavits, including an affidavit of use and an affidavit of incontestability, when due or necessary, for each of the marks listed above. For any registration where renewal was due, FSM has filed appropriate documentation for renewal.

There are no currently effective material determinations of the U.S. Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of our state or any court; pending infringement, opposition or cancellation actions; or pending material litigation involving the Service Marks that are relevant to your use of the Service Marks.

There are no contracts or other agreements currently in effect that materially limit our rights to use or license the use of the Service Marks to you in any manner.

Pursuant to the Franchise Agreement, you acknowledge that your usage of the Proprietary Marks and any goodwill established is for our exclusive benefit. You have no interest in the Proprietary Marks upon the termination or expiration of the Franchise Agreement. **You may not use the**

Proprietary Marks as a part of any corporate or trade name or with any prefix or suffix or any other modifying words, terms, designs or symbols or in any modified form, nor may you use any other trademarks or service marks in connection with your Fazoli's Restaurant. You must prominently display the Proprietary Marks at the restaurant on signs, plastic or paper products and other supplies and packaging materials we designate and in connection with the advertising and marketing of the restaurant. You must not use any Proprietary Mark in connection with the sale of any unauthorized product or service, or in any manner not explicitly authorized by us in writing, including on the Internet, in web sites and in connection with our domain rights. The Proprietary Marks must be displayed in the manner we prescribe. You must give notices of trade and service mark registrations as we specify and obtain fictitious or assumed name registrations as may be required under applicable law.

There are no currently effective agreements that significantly limit our rights to use or license the use of the Proprietary Marks listed in this Item in a manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of the Proprietary Marks or claim by any person of any right in the Proprietary Marks. We will have sole discretion to institute an infringement action against third parties, as we deem appropriate. We have the right to control any administrative proceedings or litigation involving a Proprietary Mark licensed by us to you. We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Proprietary Marks. However, we agree to assume the defense of, and pay all reasonable attorney's fees relating to, any and all actions, or proceedings of any kind arising from any challenge by a third party of your right to use the Proprietary Marks in compliance with the Franchise Agreement. We are not obligated to protect or indemnify you against claims of unfair competition arising from your use of the Proprietary Marks.

We do not have a federal principal registration for our "1999 Building Design" trademark. Therefore, that trademark does not have the legal benefits and rights as a federally registered trademark on the principal register.

Other than as described above, we are not aware of any superior prior rights or infringing uses that could materially affect your use of a principal trademark in any state in which we currently do business or in which your franchised restaurant may be located.

If we should find it desirable at any time and in our sole discretion to modify or otherwise discontinue use of any of the Proprietary Marks and/or use one or more additional or substitute Proprietary Marks, you must comply with our directions to modify or discontinue the use of the Proprietary Marks within a reasonable time after you receive notice from us (approximately six (6) months). We are not obligated to compensate you for any costs you incur in connection with any modifications or discontinuance.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no existing patents (or pending patent applications) or copyrights material to the franchise. During the term of the Franchise Agreement, the following are loaned to you: our Online Information Center, Crisis Management Manual, training manuals and materials, Restaurant Opening Manual, a copy of 1 of our 2 standard building plans described below (collectively, the “Copyrights”).

All Copyrights are the property of our affiliate, FSM. Pursuant to a License Agreement between FSM and us, we have a license to use the Copyrights and to franchise use of the Copyrights throughout the United States. The License Agreement, dated August 7, 2018, provides for a 1-year term that is automatically extended for successive 1-year periods, absent notice to the contrary by either party.

Although no applications for copyright registration for our Copyrights have been filed with the U.S. Copyright Office (“C.O.”), FSM claims a copyright in all other copyrightable material and FSM deems those items as proprietary.

The current standard building plans are described as follows:

- 2,800 Sq. Ft. Freestanding Prototype 66-Seat Design. This building has a parapet style roofline, 66 seats, and modern décor. The exterior features solid color awnings with a “Tomato” pattern and is finished in EIFS/stucco and fiber cement slat panels.
- 2,500 Sq. Ft. Freestanding Prototype 50-Seat Design. This building has a parapet style roofline, 50 seats, and modern décor. The exterior features solid color awnings with a “Tomato” pattern and is finished in EIFS/stucco and fiber cement slat panels.

There are no currently effective material determinations of the C.O. or any court, pending infringement, opposition or cancellation actions, or pending material litigation involving the Copyrights that are relevant to your use of the Copyrights. There are no infringing uses of the Copyrights actually known to us that could materially affect your use of the Copyrights.

There are no contracts or other agreements currently in effect that materially limit our rights to use or license the use of the Copyrights to you in any manner.

You must immediately notify us of any apparent infringement of or challenge to your use of the Copyrights or claim by any person of any right in the Copyrights. We will have sole discretion to institute an infringement action against third parties, as we deem appropriate. We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Copyrights. However, we agree to assume the defense of, and pay all reasonable attorney's fees relating to, any and all actions, suits or proceedings of any kind arising from any challenge by a third party of your right to use the Copyrights in compliance with the Franchise Agreement. In any prosecution or defense of any litigation relating to the Copyrights, you must cooperate with us and sign all documents and take all actions as may be necessary or desirable, in our sole determination, to carry out defense or prosecution. We are not obligated to

protect or indemnify you against claims of unfair competition arising from your use of the Copyrights.

If we determine, in our sole discretion, that it is advisable for you to modify or otherwise discontinue use of any of the Copyrights and/or use one or more additional or substitute Copyrights, you must comply with our directions within 20 days after receipt of written notice from us. We are not obligated to compensate you for any costs you may incur in connection with any modifications or discontinuance.

The Franchise Agreement provides that you and each person holding any equity interest in your franchise business, will not divulge any Proprietary Information (as defined below) disclosed to them in connection with the Franchise Restaurant or use this information for the benefit of any third party. Exceptions to this covenant include disclosure as necessary to operate your restaurant to your officers, directors and employees that have signed the standard Nondisclosure Agreement contained in the Online Information Center; and to the extent such Proprietary Information has become public other than through any action or disclosure by you. You must deliver signed copies of Nondisclosure Agreements to us upon our request. A second exception relates to Proprietary Information that is in the public domain. The Franchise Agreement requires that any architect, engineer or other person receiving a copy, in whole or in part, of the building plans, drawings or specifications execute an agreement, acceptable to the Company, that he or she will adhere to all of the confidentiality standards of the Franchise Agreement and will not attempt to use or duplicate these items in any other project at any time.

“Proprietary Information” includes all standard plans, drawings, specifications and other documents in the Online Information Center, training manuals, and the Restaurant Opening Manual, and in all other documents, including the Franchise Agreement and discussions, certain confidential information, programs and software, construction plans, business plans, copyright documents, recipes and trade secrets disclosed to you in any form, including as an example, electronic transmission via the Internet or the Fazoli’s Franchise Extranet. The term “Proprietary Information” may also include any and all information related to Franchise Restaurant and/or System sales reports and analyses, financial results and financial forecasts.

Further, you may be required to have all managers of the Franchise Restaurant (and all other individuals who will have access to confidential information) sign agreements, in a form satisfactory to us, to maintain, during and after employment, the confidentiality of all information that we designate as confidential. Upon our request, you must submit signed copies of these agreements.

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

You must diligently operate your franchise business, and, unless we approve otherwise in writing, either you (if you are an individual), or your owners (if you are a legal or business entity), or your Designated Manager, as defined in the Franchise Agreement, (who must be approved in writing by us) must, during the term of the Franchise Agreement, personally devote full time, energy, and

best efforts exclusively to the management and operation of the Franchise Restaurant and supervise the restaurant's operations on site. The Designated Manager (if other than you, or an owner) may, but need not, hold an equity interest in your franchise business.

If at any time you or your affiliates own or operate one or more Fazoli's Restaurants then we may determine, in our sole discretion, it is advisable for you to designate someone to serve as Key Operator who will devote full time and best efforts exclusively to the supervision and conduct of your franchise business and the restaurants. Upon our request, you must designate a Key Operator to be approved by us in accordance with the Online Information Center. Qualifications for this position will vary with the size of your franchise organization, plans for development of additional restaurants and experience of the candidate. Your Key Operator must assume a supervisory role and may not have daily shift management responsibilities for a Franchise Restaurant. The Key Operator (if other than you, an owner) may, but need not, hold an equity interest in your franchise business.

The on-site manager and those of your employees as we deem necessary must successfully complete our management training programs described in Item 11.

All managers of the Franchise Restaurant (and all other individuals who will have access to confidential information) must sign agreements, in a form satisfactory to us, to maintain, during and after their employment, the confidentiality of all information that we designate as confidential. Upon our request, you must submit signed copies of these agreements to us. (See Item 14 regarding the confidentiality of Proprietary Information.)

If you are a legal or business entity, every general and limited partner, if Franchisee is a partnership; all members, if Franchisee is a limited liability company; and all direct and indirect holders of any stock or other equity interest in Franchisee, if Franchisee is a corporation, must agree to be bound by and comply with Sections 10.05, 10.07, 12.02 and 13.02 of the Franchise Agreement. A copy of the "Confidentiality and other Business Interests Agreement" referenced in and attached to the Franchise Agreement as Schedule Three. Further, if Franchisee is a partnership, every general partner, if Franchisee is a limited liability company, every member, or, if Franchisee is a corporation, every stockholder or other holder of equity interest of 10% or more, must personally, irrevocably and unconditionally, guaranty your obligations under the Franchise Agreement and also agree to be personally bound by, and jointly and severally liable for the breach of, any provision of the Franchise Agreement. In the event no stockholder or other holder of equity interest owns or holds ten (10%) or more in Franchisee, then all parties owning and holding any equity interest shall execute such guaranty. For a copy of the required "Guaranty of Franchisee's Undertakings", see Schedule Four attached to the Franchise Agreement.

If you sign a MURA and/or Franchise Agreement with us, then (a) if Franchisee is a partnership, every general partner; (b) if Franchisee is a limited liability company, every member; or (c) if Franchisee is a corporation, every stockholder or other holder of equity interest, representing ten percent (10%) or more of the equity interest must execute a guaranty agreement, which may include your spouse if applicable, covering all of your obligations under the MURA and/or Franchise Agreement. And, in the event no stockholder or other holder of equity interest owns or

holds ten percent (10%) or more in the Franchisee, then all parties owning and holding any equity interest must execute a guaranty agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all the products that we designate as standard menu items in the Online Information Center. Further, you must not offer any products or services that have not been authorized by us and use the restaurant premises for any purpose other than the operation of a Fazoli's Restaurant. This is strictly enforced to ensure product quality and consistency for our guests. We can change the standard menu items and services in the Online Information Center at our sole discretion at any time and without limitation. Except as otherwise described in this Item 16 and in Item 12, you are not limited in the customers to whom you may offer standard menu items.

You may not install or permit any vending or gaming machine (including cigarette or candy vending machines or pinball or video game machines), pay telephones or devices to facilitate charitable giving, including wishing wells, on the Franchise restaurant premises without our prior written consent.

You may prepare food on the premises of the Franchise Restaurant and deliver this food to locations off the premises of the Franchise Restaurant. However, all such food preparation and delivery service must be conducted only in accordance with the policies and procedures in the Online Information Center. Company reserves the right to suspend and/or terminate the Franchisee's right to off-premises delivery, if Company, in its sole discretion, feels that Franchisee is not following said policies and procedures in the Online Information Center.

If you are opening a Nontraditional Location, you will be required to execute the Addendum to Franchise Agreement [Nontraditional Locations] attached to this Disclosure Document as Exhibit K contains certain requirements for any ancillary business that may be operated adjacent to or within the same facility as the Nontraditional Location Restaurant (the "Ancillary Business"), including the following: (1) You must provide Company with the name and type of any Ancillary Business; and (2) the Ancillary Business must comply with all applicable laws, ordinances and regulations governing the sale from the Ancillary Business of alcoholic beverages, lottery tickets, games of chance, stimulants, energy drinks, pornographic literature, and drug paraphernalia.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP (FRANCHISE AGREEMENT)

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term ¹	Section 2.01	Term is 15 years.
b. Renewal or extension of the term ²	Section 2.02	If you are in good standing and your lease has not expired, you may extend the term for up to 2 additional 10-year terms.
c. Requirements for you to renew or extend	Section 2.02	Give us proper notice, sign the Renewal Agreement or the then current Franchise Agreement, pay a renewal fee or the then current Franchise Fee, and remodel the Franchise Restaurant (if we require). You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Section 11.01(D)	You may, at your option, terminate this Agreement if the Restaurant is rendered totally or partially untenable by fire or other casualty within two years prior to the date of expiration of the initial term of this Agreement or any extension, provided that we receive written notice of your election to terminate within thirty (30) days after the fire or other casualty. In the event you exercise such option, we shall be entitled to, but shall not be obligated to, purchase your entire remaining interest in the Equipment and the Franchise Restaurant Premises in accordance with the provisions of Section 3.02(c)(1) of the Franchise Agreement
e. Termination by us without cause	None	N/A
f. Termination by us with cause ³	Section 11.01	We can terminate only if you commit any one of the several violations/default listed in the Franchise Agreement; however, a termination triggered by your bankruptcy may not be enforceable under federal bankruptcy law. Any default by you under the Franchise Agreement or any other agreement between you and us shall be deemed to be a default of each and every agreement.
g. "Cause" defined—curable defaults	Section 11.01	Failure to adhere to standards in Online Information Center, non-payment of fees, non-submission of reports, failure to obtain required consents, failure to achieve minimum visitation scores, non-payment of suppliers, or financing obligation defaults
h. "Cause" defined—non-curable defaults ⁴	Sections 11.01(a) and (b)	Includes unapproved transfers, bankruptcy, assignment for benefit of creditors, abandonment or forfeiture, conviction of a felony, misuse of Proprietary Marks, unauthorized disclosure of Proprietary Information, repeated violations of "curable" defaults, misrepresentation in submitted reports, failure to repair franchise restaurant premises, or if judgment, lien or foreclosure proceedings against franchise business are not properly dismissed or satisfied.
i. Your obligations on termination/nonrenewal	Section 11.02	You shall immediately (i) cease to use and shall not thereafter use any Proprietary Information or other trade secrets disclosed to it hereunder, and (ii) cease to use, remove from the Franchise Restaurant and destroy any paper or plastic goods, emblems, signs, displays or other property on which the Company's name, any of the Proprietary Marks or any confusing simulation thereof are imprinted. You shall not otherwise use or duplicate the System or any portion thereof or assist others to do so. Unless otherwise directed in writing by the Company, you shall (i) de-identify the Franchise Restaurant premises, including but not limited to removing from the Franchise restaurant Premises all signs, emblems and displays identifying it as associated with the Company or the System, (ii) cease to use the System and return to the Company all copies of the Online Information Center, and all other manuals, instructions or materials delivered to you by us or otherwise hereunder; (iii) relinquish the Franchise restaurant telephone number to the Company; and (iv) relinquish the Internet web site unless you continue to operate one or more other duly franchised Fazoli's® restaurants in which case you shall modify its web site to exclude all references to the Franchise restaurant licensed under the Franchise Agreement.
j. Assignment of contract by us	Section 13.01	We may assign this Agreement and any or all benefits and obligations arising from it.
k. "Transfer" by you—definition	Section 13.02	Includes transfer of any interest or partial interest in the Franchise Agreement or the franchise granted, any ownership change, pledge, assignment or other encumbrance.

Provision	Section in Franchise Agreement	Summary
l. Our approval of transfer by you	Section 13.02	No transfer may be made without our prior written approval, but we will not unreasonably withhold our approval, subject to the restrictions of Section 13 including a right of first refusal in our favor.
m. Conditions for our approval of transfer	Section 13.02	No defaults, new franchisee qualifies, then current Franchise Agreement signed, assignment form signed, training arranged if applicable, transfer fee paid, confidentiality, non-competition and guaranty agreements signed and assignee not a competitor (also see r below).
n. Our right of first refusal to acquire your business	Section 3.02	We have the right to match any reasonable offer for your restaurant building and/or improvements. We also have the right to purchase these assets in connection with involuntary transfers.
o. Our option to purchase your business	Sections 3.02 and 11.03	If we cure your default under your lease, we may choose to have the lease assigned to us and we may buy your building and improvements for an agreed upon price or, if we cannot agree, for the formula price provided in Section 3.02.b. of the Franchise Agreement. Upon expiration or termination of the Franchise Agreement, we can buy all or any patented, special or unique items of restaurant equipment, including equipment, furnishings, signs, sign faces, decor, food items and supplies, at fair market value or, if we cannot agree, for the appraised price provided in Section 11.03 of the Franchise Agreement.
p. Your death or disability	Section 13.02(f)	Upon death, disability or dissolution of you or of your owner, your entire interest may be assigned, sold or otherwise distributed to a third party subject to the conditions on any other transfer.
q. Non-competition covenants during the term of the franchise	Sections 12.01 and 12.02	No involvement in competing restaurant or business that is an Italian Restaurant, as defined in the Franchise Agreement. Otherwise, you may be involved in a business that is competitive with the System subject to the conditions set forth in Section 12.02(b) of the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Sections 12.01 and 12.02	No Italian Restaurant business for 2 years within 5 miles of your franchise location or any other Fazoli's Restaurant (subject to state law). ⁵ Termination includes assignment.
s. Modification of the agreement	Section 14.11(d)	No modification of the Franchise Agreement without the mutual written consent of both parties, but the Online Information Center is subject to change anytime at our discretion.
t. Integration/merger clause	Section 14.08	Only the terms of the Franchise Agreement are binding (subject to state law). ⁵ However, nothing in any Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. 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.
u. Dispute resolution by arbitration or mediation	Section 14.04	Mandatory, except for certain claims involving (i) the termination of this Agreement or the effect of termination as provided in Sections 11.01 and 11.02 of the Franchise Agreement; (ii) any action by us to stop or prevent any threat or danger to the public health or safety resulting from the construction, maintenance or operation of the Franchise Restaurant; (iii) any action which, in our sole opinion may result in material or irreparable harm to the Proprietary Marks; or (iv) at our option, your use of the Proprietary Marks after the expiration or termination of this Agreement.
v. Choice of forum	Section 14.03	Litigation must be in the Commonwealth of Kentucky. (subject to state law) ⁵
w. Choice of law	Section 14.02	Kentucky law applies. (subject to state law) ⁵

¹ The initial term for Nontraditional Locations is five (15) years.

² The renewal term for Nontraditional Locations is two (2) additional ten (10) year terms.

³ In addition to the above, we can terminate if you lose the right to operate the Ancillary Business, or if we decide to effect a market withdrawal of Restaurants from Nontraditional Locations, or if we determine the quality of the Ancillary Business has changed to the extent that we reasonably believe that the operation of a Fazoli's restaurant is no longer appropriate.

⁴ In addition to the above, cause includes if we decide to effect a market withdrawal of Restaurants from Nontraditional Locations, or if we determine the quality of the Ancillary Business has changed to the extent that we reasonably believe that the operation of a Fazoli's restaurant is no longer appropriate.

⁵To the extent the Franchise Agreement or any other related agreement includes provisions that are inconsistent with state law (e.g., renewal, termination, liquidated damages, general release of claims, transfer or covenant not to compete), those provisions will be superseded by the applicable state law. Accordingly, the applicable laws of California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin are referenced in the Addendum pages for each of these states in the Disclosure Document, and appropriate modifications will be reflected in amendments to each Franchise Agreement if required. Certain provisions relating to termination are provided in a Termination Agreement and in a Release Agreement attached to this Disclosure Document as Exhibit F.

THE FRANCHISE RELATIONSHIP (MULTI-UNIT RESTAURANT AGREEMENT)

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

Provision	Section in MURA	Summary
a. Length of the term	Section 3, Section 5	You must develop and open Franchises in accordance with the Schedule attached as Schedule Two. The MURA expires at midnight on the date set forth opposite the last Franchise to be opened pursuant to the Schedule so long as you are compliant with the Development Schedule.
b. Renewal or extension of the term	None	N/A
c. Requirements for you to extend	None	N/A
d. Termination by you	None	N/A
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Section 6.1	We can terminate only under the events listed in Section 6.1 or an event of default under a Franchise Agreement.
g. "Cause" defined—curable defaults	None	N/A
h. "Cause" defined—non-curable defaults	Section 6	If you fail to establish and operate Franchises in accordance with the Schedule, an event of default occurs under the Franchise Agreement, you or any of your Related Party breaches, violates or commits an event of default under any agreement with us or any of our Related Partys, or fails to pay any sum of money due and owing to

Provision	Section in MURA	Summary
		Franchisor or any of its Related Partys, or if you breach or otherwise fail to fully comply with any provision in Section 8 of the MURA.
i. Your obligations on termination/nonrenewal	None	N/A
j. Assignment of contract by us	Section 7.1	We may assign this Agreement and any or all benefits and obligations arising from it.
k. “Transfer” by you—definition	Section 7.2(b)	Includes assignment of Franchisee’s interest in the MURA.
l. Our approval of transfer by you	Section 7.2	No transfer may be made without our prior written approval and such approval shall be subject to the restrictions of Section 7.2 including a right of first refusal in our favor.
m. Conditions for our approval of transfer	Section 7.2	We will have no obligation to approve any assignment unless Franchisee has assigned all of its rights in all Franchise Agreements relating to Franchises within the Development Area to the proposed assignee.
n. Our right of first refusal to acquire your business	Section 7.2	If you desire to assign the MURA, we will have and be entitled to exercise such rights of first refusal upon the same terms and conditions as are applicable in the Franchise Agreement
o. Our option to purchase your business	Sections 7.2	If Franchisee desires to assign the MURA, Franchisor shall have and be entitled to options to purchase such interest upon the same terms and conditions as are applicable in the Franchise Agreement.
p. Your death or disability	None.	N/A
q. Non-competition covenants during the term of the franchise	Section 8.1	During the term of the MURA, you and your Related Partys shall not (a) divert or attempt to divert any business or customer of any Franchise within the MURA to any competitor, (b) directly or indirectly solicit for employment any person who is at the time or was at the time within the immediate past 12 months employed by us or our Related Partys, or (c) own, manage, engage in, have any ownership in, participate in or act as an agent for any Italian Restaurant as defined in the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Section 8.2	You will not directly or indirectly engage in or have any interest in any Italian Restaurant as defined in the Franchise Agreement and located within a five mile radius of the Development Area or a five mile radius of any other Franchise (or company owned or company operated Fazoli’s Restaurant) open or under construction at the time of the termination. You will not directly or indirectly during such two year period solicit for employment any person who is at that time or was at any time within the immediate past twelve months employed by us or our Related Partys or by any other franchisee of Franchisor.
s. Modification of the agreement	Section 10.5	The MURA shall be amended or modified only by a written document signed by each party.
t. Integration/merger clause	Section 10.2	Only the terms of the MURA are binding (subject to state law). However, nothing in any agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. 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.
u. Dispute resolution by arbitration or mediation	Section 9	Except as set forth in Section 9, any controversy, claim or dispute arising out of or relating to the MURA or any of its parts is invalid, illegal or otherwise voidable, shall be submitted to arbitration.
v. Choice of forum	Section 10.15	Litigation must be in the Commonwealth of Kentucky. (subject to state law) ₁
w. Choice of law	Section 10.15	Kentucky law applies. (subject to state law) ₁

¹To the extent the MURA or any other related agreement includes provisions that are inconsistent with state law (e.g., renewal, termination, liquidated damages, general release of claims, transfer or covenant not to compete), those provisions will be superseded by the applicable state law. Accordingly, the applicable laws of California, Illinois, Indiana, Maryland, Michigan, New York and Virginia are referenced in the Acknowledgement pages for each of these states in the Disclosure Document, and appropriate modifications will be reflected in amendments to each Franchise Agreement if required. Certain provisions relating to termination are provided in a Termination Agreement and in a Release Agreement attached to this Disclosure Document as Exhibit F.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission'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.

Before you start to review the information in this Item 19, we want to call your attention to these important points:

1. Some Restaurants have sold and earned this amount. Your individual results may differ. There is no assurance that you will sell or earn as much.

2. We will make written substantiation for the financial performance representations in this Item 19 available to prospective franchisees upon reasonable request.

3. The financial performance representations included in this Item 19 include results for Fazoli's fiscal year 2023 (December 22, 2022 to December 31, 2023) ("Reporting Period") and represent a subset of all Fazoli's Restaurants that meet the following criteria ("Reporting Criteria"): (a) operated solely as a company-owned or as a franchised location for the full fiscal year; and (b) open for business to the public for a continuous period of at least twelve (12) months as of the end of the 2023 fiscal year ("Reporting Group"). We have divided the Reporting Group into two subsets based on operational differences between (a) "traditional" venues with full-service operations (freestanding) ("Traditional Restaurants") and (b) "non-traditional" venues (non-traditional and delivery-only) ("Non-traditional Restaurants"). There are no in-line end-cap restaurants in the Reporting Group. We have excluded four (4) franchised Traditional Restaurants, one (1) franchised Non-traditional Restaurants, and no company-owned Restaurants that were

opened for less than 12 months or did not operate continuously for a period of 12 months. In applicable reporting periods, we exclude Restaurants that change designations between company-owned and franchised during the given reporting period; however, during the Reporting Period there were no outlets that changed designations. We have excluded a total of seven (7) franchised locations that ceased operations during the Reporting Period. There were no excluded outlets that closed during the same time period after being open less than 12 months.

4. The financial performance representations included in this Item 19 include expense data exclusively for company-owned Fazoli's Restaurants.

5. The Net Revenue of franchised Restaurants used in this Item 19 was derived from the unaudited financial reports submitted by franchisees for the purpose of computing royalty fees. Fazoli's compiled the Net Revenue of company-owned Restaurants on the basis of generally accepted accounting principles, consistently applied.

6. There are three (3) tables that follow in this Item 19. You should read them together with all of the notes and explanatory information that follows in this Item 19.

7. We provide two (2) types of financial performance representations in this Item 19. The first reflects Net Revenue, Expenses and Restaurant Cash Flow of company-owned Fazoli's Restaurants in the Reporting Group during the Reporting Period. The second contains information on Net Revenue during the Reporting Period for Fazoli's Restaurants that are operated by Fazoli's franchisees and that are in the Reporting Group.

Financial Performance Representation

The following table presents revenue, expense, and cash flow data for the fifty-seven (57) company-owned Restaurants in the Reporting Group during the Reporting Period. All company-owned Restaurants are traditional venues.

Table 1
AVERAGE NET REVENUE AND RESTAURANT CASH FLOW
FOR COMPANY-OWNED RESTAURANTS IN THE REPORTING GROUP
DURING THE REPORTING PERIOD (FISCAL YEAR 2023)

	Total	Top 1/3rd	Middle 1/3rd	Bottom 1/3rd
Average (Mean) Net Revenue (1)	\$1,436,474	\$1,904,934	\$1,370,223	\$1,034,264
Median Net Revenue (1)	\$1,416,669	\$1,878,561	\$1,416,669	\$1,026,702
# of Restaurants (1)	57	19	19	19

# of Restaurants at or above Average (1)	29		9		11		9	
% of Restaurants at or above Average (1)	51%		47%		58%		47%	
High Average Net Revenue (1)	\$2,460,025		\$2,460,025		\$1,518,867		\$1,157,903	
Low Average Net Revenue (1)	\$819,421		\$1,519,559		\$1,170,295		\$819,421	
Cost of Goods Sold (2)	\$408,565	28.4%	\$540,078	28.4%	\$387,680	28.3%	\$297,936	28.8%
Direct Labor Costs (3)	\$458,011	31.9%	\$558,989	29.3%	\$431,874	31.5%	\$383,169	37.0%
Other Operating Expenses (4)	\$239,850	16.7%	\$273,501	14.4%	\$238,747	17.4%	\$207,301	20.0%
Occupancy Expenses (5)	\$127,104	8.8%	\$136,098	7.1%	\$131,217	9.6%	\$113,998	11.0%
Imputed Royalty & Advertising Fees (6)	\$129,283	9.0%	\$171,444	9.0%	\$123,320	9.0%	\$93,084	9.0%
Restaurant Cash Flow (7)	\$73,662	5.1%	\$224,824	11.8%	\$57,385	4.2%	-\$61,224	-5.9%

Explanatory Notes for Table 1

The following terms used in the table above are defined as follows:

1. “Net Revenue” means all revenues from sales of food, beverages and any other items or services, whether at retail or wholesale (further including, without limitation, gift certificates and gift cards). “Net Revenue” excludes: (i) all sales, use, excise and similar taxes separately billed and collected for, and remitted to, governmental authorities; (ii) authorized discounts and coupons and rewards, including senior citizen and employee discounts; and (iii) charitable donations to schools, churches, and similar charitable organizations to the extent such amount was previously included in sales. We may refer to “Net Revenue” and “sales” interchangeably in this Item 19.

“Top 1/3rd”, “Middle 1/3rd” and “Bottom 1/3rd” refer to three (3) groups of Restaurants determined by taking a simple high to low ranking based on Net Revenue performance and dividing the total number of Restaurants into three (3) groups of nearly equal numbers (also known as “terciles”).

“% and # Restaurants at or Above Average” means the percentage and raw number of Restaurants included in the data whose reported average sales are above the stated average, meaning that these Restaurants performed better than the stated average.

The Average Net Revenue information contained in Table 1 represents the financial performance of the subset of 57 company-owned Restaurants that met the Reporting Criteria. No company-owned Restaurants were excluded from the Reporting Group.

2. “Cost of Goods Sold” or “COGS” means the total cost of goods sold including food, beverages, and paper goods, net of any supplier rebates. These are items directly related to the food or beverage sold to the customer, such as food, beverages, cups, napkins, straws, bags, plastic utensils and wrapping paper. COGS is shown as a dollar amount and as a percentage of Net Revenue within the Top 1/3rd, Middle 1/3rd, and Bottom 1/3rd Net Revenue Restaurant groups.
3. “Direct Labor Costs” includes the cost for hourly and management Restaurant but does not include any salary or overhead for area field supervision or any above-Restaurant level (for example, area supervisor or above) or other salaries, costs or benefits associated with company operations or that the company classifies as a corporate General and Administrative expense. Labor costs include employee wages and benefits, employee training expenses, payroll taxes, corporate insurance allocations for group health, employee meals, sick pay, and vacation pay. Depending on local or state laws, the minimum required wage paid to employees may vary, and you may encounter higher relative labor costs accordingly.
4. “Other Operating Expenses” include Restaurant expenses and other miscellaneous operating expenses. Items included are Restaurant supplies, tableware, linen, uniforms, internet connection fees, software licensing fees, credit card fees, and bank charges, telephone expenses, utilities, security, variable repair, maintenance contracts, trash removal, catering expenses, point of sale, delivery fees, and other miscellaneous fees and expenses. Marketing expenses are excluded from the “Other Operating Expense” category and are accounted for as imputed advertising fees (see Note 6 below).
5. “Occupancy Expenses” include all rent, property taxes, property insurance, and other miscellaneous occupancy-related items. Rent consists of minimum rents, percentage rents, common area maintenance charges, and any sales or other taxes imposed thereon. Property taxes are real estate taxes and assessments levied against the property upon which the Restaurant is located and will vary based on the location of the Restaurant.
6. “Imputed Royalties and Advertising Fees” are included to illustrate that royalty and advertising fee expenses, while not actually incurred in the operation of company Restaurants, are in fact incurred by franchisees in operating Restaurants. These expenses are reflected at 5% and 4% of Net Sales for royalty and advertising fees, respectively.
7. “Restaurant Cash Flow” is calculated by subtracting Cost of Goods Sold, Direct Labor Costs, Other Operating Expenses, Occupancy Expenses, and Imputed Royalty and Advertising Fees from Net Revenue. We do not include costs for interest or other debt service, taxes, depreciation, or amortization, as they vary considerably depending on the capitalization structure of the organization.

The following tables present revenue data for the 138 franchised Traditional Restaurants and 8 franchised Non-traditional Restaurants in the Reporting Group during the Reporting Period.

Table 2 AVERAGE NET REVENUE FOR TRADITIONAL FRANCHISED RESTAURANTS IN THE REPORTING GROUP DURING THE REPORTING PERIOD (FISCAL YEAR 2023)				
	Total	Top 1/3rd	Middle 1/3rd	Bottom 1/3rd
Average (Mean) Net Revenue	\$1,398,299	\$1,854,015	\$1,325,784	\$1,015,098
Median Net Revenue	\$1,335,636	\$1,768,504	\$1,335,636	\$1,014,532
# of Restaurants	138	46	46	46
# of Restaurants at or above Average	57	19	26	23
% of Restaurants at or above Average	41%	41%	57%	50%
High Average Net Revenue	\$2,675,505	\$2,675,505	\$1,452,048	\$1,190,272
Low Average Net Revenue	\$743,548	\$1,457,612	\$1,335,636	\$743,548

Table 3 AVERAGE NET REVENUE FOR NON-TRADITIONAL FRANCHISED RESTAURANTS IN THE REPORTING GROUP DURING THE REPORTING PERIOD (FISCAL YEAR 2023)	
Average (Mean) Net Revenue	\$619,580
Median Net Revenue	\$649,551
# of Restaurants	8
# of Restaurants at or above Average	4
% of Restaurants at or above Average	50%
High Average Net Revenue	\$843,212
Low Average Net Revenue	\$649,551

Explanatory Notes for Tables 2 and 3

1. Average Net Revenue is defined and terciles are explained in Explanatory Notes for Table 1, Note 1.
2. The Average Net Revenue information contained in Tables 2 and 3 represents the financial performance of the subset of 138 franchised Traditional Restaurants and 8 franchised Non-Traditional Restaurants that met the Reporting Criteria. Average Net Revenue is based upon sales reports submitted by franchisees. Five franchised

Restaurants were excluded from this financial performance representation because they did not operate for the entire twelve (12) month period.

3. The franchised Restaurants for which results are reported in Table 2 include only full-service Restaurants operating in “traditional” venues. Traditional venues may include: (1) freestanding Restaurants typically located on shopping center out parcels; and (2) smaller in-line units (designed for in-line or “end cap” locations in shopping centers); however, there are currently no in-line units in the Reporting Group. The franchised Restaurants for which results are reported in Table 3 include only Restaurants operating in “non-traditional” venues. Non-traditional venues include: (1) non-traditional locations in gas and convenience stores or colleges/universities; and (2) delivery-only ghost kitchens.

Additional Notes Regarding Net Revenues (Tables 1, 2 and 3 above)

1. The sales figures are compiled by using historical sales and, for franchised Fazoli’s Restaurants, sales that are reported to us by franchisees. We have not audited or verified the reports provided to us by franchisees. Also, some, but not all, Fazoli’s Restaurants report sales by way of our “Crunchtime” computer-based point of sale system. We consider sales data reported through the Crunchtime system to be more accurate and reliable than data gathered manually or by other means. All 57 company-owned Fazoli’s Restaurants utilized the Crunchtime system to report sales data.

Other than the preceding financial performance representation, Fazoli’s 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 Spencer Houlihan, Chief Financial Officer, 2470 Palumbo Drive, Lexington, Kentucky 40509, 859-268-1668, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

**System-wide Restaurant Summary
For Fiscal Years 2021 through 2023***

(*Fazoli’s FY end 2021, prior to purchase by FAT Brands, ended 03/31/21

**Fazoli’s FY end 2021 following purchase by FAT Brands
commenced 04/01/21 and ended 12/26/21)**

Restaurant Type	Year	Restaurants at Start of Year			Restaurants at End of Year			Net Change		
		Free Stand-ing	Inline/end-cap	Non-tradi-tional	Free Stand-ing	In-line/end-cap	Non-tradi-tional	Free Stand-ing	In-line/end-cap	Non-tradi-tional
Franchise	2021	150	2	10	142	2	9	-8	0	-1
	FAT 21	142	2	9	147	2	9	+5	0	0
	2022	147	2	9	144	2	6	-3	0	-3
	2023	144	2	6	142	2	6	-2	0	0
Company-Owned	2021	50	1	0	55	1	0	+5	0	0
	FAT 21	55	1	0	56	1	0	+1	0	0
	2022	56	1	0	56	1	0	0	0	0
	2023	56	1	0	56	1	0	0	0	0
Total Outlets	2021	200	3	10	197	3	9	-3	0	-1
	FAT 21	197	3	9	203	3	9	+6	0	0
	2022	203	3	9	200	3	6	-3	0	-3
	2023	200	3	6	198	3	6	-2	0	0

Table No. 2

**Transfers of Restaurants from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2021 through 2023***

(*Fazoli's FY end 2021, prior to purchase by FAT Brands, ended 03/31/21)

**Fazoli's FY end 2021 following purchase by FAT Brands
commenced 04/01/21 and ended 12/26/21)**

State	Year	Number of Transfers
Tennessee	2021	0
	FAT 2021	0
	2022	0
	2023	2
Virginia	2021	1
	FAT 2021	0
	2022	0
	2023	0
TOTALS	2021	1
	FAT 2021	0
	2022	0
	2023	0

Table No. 3

**Status of Franchised Restaurants
For Fiscal Years 2021 through 2023***

(*Fazoli's FY end 2021, prior to purchase by FAT Brands, ended 03/31/21)

**Fazoli's FY end 2021 following purchase by FAT Brands
commenced 04/01/21 and ended 12/26/21)**

State	Year	Restaurants at Start of Year	Restaurants Opened	Terminat ions	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Restaurants at End of Year
Alabama	2021	3	0	0	0	0	0	3
	FAT 2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	1	3
	2023	3	0	0	0	0	0	3
Arizona	2021	0	0	0	0	0	0	0
	FAT 2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Arkansas	2021	2	0	0	0	0	0	2
	FAT 2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	0	4
California	2021	2	0	0	0	0	0	2
	FAT 2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Colorado	2021	7	0	0	0	0	1	6
	FAT 2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	1	5
Florida	2021	1	0	0	0	0	0	1
	FAT 2021	1	1	0	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	1	0	0	0	1	5
Georgia	2021	5	3	0	0	0	0	8
	FAT 2021	8	2	0	0	0	0	10
	2022	10	0	0	0	0	2	8
	2023	8	0	0	0	0	0	8
Illinois	2021	7	0	0	0	0	2	5
	FAT 2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Indiana	2021	11	0	0	0	0	1	10
	FAT 2021	10	0	0	0	0	0	10
	2022	10	0	0	1	0	2	7
	2023	7	0	0	0	0	0	7
Iowa	2021	6	1	0	0	0	0	7
	FAT 2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	2	5
	2023	5	0	0	0	0	0	5
Kansas	2021	5	0	0	0	0	0	5
	FAT 2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4

State	Year	Restaurants at Start of Year	Restaurants Opened	Terminat ions	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Restaurants at End of Year
Kentucky	2021	16	0	0	0	0	0	16
	FAT 2021	16	1	0	0	0	0	17
	2022	17	0	0	0	0	0	17
	2023	17	0	0	0	0	0	17
Michigan	2021	8	0	0	0	5	0	3
	FAT 2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Minnesota	2021	1	0	0	0	0	0	1
	FAT 2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
Mississippi	2021	1	0	0	0	0	0	1
	FAT 2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Missouri	2021	17	1	0	0	0	0	18
	FAT 2021	18	1	0	0	0	1	18
	2022	18	0	0	0	0	0	18
	2023	18	0	0	0	0	0	18
Nebraska	2021	6	0	0	0	0	1	5
	FAT 2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
North Carolina	2021	1	1	0	0	0	0	2
	FAT 2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	1	2
	2023	2	0	0	0	0	0	2
Ohio	2021	8	0	0	0	0	0	8
	FAT 2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Oklahoma	2021	3	0	0	0	0	0	3
	FAT 2021	3	0	0	0	0	0	3
	2022	3	0	1	0	0	0	2
	2023	2	0	0	0	0	0	2
Oregon	2021	1	0	0	0	0	0	1
	FAT 2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
South Carolina	2021	2	0	0	0	0	0	2
	FAT 2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
South Dakota	2021	1	0	0	0	0	0	1
	FAT 2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Restaurants at Start of Year	Restaurants Opened	Terminat ions	Non- Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Restaurants at End of Year
	2023	1	1	0	0	0	0	2
Tennessee	2021	17	0	0	0	0	1	16
	FAT 2021	16	0	0	0	0	0	16
	2022	16	1	0	0	0	0	17
	2023	17	0	0	0	0	2	15
Texas	2021	15	0	0	0	0	1	14
	FAT 2021	14	1	0	0	0	0	15
	2022	15	0	0	0	0	1	14
	2023	14	0	0	0	0	1	13
Virginia	2021	1	0	0	0	0	0	1
	FAT 2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
West Virginia	2021	2	0	0	0	0	0	2
	FAT 2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Wisconsin	2021	13	0	0	0	0	3	10
	FAT 2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	1	9
TOTALS	2021	162	6	0	0	5	10	153
	FAT 2021	153	6	0	0	0	1	158
	2022	158	8	1	1	0	11	153
	2023	153	5	0	0	0	7	151

Table No. 4
Status of Company-owned Restaurants
For Fiscal Years 2021 through 2023*

(*Fazoli's FY end 2021, prior to purchase by FAT Brands, ended 03/31/21)

Fazoli's FY end 2021 following purchase by FAT Brands
commenced 04/01/21 and ended 12/26/21)

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired From Franchisee	Restaurants Closed	Restaurants Sold to Franchisee	Restaurants at End of Year
Illinois	2021	3	0	0	0	0	3
	FAT 2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
Indiana	2021	23	0	0	0	0	23
	FAT 2021	23	0	0	0	0	23

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired From Franchisee	Restaurants Closed	Restaurants Sold to Franchisee	Restaurants at End of Year
Kentucky	2022	23	0	0	0	0	23
	2023	23	0	0	0	0	23
	2021	16	0	0	0	0	16
	FAT 2021	16	0	0	0	0	16
	2022	16	0	0	0	0	16
	2023	16	0	0	0	0	16
Michigan	2021	0	0	5	0	0	5
	FAT 2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
Missouri	2021	1	0	0	0	0	1
	FAT 2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Ohio	2021	8	0	0	0	0	8
	FAT 2021	8	1	0	0	0	9
	2022	9	0	0	0	0	9
	2023	9	0	0	0	0	9
TOTALS	2021	51	0	5	0	0	56
	FAT 2021	56	1	0	0	0	57
	2022	57	0	0	0	0	57
	2023	57	0	0	0	0	57

Table No. 5

Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
South Carolina	1	1	0
TOTALS	1	1	0

Prior to the purchase of Fazoli's by FAT Brands, our fiscal year ended on Wednesday closest to March 31st of each year, which was March 31, 2021. Upon the acquisition of Fazoli's by FAT Brands, the Fazoli's fiscal year was then aligned with FAT Brands fiscal year which ends the last Sunday in December. We have presented all of the foregoing numbers to include an extended 2021 fiscal year end from April 1, 2021 through December 26, 2021.

Exhibit G lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of December 31, 2023.

Exhibit H lists the name, city and state, and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated,

canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Fazoli's System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

The following independent franchisee organization has asked to be included in this Disclosure Document:

Name:	Fazoli's Franchisee Association, Inc.
Address:	Attn: Megan Reid, Administrative Director P.O. Box 4227 Frankfort, KY 40604
E-Mail:	jreid@ljsfab.org also meganereid@me.com
Phone Number:	(502) 320-1720
Web Address:	None

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure document as Exhibit B are the audited financial statements of Fazoli's Franchising Systems, LLC for the fiscal year ended December 31, 2023, December 25, 2022 and the stub period from April 1, 2021 to December 26, 2021 and the year ended March 31, 2021.

ITEM 22 CONTRACTS

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

EXHIBIT C Franchise Agreement:

SCHEDULE ONE: Location

SCHEDULE TWO-A: Form - Attorney Certification Letter – Leasing Real Estate

ATTACHMENT 2 Lease Amendment Agreement

ATTACHMENT 3 Memorandum of Lease

ATTACHMENT 4 Memorandum of Right of First Refusal

ATTACHMENT 5 Right to Cure/Financing

SCHEDULE TWO-B: Form – Attorney Certification Letter – Purchasing Real Estate
ATTACHMENT 3 Memorandum of Right of First Refusal
ATTACHMENT 4 Right to Cure/Financing

SCHEDULE THREE: Confidentiality and Other Business Interests Agreement

SCHEDULE FOUR: Guaranty of Franchisee's Undertakings

SCHEDULE SIX: Bank Authorization Agreement

SCHEDULE SEVEN: Brand Technology System Support Services Agreement

EXHIBIT D Right to Cure/Financing Agreement

EXHIBIT F Termination Agreement, Release Agreement and Confidentiality and Non-Competition Agreement

EXHIBIT I State Required Addenda to Disclosure Document and Franchise Agreement

EXHIBIT J Multi-Unit Restaurant Agreement

EXHIBIT K Addendum to Franchise Agreement [Nontraditional Venues]

EXHIBIT L General Release

We make negotiated amendments to our Franchise Agreement in limited instances where the amendments benefit the System as a whole or where it is necessary to address specific market conditions.

ITEM 23 RECEIPT

Two copies of a receipt form appear at the end of this Disclosure Document. Please fill out and sign both receipts, return one copy to us and keep the other copy for your records.

EXHIBIT A

State Franchise Administrators and Agents for Service of Process

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<p><u>CALIFORNIA</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p> <p><u>MICHIGAN</u> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor Lansing, MI 48913 (517) 335-7567</p> <p><u>MINNESOTA</u> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500</p> <p><u>NEW YORK</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 Phone: (212) 416-8222</p> <p><u>Agents for Service of Process:</u> New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231</p> <p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, 5th Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>	<p><u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563</p> <p><u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p><u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219</p> <p><u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>Mailing Address:</u> Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200</p> <p><u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555</p>
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EXHIBIT B

AUDITED FINANCIAL STATEMENTS

Audited financial statements of Fazoli's Franchising Systems, LLC for the fiscal year ended December 31, 2023, December 25, 2022 and the stub period from April 1, 2021 to December 26, 2021 and the year ended March 31, 2021.

FAZOLI'S FRANCHISING SYSTEMS, LLC

Financial Statements

**As of December 31, 2023 and December 25, 2022 for the Years Ended December 31, 2023,
December 25, 2022 and the stub period from April 1, 2021 to December 26, 2021**

Independent Auditors' Report

To the Member of
Fazoli's Franchising Systems, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fazoli's Franchising Systems, LLC (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, member's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

We conducted our audit 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Company, as of and for the year ended December 25, 2022 and for the year ended December 26, 2021, were audited by other auditors, whose report dated April 7, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Macias Gini & O'Connell LLP

Macias Gini & O'Connell LLP

Irvine, California
April 29, 2024

FAZOLI'S FRANCHISING SYSTEMS, LLC
BALANCE SHEETS

	<u>December 31, 2023</u>	<u>December 25, 2022</u>
Assets		
Current assets		
Accounts receivable, net	\$ 1,515,501	\$ 2,355,883
Other current assets	—	20,478
Total current assets	1,515,501	2,376,361
Goodwill	1,414,216	1,414,216
Intangible assets, net	12,824,853	13,896,282
Other non-current assets	98,276	137,240
Total assets	<u>\$ 15,852,846</u>	<u>\$ 17,824,099</u>
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 365,111	\$ 848,580
Accrued liabilities	1,060,774	\$ 983,325
Accrued advertising	1,263,391	1,875,238
Deferred income, current portion	154,204	154,204
Total current liabilities	2,843,480	3,861,347
Deferred income, net of current portion	1,088,807	1,259,012
Deferred tax liabilities, net	2,391,797	1,713,303
Due to affiliate	5,109,324	5,128,200
Other non-current liabilities	—	172,891
Total liabilities	11,433,408	12,134,753
Commitments and contingencies (Note 7)		
Total member's equity	4,419,438	5,689,346
Total liabilities and member's equity	<u>\$ 15,852,846</u>	<u>\$ 17,824,099</u>

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

FAZOLI'S FRANCHISING SYSTEMS, LLC
STATEMENTS OF OPERATIONS

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 25, 2022	April 1, 2021 (Stub Period) to December 26, 2021
Revenues			
Royalties	\$ 8,233,641	\$ 8,193,144	\$ 6,299,610
Franchise fees	267,205	582,761	174,185
Advertising fees	2,845,738	2,886,280	2,263,185
Total revenues	11,346,584	11,662,185	8,736,980
Cost and expenses			
General and administrative expenses	2,841,569	3,460,607	2,218,551
Advertising expense	2,845,738	2,886,280	2,263,185
Management fee	5,993,096	6,187,014	4,564,026
Total costs and expenses	11,680,403	12,533,901	9,045,762
Loss from operations	(333,819)	(871,716)	(308,782)
Other income (expense), net	6,690	(1,311)	(1,023)
Interest expense	(217,754)	(220,101)	(154,976)
Loss before income tax benefit (provision)	(544,883)	(1,093,128)	(464,781)
Income tax (provision) benefit	(725,025)	428,605	(1,700)
Net loss	\$ (1,269,908)	\$ (664,523)	\$ (466,481)

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

FAZOLI'S FRANCHISING SYSTEMS, LLC
STATEMENTS OF CHANGES IN MEMBER'S EQUITY (DEFICIT)

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 25, 2022	April 1, 2021 (Stub Period) to December 26, 2021
Beginning balance	\$ 5,689,346	\$ 6,353,869	\$ (3,218,630)
Acquisition by FAT Brands, Inc.	—	—	10,038,980
Net loss	(1,269,908)	(664,523)	(466,481)
Ending balance	<u>\$ 4,419,438</u>	<u>\$ 5,689,346</u>	<u>\$ 6,353,869</u>

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

FAZOLI'S FRANCHISING SYSTEMS, LLC
STATEMENTS OF CASH FLOWS

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 25, 2022	April 1, 2021 (Stub Period) to December 26, 2021
Cash Flows From Operating Activities			
Net loss	\$ (1,269,908)	\$ (664,523)	\$ (466,481)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization	1,071,429	1,071,428	404,590
Deferred income taxes	678,494	(442,533)	—
Changes in operating assets and liabilities:			
Accounts receivable, net	840,382	(42,387)	(850,931)
Other current and non-current assets	59,442	49,006	(733)
Accounts payable	(483,469)	615,124	(88,600)
Accrued expenses	77,449	125,850	354,404
Accrued advertising	(611,847)	(54,304)	723,039
Deferred income	(170,205)	(182,838)	(121,784)
Other non-current liabilities	(172,891)	154,031	—
Net cash provided by (used in) operating activities	18,876	628,854	(46,496)
Cash Flows From Financing Activities			
Changes in due to affiliates	(18,876)	(628,854)	46,496
Net cash (used in) provided by financing activities	(18,876)	(628,854)	46,496
Net change in cash	—	—	—
Cash at beginning of period	—	—	—
Cash at end of period	\$ —	\$ —	\$ —

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND RELATIONSHIPS

Organization and Nature of Operations

Fazoli's Franchising Systems, LLC (the Company) is a wholly-owned subsidiary of FAT Brands Fazoli's Native Royalty I, LLC ("FAZNAT Royalty"), a Delaware limited liability company. The Company was formed for the purpose of acting as a franchisor of the Fazoli's concept. As of December 31, 2023 there were 151 domestic franchise restaurants in operation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations: The Company operates on a 52-week calendar and its fiscal year ends on the last Sunday of the calendar year. Consistent with industry practice, the Company measures its stores' performance based upon 7-day work weeks. Using the 52-week cycle ensures consistent weekly reporting for operations and ensures that each week has the same days, since certain days are more profitable than others. The use of this fiscal year means a 53rd week is added to the fiscal year every 5 or 6 years, as was the case in fiscal year 2023. In a 52-week year, all four quarters are comprised of 13 weeks. In a 53-week year, one extra week is added to the fourth quarter. Fiscal year 2023 consisted of 53 weeks.

During the stub period from April 1, 2021 to December 26, 2021, the Company changed its fiscal year to the 52 or 53 week period ending on the last Sunday of the calendar year. Accordingly, the accompanying financial statements reflect the prospective approach stub period from April 1, 2021 to December 26, 2021 to effectuate the Company's election to change fiscal years. The Company's previous fiscal year end was March 31, 2021.

Accounts Receivable: Accounts receivable consist primarily of royalty and advertising fees from franchisees reduced by reserves for the estimated amount deemed uncollectible due to bad debts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collection data and current franchisee information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company reserved an allowance for doubtful accounts of \$10,000 as of December 31, 2023 and December 25, 2022, respectively.

Credit and Depository Risks: The Company maintains its cash accounts at financial institutions. The balances, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes its cash balances are not exposed to significant risk of loss.

Goodwill and Other Intangible Assets: Intangible assets are stated at the estimated fair value at the date of acquisition and include goodwill, trademarks, and franchise agreements. Goodwill and other intangible assets with indefinite lives, such as trademarks, are not amortized but are reviewed for impairment annually or more frequently if indicators arise. All other intangible assets are amortized over their estimated weighted average useful lives. Management assesses potential impairments to intangible assets at least annually, or when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of the acquired businesses, market conditions and other factors.

Use of Estimates in the Preparation of the Financial Statements: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates include the determination of fair values of goodwill and trademarks and allowances for uncollectible accounts receivable. Estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Franchise Fees: The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which includes the transfer of the franchise license. The services provided by the Company are highly interrelated with the franchise license and are considered a single performance obligation. Franchise fee revenue from the sale of individual franchises is recognized over the term of the individual franchise agreement on a straight-line basis. Unamortized non-refundable deposits collected in relation to the sale of franchises are recorded as deferred income.

The franchise fee may be adjusted from time to time at management's discretion. Deposits are non-refundable upon acceptance of the franchise application. In the event a franchisee does not comply with their development timeline for opening franchise stores, the franchise rights may be terminated, at which point the franchise fee revenue is recognized for non-refundable deposits.

Royalties: In addition to franchise fee revenue, the Company collects a royalty calculated as a percentage of net sales from our franchisees. Royalties are recognized as revenue when the related sales are made by the franchisees. Royalties collected in advance of sales are classified as deferred income until earned.

Advertising: The Company requires advertising fee payments from franchisees based on a percent of net sales. The Company also receives, from time to time, payments from vendors that are to be used for advertising. Advertising funds collected are required to be spent for specific advertising purposes. Advertising revenue and the associated expense are recorded gross on the Company's statement of operations. Assets and liabilities associated with the related advertising fees are reflected in the Company's balance sheet.

Recently Adopted Accounting Standards

In March 2022, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The purpose of this amendment is to enhance disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. It requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. The amendments should be applied prospectively and are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASC No. 2022-02 for the fiscal year beginning December 26, 2022, which did not have an effect on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments*. This guidance replaced the previous incurred loss impairment methodology. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument based on historical experience, current conditions and reasonable and supportable forecasts. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates ("ASU 2019-10")*. The purpose of this amendment was to create a two-tier rollout of major updates, staggering the effective dates between larger public companies and all other entities. This granted certain classes of companies, including Smaller Reporting Companies ("SRCs"), additional time to implement major FASB standards, including ASU 2016-13. Larger public companies had an effective date for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities were permitted to defer adoption of ASU 2016-13, and its related amendments, until fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company meets the definition of an SRC and adopted the deferral period for ASU 2016-13. The guidance requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption, if applicable. The Company adopted ASU No. 2016-13 for the fiscal year beginning December 26, 2022. The adoption did not require an adjustment to retained earnings and did not have an effect on the Company's financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. The amendments require that public business entities on an annual basis disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The amendments also require that all entities disclose on an annual basis the income taxes paid disaggregated by jurisdiction. The amendments eliminate the requirement for all entities to disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or make a statement that an estimate of the range cannot be made. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company is still evaluating the impact the adoption of this standard will have on its financial statements.

NOTE 3. RELATED PARTY TRANSACTIONS

Management Services Agreement: The Company has a Management Services Agreement with Fazoli's Systems Management, LLC (FSM), a subsidiary of Fazoli's Group, Inc. (FGI). The agreement grants the Company the license to franchise others to operate restaurants pursuant to the distinctive Fazoli's food service system (the System). Among other things, the System includes: (a) distinctive trade dress, trademarks, and service marks, including, but not limited to, such Fazoli's logos, signs, designs, slogans, and emblems as FSM designates from time to time; (b) a uniform method of operating restaurants; (c) a uniform method of training management employees; (d) special ingredients, confidential recipes for food products and distinctive service accessories; and (e) plans and specification for distinctive, standardized premises, featuring characteristic styling. Additionally, under the Management Service Agreement, FSM provides management services including, but not limited to, executive oversight, accounting and tax services, purchasing services, information system services, and human resource services. FSM also agrees to make available to the Company, among other items: (a) written guidelines for site selection; (b) operations and training manuals; and (c) standard architectural plans and drawings for adaptation to a Fazoli's restaurant. The Company pays FSM a management fee on a quarterly basis, based on a percentage (70.5%) of gross royalty receipts for the quarter. The management fee charges were determined based upon an independent study.

Due to Affiliate: The Company pays its direct expenses and collects franchise fees and royalties with excess cash being transferred to FGI and shortfalls in cash borrowed from FGI. The net effect of these payments and collections have been recorded as Due to affiliate on the Company's balance sheets at December 31, 2023 and December 25, 2022. The amount payable to our Parent bears interest at 4.0% annually.

NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

There were no changes to Goodwill during the fiscal year ended December 31, 2023.

As of December 31, 2023 and December 25, 2022, other intangible assets consisted of franchise agreements, the gross and net amounts of which were (in millions):

	December 31, 2023	December 25, 2022
Other intangible assets, gross	\$ 15.0	\$ 15.0
Less: accumulated amortization	(2.2)	(1.1)
Other intangible assets, net	\$ 12.8	\$ 13.9

Amortization expense was \$1.1 million in each of the years ended December 31, 2023 and December 25, 2022.

The expected future amortization of the Company's capitalized franchise agreements is as follows (in millions):

Fiscal Year:		
2024	\$	1.1
2025		1.1
2026		1.1
2027		1.1
2028		1.1
Thereafter		7.3
Total	\$	<u>12.8</u>

NOTE 5. INCOME TAXES

Income taxes are accounted for as if the Company were a separate tax payer under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

Income tax benefit (provision) consists of the following (in millions):

	Fiscal Year Ended December 31, 2023	Fiscal Year Ended December 25, 2022
Current:		
State and local	\$ —	\$ —
Rate change:		
State and local	—	0.3
Deferred:		
Federal	(0.7)	0.2
State and local	—	(0.1)
Valuation allowance	—	—
	(0.7)	0.1
Total income tax benefit (provision)	<u>\$ (0.7)</u>	<u>\$ 0.4</u>

Income tax expense differed from the amounts computed by applying the United States Federal income tax rate of 21% to pretax income as a result of the following (in millions):

	December 31, 2023	December 25, 2022
Federal income tax at the statutory rate	\$ 0.1	\$ 0.2
Increase (decrease) resulting from:		
State and local taxes, net of Federal income tax benefit	—	(0.1)
Valuation allowance	(0.8)	—
Rate change	—	0.3
Other	—	—
Total (provision) benefit	<u>\$ (0.7)</u>	<u>\$ 0.4</u>

Deferred income taxes are comprised of the following at December 31, 2023 and December 25, 2022 (in millions):

	December 31, 2023	December 25, 2022
Net operating loss carryforward	\$ 0.8	\$ 0.9
Deferred franchise fees	0.3	0.3
Intangible asset, franchise agreement	(2.7)	(2.9)
Net deferred income taxes before valuation allowance	<u>(1.6)</u>	<u>(1.7)</u>
Less: Valuation allowance	(0.8)	—
Net deferred income taxes after valuation allowance	<u>\$ (2.4)</u>	<u>\$ (1.7)</u>

The Company had Federal net operating loss carryforwards (“NOLs”) of approximately \$3.9 million and \$4.2 million as of December 31, 2023 and December 25, 2022, respectively.

Based on the weight of available evidence, it is more likely than not (a likelihood of more than fifty percent) that the deferred tax asset will not be realized. Accordingly, an increase in valuation allowance of \$0.8 million was recorded as of December 31, 2023. The valuation allowance conclusion reached by the Company as of and for the period ending December 31, 2023, relies on a complex mechanical process of scheduling out the reversal of the existing temporary differences based on certain assumptions and estimates made by Management. In addition, Management evaluated the Company’s overall tax positions and has determined that no provision for uncertain income tax positions is necessary as of December 31, 2023.

NOTE 6. EMPLOYEE BENEFITS

The Company participates in Fazoli’s 401(k) Profit Sharing Plan, which is a defined contribution plan available to employees of the Company who meet certain eligibility requirements. Participants may elect to contribute up to 50% of their eligible compensation on a pretax basis. The Company matches 100% of employee contributions of the first 3% of eligible employee compensation plus 50% of employee contributions on the next 2% of eligible compensation. The Company pays for certain of the 401(k) Plan’s administrative expenses and the 401(k) Plan pays for certain administrative expenses through forfeitures. Profit sharing expense was \$41,017 for the year ended December 31, 2023 and \$48,496 for the year ended December 25, 2022.

NOTE 7. COMMITMENTS AND CONTINGENCIES**Litigation**

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

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated all events and transactions that occurred from December 31, 2023 through the date these audited financial statements were available to be issued. During this period, the Company did not have any significant subsequent events.

FAZOLI'S FRANCHISING SYSTEMS, LLC

FINANCIAL STATEMENTS

**For the year ended December 25, 2022, the stub period from April 1, 2021 to
December 26, 2021 and the year ended March 31, 2021**



Independent Auditors' Report

To the Member of
Fazoli's Franchising Systems, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fazoli's Franchising Systems, LLC (the "Company"), which comprise the balance sheets as of December 25, 2022 and December 26, 2021, and the related statements of operations, member's equity (deficit) and cash flows for the year ended December 25, 2022 and for the period from April 1, 2021 through December 26, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2022 and December 26, 2021, and the results of its operations and its cash flows for the year ended December 25, 2022 and for the period from April 1, 2021 through December 26, 2021 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Matter - Change in Ownership

As discussed in Note 1 to the financial statements, on December 15, 2021, the Company completed the sale of substantially all its outstanding equity interests and net assets under a Merger Agreement with Fazoli Holdings, LLC. Our opinion is not modified with respect to this matter.

Other Matter – Prior Year Financial Statements

The financial statements of the Company, as of and for the years ended March 31, 2021 were audited by other auditors, whose report, dated June 15, 2021 expressed an unmodified opinion on those statements.

BAKER TILLY US, LLP

Baker Tilly US, LLP

Los Angeles, California
April 7, 2023

FAZOLI'S FRANCHISING SYSTEMS, LLC
BALANCE SHEETS

	<u>December 25, 2022</u>	<u>December 26, 2021</u>
ASSETS		
Current assets		
Accounts receivable, net	\$ 2,355,883	\$ 2,313,496
Other current assets	20,478	67,344
Total current assets	<u>2,376,361</u>	<u>2,380,840</u>
Goodwill	1,414,216	1,414,216
Intangible asset, net	13,896,282	14,967,710
Other non-current assets	137,240	139,380
Total assets	<u>\$ 17,824,099</u>	<u>\$ 18,902,146</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 848,580	\$ 233,456
Accrued liabilities	983,325	857,475
Accrued advertising	1,875,238	1,929,542
Deferred income, current portion	154,204	157,982
Total current liabilities	<u>3,861,347</u>	<u>3,178,455</u>
Deferred income, net of current portion	1,259,012	1,438,072
Deferred tax liability	1,713,303	2,155,836
Due to affiliate	5,128,200	5,757,054
Other non-current liabilities	172,891	18,860
Total liabilities	<u>12,134,753</u>	<u>12,548,277</u>
Commitments and contingencies (Note 9)		
Total member's equity	<u>5,689,346</u>	<u>6,353,869</u>
Total liabilities and member's equity	<u>\$ 17,824,099</u>	<u>\$ 18,902,146</u>

The accompanying notes are an integral part of these audited financial statements

FAZOLI'S FRANCHISING SYSTEMS, LLC
STATEMENTS OF OPERATIONS

	Fiscal Year Ended December 25, 2022	April 1, 2021 (Stub Period) to December 26, 2021	Fiscal Year Ended March 31, 2021
Revenue			
Royalties	\$ 8,193,144	\$ 6,299,610	\$ 6,694,870
Advertising fees	2,886,280	2,263,185	2,545,907
Franchise fees	582,761	174,185	265,447
Total Revenue	<u>11,662,185</u>	<u>8,736,980</u>	<u>9,506,224</u>
Costs and expenses			
General and administrative	3,460,607	2,218,551	2,378,171
Advertising expense	2,886,280	2,263,185	2,545,907
Management fee	6,187,014	4,564,026	4,907,023
Total costs and expenses	<u>12,533,901</u>	<u>9,045,762</u>	<u>9,831,101</u>
Loss from operations	(871,716)	(308,782)	(324,877)
Other expense, net	(1,311)	(1,023)	(1,050)
Interest expense	<u>(220,101)</u>	<u>(154,976)</u>	<u>(226,451)</u>
Loss before income taxes	(1,093,128)	(464,781)	(552,378)
Income tax benefit (provision)	<u>428,605</u>	<u>(1,700)</u>	<u>(3,200)</u>
Net Loss	<u>\$ (664,523)</u>	<u>\$ (466,481)</u>	<u>\$ (555,578)</u>

The accompanying notes are an integral part of these audited financial statements

FAZOLI'S FRANCHISING SYSTEMS, LLC
STATEMENTS OF MEMBER'S EQUITY (DEFICIT)

	Fiscal Year Ended December 25, 2022	April 1, 2021 (Stub Period) to December 26, 2021	Fiscal Year Ended March 31, 2021
Beginning balance	\$ 6,353,869	\$ (3,218,630)	\$ (2,663,052)
Acquisition by FAT Brands, Inc.	-	10,038,980	-
Net loss	(664,523)	(466,481)	(555,578)
Ending balance	<u>\$ 5,689,346</u>	<u>\$ 6,353,869</u>	<u>\$ (3,218,630)</u>

The accompanying notes are an integral part of these audited financial statements

FAZOLI'S FRANCHISING SYSTEMS, LLC
STATEMENTS OF CASH FLOWS

	Fiscal Year Ended December 25, 2022	April 1, 2021 (Stub Period) to December 26, 2021	Fiscal Year Ended March 31, 2021
Cash flows from operating activities			
Net loss	\$ (664,523)	\$ (466,481)	\$ (555,578)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation and amortization	1,071,428	404,590	496,400
Deferred income taxes	(442,533)	-	-
Change in:			
Accounts receivable	(42,387)	(850,931)	(555,696)
Other current and non-current assets	49,006	(733)	20,671
Accounts payable	615,124	(88,600)	(819,478)
Accrued liabilities	125,850	354,404	333,045
Accrued advertising	(54,304)	723,039	1,049,402
Deferred income	(182,838)	(121,784)	(148,689)
Other non-current liabilities	154,031	-	18,860
Net cash provided by (used in) operating activities	628,854	(46,496)	(161,063)
Cash flows from financing activities			
Changes in due to affiliate	(628,854)	46,496	161,063
Net cash (used in) provided by financing activities	(628,854)	46,496	161,063
Net change in cash	-	-	-
Cash at beginning of year	-	-	-
Cash at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these audited financial statements

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND RELATIONSHIPS

Organization and Nature of Operations

Fazoli's Franchising Systems, LLC (the Company) is a wholly-owned subsidiary of FAT Brands Fazoli's Native Royalty I, LLC ("FAZNAT Royalty"), a Delaware limited liability company.

On December 15, 2021, FAT Brands Inc. ("FAT") completed the acquisition Fazoli's Holdings, LLC and its direct and indirect subsidiaries, including the Company (collectively, "Fazoli's"). FAT is a strategic restaurant brand company with a focus on franchising. Immediately following the closing of the acquisition, FAT contributed substantially all of the revenue-generating assets of Fazoli's, including ownership of the Company together with franchise agreements, area development agreements and intellectual property, to its wholly owned subsidiary, FAZNAT Royalty, pursuant to a Contribution Agreement dated December 15, 2021.

The Company was formed for the purpose of acting as a franchisor of the Fazoli's concept. As of December 25, 2022 there were 153 domestic franchise restaurants in operation.

COVID-19

The outbreak of the COVID-19 pandemic in March 2020 had a number of adverse effects on our business and that of our franchisees, including temporary and permanent closures of restaurant locations, reduced or modified store operating hours, difficulties in staffing restaurants and supply chain disruptions. While the disruptions to our business from the COVID-19 pandemic have mostly subsided, the resurgence of COVID-19 or its variants, as well as an outbreak of other widespread health epidemics or pandemics, could cause a closure of restaurants and disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations: The Company operates on a 52-week calendar and its fiscal year ends on the last Sunday of the calendar year. Consistent with industry practice, the Company measures its stores' performance based upon 7-day work weeks. Using the 52-week cycle ensures consistent weekly reporting for operations and ensures that each week has the same days, since certain days are more profitable than others. The use of this fiscal year means a 53rd week is added to the fiscal year every 5 or 6 years, as will be the case in fiscal year 2023. In a 52-week year, all four quarters are comprised of 13 weeks. In a 53-week year, one extra week is added to the fourth quarter.

Fiscal year 2022 consisted of 52 weeks. During the stub period from April 1, 2021 to December 26, 2021, the Company changed its fiscal year to the 52 or 53 week period ending on the last Sunday of the calendar year. Accordingly, the accompanying financial statements reflect the prospective approach stub period from April 1, 2021 to December 26, 2021 to effectuate the Company's election to change fiscal years. The Company's previous fiscal year end was March 31, 2021.

Accounts Receivable: Accounts receivable consist primarily of royalty and advertising fees from franchisees reduced by reserves for the estimated amount deemed uncollectible due to bad debts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collection data and current franchisee information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company reserved an allowance for doubtful accounts of \$10,000 as of December 25, 2022 and December 26, 2021, respectively.

Credit and Depository Risks: The Company maintains its cash accounts at financial institutions. The balances, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes its cash balances are not exposed to significant risk of loss.

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

Goodwill and Other Intangible Assets: Goodwill is not amortized but is reviewed for impairment annually, or more frequently if indicators arise. Franchise agreements are amortized over their estimated useful lives. No impairment has been identified as of December 25, 2022 and December 26, 2021.

Revenue Recognition

Franchise Fees: The franchise arrangement is documented in the form of a franchise agreement. The franchise arrangement requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which includes the transfer of the franchise license. The services provided by the Company are highly interrelated with the franchise license and are considered a single performance obligation. Franchise fee revenue from the sale of individual franchises is recognized over the term of the individual franchise agreement on a straight-line basis. Unamortized non-refundable deposits collected in relation to the sale of franchises are recorded as deferred franchise fees.

The franchise fee may be adjusted from time to time at management's discretion. Deposits are non-refundable upon acceptance of the franchise application. In the event a franchisee does not comply with their development timeline for opening franchise stores, the franchise rights may be terminated, at which point the franchise fee revenue is recognized for non-refundable deposits.

Royalties: In addition to franchise fee revenue, the Company collects a royalty calculated as a percentage of net sales from our franchisees. Royalties are recognized as revenue when the related sales are made by the franchisees. Royalties collected in advance of sales are classified as deferred income until earned.

Advertising: The Company requires advertising fee payments from franchisees based on a percent of net sales. The Company also receives, from time to time, payments from vendors that are to be used for advertising. Advertising funds collected are required to be spent for specific advertising purposes. Advertising revenue and the associated expense are recorded gross on the Company's statement of operations. Assets and liabilities associated with the related advertising fees are reflected in the Company's balance sheet.

Use of Estimates in the Preparation of the Financial Statements: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates include the determination of fair values of goodwill and trademarks and allowances for uncollectible accounts receivable. Estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments, and later amended the ASU in 2019, as described below. This guidance replaces the current incurred loss impairment methodology. Under the new guidance, on initial recognition and at each reporting period, an entity is required to recognize an allowance that reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument based on historical experience, current conditions and reasonable and supportable forecasts.

In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates ("ASU 2019-10"). The purpose of this amendment is to create a two-tier rollout of major updates, staggering the effective dates between larger public companies and all other entities. This granted certain classes of companies, including Smaller Reporting Companies ("SRCs"), additional time to implement major FASB standards, including

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

ASU 2016-13. Larger public companies will have an effective date for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities are permitted to defer adoption of ASU 2016-13, and its related amendments, until fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Under the current SEC definitions, FAT meets the definition of an SRC and is adopting the deferral period for ASU 2016-13. The guidance requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company does not expect the adoption of this standard will have a material impact on its condensed financial statements.

In March 2022, the FASB issued ASU No. 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The purpose of this amendment is to enhance disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. It requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. The amendments should be applied prospectively and are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted if an entity has adopted the amendments in ASU 2016-13 described above, including adoption in an interim period. The Company will evaluate ASC No. 2022-02 and does not expect the adoption of this standard will have a material impact on its condensed financial statements.

NOTE 3 – RELATED PARTY TRANSACTIONS

Management Services Agreement: The Company has a Management Services Agreement with Fazoli's Systems Management, LLC (FSM), a subsidiary of Fazoli's Group, Inc. (FGI). The agreement grants the Company the license to franchise others to operate restaurants pursuant to the distinctive Fazoli's food service system (the System). Among other things, the System includes: (a) distinctive trade dress, trademarks, and service marks, including, but not limited to, such Fazoli's logos, signs, designs, slogans, and emblems as FSM designates from time to time; (b) a uniform method of operating restaurants; (c) a uniform method of training management employees; (d) special ingredients, confidential recipes for food products and distinctive service accessories; and (e) plans and specification for distinctive, standardized premises, featuring characteristic styling. Additionally, under the Management Service Agreement, FSM provides management services including, but not limited to, executive oversight, accounting and tax services, purchasing services, information system services, and human resource services. FSM also agrees to make available to the Company, among other items: (a) written guidelines for site selection; (b) operations and training manuals; and (c) standard architectural plans and drawings for adaptation to a Fazoli's restaurant. The Company pays FSM a management fee on a quarterly basis, based on a percentage (70.5%) of gross royalty receipts for the quarter. The management fee charges were determined based upon an independent study.

Due to Affiliate: The Company pays its direct expenses and collects franchise fees and royalties with excess cash being transferred to FGI and shortfalls in cash borrowed from FGI. The net effect of these payments and collections have been recorded as Due to affiliate on the Company's balance sheets at December 25, 2022 and December 26, 2021. The amount payable to our Parent bears interest at 4.0% annually.

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes to Goodwill during the fiscal year ended December 25, 2022.

As of December 25, 2022 and December 26, 2021 other intangible assets consisted of franchise agreements, the gross and net amounts of which were (in millions):

	December 25, <u>2022</u>	December 26, <u>2021</u>
Other intangible assets, gross	\$15,000,000	\$15,000,000
Accumulated amortization	<u>(1,103,718)</u>	<u>(32,290)</u>
Other intangible assets, net	<u>\$ 13,896,282</u>	<u>\$14,967,710</u>

Amortization expense was \$1,071,428 for the year ended December 25, 2022, \$404,590 for the stub period from April 1, 2021 to December 26, 2021, and \$496,400 for the year ended March 31, 2021.

The expected future amortization of the Company's capitalized franchise agreements is as follows:

2023	\$ 1,071,428
2024	1,071,428
2025	1,071,428
2026	1,071,428
2027	1,071,428
Thereafter	<u>8,539,142</u>
	<u>\$13,896,282</u>

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

NOTE 5 – INCOME TAXES

Income taxes are accounted for as if the Company were a separate tax payer under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company does not anticipate any changes in the recognition of tax benefits in the next year.

Income tax benefit (provision) consists of the following:

	December 25, <u>2022</u>	December 26, <u>2021</u>
Current:		
State and local	\$ (13,927)	\$ (1,700)
Rate change:		
State and local	<u>286,302</u>	<u>-</u>
Deferred:		
Federal	241,103	93,498
State and local	(84,873)	12,491
Valuation allowance	<u>-</u>	<u>(105,989)</u>
	<u>156,230</u>	<u>-</u>
Total benefit (provision)	<u>\$ 428,605</u>	<u>\$ (1,700)</u>

Income tax expense differed from the amounts computed by applying the United States Federal income tax rate of 21% to pretax income as a result of the following:

	December 25, <u>2022</u>	December 26, <u>2021</u>
Federal income tax at the statutory rate	\$ 229,557	\$ 97,604
Increase (decrease) resulting from:		
State and local taxes, net of Federal income tax benefit	(95,875)	8,525
Valuation allowance	-	(105,989)
Rate change	286,302	-
Other	<u>8,621</u>	<u>(1,840)</u>
Total benefit (provision)	<u>\$ 428,605</u>	<u>\$ (1,700)</u>

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

Deferred income taxes are comprised of the following at December 25, 2022 and December 26, 2021:

	December 25, <u>2022</u>	December 26, <u>2021</u>
Net operating loss carryforward	\$ 890,202	\$ 908,871
Deferred franchise fees	296,775	369,709
Intangible asset, franchise agreement	(2,918,219)	(3,474,593)
Accrued liabilities	14,707	40,177
Other	<u>3,232</u>	<u>-</u>
Net deferred income taxes	<u><u>\$(1,713,303)</u></u>	<u><u>\$(2,155,836)</u></u>

The Company is a single-member LLC, whose single member is Fazoli's Restaurant Group (FRG), a wholly owned subsidiary of FAT Brand's, Inc. For Federal and state income tax purposes, the Company is treated as a disregarded entity and is included in FRG's taxable income within the consolidated federal income tax return of FAT Brands Inc. Deferred tax assets and liabilities are reflected on the Company's accounts as if the Company were a separate taxpayer. Income tax expense and deferred taxes have been calculated using the separate return methodology in accordance with ASC 740-10-30-27.

The separate return method applies ASC 740 to the stand-alone financial statements of each member of the consolidated group as if the group member were a separate taxpayer and a stand-alone enterprise. Tax treatment of certain items reflected in the franchise provision may not be reflected in the FAT Brands consolidated provision and tax returns. Therefore, such items as net operating losses, credit carry forwards and valuation allowances may exist in the franchise provision that may or may not exist in the FAT Brands consolidated financial statements and vice versa.

The taxable income of the LLC was included in the FAT Brands, Inc. consolidated income tax returns, where applicable in jurisdictions. As such, separate income tax returns were not prepared for the LLC. Therefore, income taxes currently payable are deemed to have been remitted to the FAT Brands as if the entity had been a separate taxpayer. In addition, the evaluation of valuation allowance has been analyzed at the franchise level.

As a result of the acquisition, the Company recorded a deferred tax liability related to the acquired franchise agreement asset. Due to the acquisition, the Company is in a net deferred tax liability position and there is no valuation allowance as of December 25, 2022.

Management has evaluated all tax positions that could have a significant effect on the financial statements and determined the Company had no uncertain tax position as of December 25, 2022.

NOTE 6 – EMPLOYEE BENEFITS

The Company participates in Fazoli's 401(k) Profit Sharing Plan, which is a defined contribution plan available to employees of the Company who meet certain eligibility requirements. Participants may elect to contribute up to 50% of their eligible compensation on a pretax basis. The Company matches 100% of employee contributions of the first 3% of eligible employee compensation plus 50% of employee contributions on the next 2% of eligible compensation. The Company pays for certain of the 401(k) Plan's administrative expenses and the 401(k) Plan pays for certain administrative expenses through forfeitures. Profit sharing expense was \$48,496 for the year ended December 25, 2022, \$30,510 for the stub period from April 1, 2021 to December 26, 2021, and \$35,696 for the year ended March 31, 2021.

FAZOLI'S FRANCHISING SYSTEMS, LLC
Notes to Financial Statements

NOTE 7 – MEMBERSHIP INTEREST

On October 19, 2006, FRG made a capital contribution of \$100 for 10 membership units in the Company. Distributions shall be made to the Company at times and in aggregate amounts determined by FRG.

NOTE 8 – ACQUISITION BY FAT BRANDS INC.

On December 15, 2021, the Company was acquired by FAT as part of the overall acquisition of Fazoli's. The final determination of fair value of the net assets and liabilities allocated to the Company was:

	Pre-Acquisition	PPA Adjustment	Post-Acquisition
Goodwill	\$ -	\$ 1,414,216	\$ 1,414,216
Other intangible assets	4,219,400	10,780,600	15,000,000
Deferred taxes	-	(2,155,836)	(2,155,836)
Net equity adjustment		<u>\$ 10,038,980</u>	

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation

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

Securitization

In connection with the acquisition of Fazoli's on December 15, 2021 FAT completed a whole business securitization (the "Securitization") through the creation of a bankruptcy-remote issuing entity, FAZNAT Royalty in which FAZNAT Royalty issued new notes pursuant to an asset-backed securitization (the "Securitization Notes") and indenture (the "Indenture").

The restrictions placed on the Company and other FAZNAT Royalty subsidiaries require that the Securitization Notes principal and interest obligations have first priority and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly principal and interest amounts due. The amount of weekly cash flow that exceeds the required weekly interest reserve is generally remitted to FAT.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated all events and transactions that occurred from December 25, 2022 through the date of issuance of these audited financial statements. During this period, the Company did not have any material subsequent events.

EXHIBIT C
Franchise Agreement

FAZOLI'S
FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** (this “Agreement”) dated _____, is between FAZOLI'S FRANCHISING SYSTEMS, LLC, a Delaware limited liability company with its principal office at 2470 Palumbo Drive, Lexington, Kentucky 40509-1117 (the “Company”, may also be referred to herein as “Franchisor”), its successors and assigns; and _____, a _____ with its principal office at _____ (“Franchisee”).

Recitals:

A. The Company, together with its Affiliates, is the developer of and sole and exclusive owner of a distinctive food service system (the “System”) under which food is sold to the public from restaurants operated under the name Fazoli's® Restaurant (the “Restaurant(s)”). The System so developed now includes, among other things, the following elements, all or some of which may be deleted, changed, improved or further developed from time to time:

- (a) Methods and procedures for the preparation and serving of food and beverage products;
- (b) Special ingredients, confidential recipes for food products and distinctive service accessories (including, but not limited to, uniforms, menus, cartons, packages, containers and additional paper or plastic items);
- (c) Methods of achieving quality control, quantity control and procedures designed to be advantageous to Restaurant operators and consumers;
- (d) Plans and specifications for distinctive, standardized premises, featuring characteristic interior and exterior style, design, decor, furnishings, equipment layout and interior and exterior signage;
- (e) A uniform method of operating which is described in the Online Information Center;
- (f) A uniform method of training management employees which is described in the Online Information Center;
- (g) Distinctive and characteristic trade dress, trademarks, service marks (including, but not limited to, Fazoli's®), logos, signs, designs, slogans, and emblems as the Company designates in the Online Information Center or otherwise in writing as prescribed for use with the System (“Proprietary Marks”);
- (h) A public image that each Restaurant is a unit in an established system and that all are operated with uniform standards of service and product quality and portions; and
- (i) Such exclusive copyrights and trade secrets as have been and may from time to time be developed, which are owned by the Company and its Affiliates and which are disclosed to its franchisees in confidence in connection with the construction and operation of a Restaurant.

B. Franchisee wishes to obtain a franchise from the Company to operate a Restaurant pursuant to the System, and understands and accepts the terms, conditions and covenants set forth herein as those that are reasonably necessary to maintain the Company's high and uniform standards of food quality, service, and cleanliness designed to protect the goodwill and enhance the public image of the Proprietary Marks and the System, and recognizes the necessity of opening and operating the franchised Restaurant in faithful compliance therewith, and with the Company's standards and specifications.

AGREEMENT:

NOW THEREFORE, in consideration of the undertakings and commitments of each party to the other party set forth herein, the parties agree as follows, intending to be legally bound:

1. GRANT OF FRANCHISE

1.01 Grant of Franchise

(a) Subject to the conditions of this Agreement and the continuing faithful performance by Franchisee hereunder, the Company grants to Franchisee, for and during the term hereof, the right (i) to operate a Restaurant (the “Franchise Restaurant”) and to use the System at the address and location set forth on Schedule One, attached hereto and incorporated herein by reference (the “Location”); (ii) to use such Proprietary Marks of the Company as are now or may hereafter be specifically designated by the Company in writing for use with the System (as they may be changed, improved, and further developed from time to time) in conjunction therewith; and (iii) to indicate to the public that the Franchise Restaurant is operated as a part of, or a unit in, the System. If, at the time of execution of this Agreement, the Location has not been selected by Franchisee and accepted by the Company, then Franchisee shall select and propose to the Company for acceptance a specific site for the Location, which the Company shall have the right to accept in accordance with the terms set forth in this Agreement.

(b) For purposes of this Agreement:

- (1) An “Affiliate” of the Company shall mean any person or entity: (1) which owns a majority of the equity interests of the Company, (2) a majority of the equity interests of which is owned by the Company, or (3) a majority of the equity interests of which is owned by a person or entity which owns a majority of the equity interests of the Company. As used in this subsection, “owns” or “owned” shall include both direct and indirect ownership.
- (2) An “Related Party” of Franchisee shall mean any person or entity: (1) which owns or controls a majority of the equity interests of the Franchisee, (2) a majority of the equity interests of which is owned or controlled by the Franchisee, or (3) a majority

of the equity interests of which is owned or controlled by a person or entity which owns or controls a majority of the equity interests of the Franchisee. As used in this subsection, “owns” or “owned” shall include both direct and indirect ownership.

- (3) An “Italian Restaurant” shall mean a restaurant or other food service business that sells or serves flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini, and fettuccini) and/or pizza.

(c) Franchisee may prepare food on the premises of the Franchise Restaurant and deliver such food to locations off the premises of the Franchise Restaurant only in accordance with policies and procedures set forth in the Online Information Center. Company reserves the right to suspend and/or terminate the Franchisee's right to off-premises delivery, if Company, in its sole discretion, feels that Franchisee is not following said policies and procedures in the Online Information Center.

1.02 Scope of License; Company's Reserved Rights

(a) Franchisee acknowledges and agrees that Company and its Affiliates have the right to operate and franchise others the right to operate restaurants or any other business at any location (which may be within the same trade area or market as the Franchise Restaurant), under the Proprietary Marks and/or the System without compensation to any franchisee. The Company and its Affiliates have the right to grant other franchises or develop and operate company or affiliate owned Fazoli's restaurants and offer, sell or distribute any products or services associated with the System (now or in the future) under the Proprietary Marks or any other trademarks, service marks or trade names or through any distribution channel or method, all without compensation to any franchisee.

(b) The Company and its Affiliates have the right to offer, sell or distribute, at any location (which may be within the same trade area or market as the Franchise Restaurant), any frozen, pre-packaged items or other products or services associated with the System (now or in the future) or identified by the Proprietary Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, hospitals, clinics, health care facilities, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the internet (or any other existing or future form of electronic commerce). Nothing contained herein shall limit the right of the Company or its Affiliates or any entity or person owning an interest in the Company or its Affiliate from owning or operating a Restaurant or any other “Italian Restaurant”, or franchise others to do so, at any location.

(c) Franchisee may engage in catering and/or delivery services and activities. However, all such activities must diligently adhere to uniform standards and specifications regarding catering and/or delivery, as set forth in the Online Information Center and as otherwise directed by the Company. Company reserves the right to suspend and/or terminate the Franchisee's right to engage

in catering and/or delivery services and activities, if Company, in its sole discretion, feels that Franchisee is not following said standards and specifications.

(d) Franchisee further acknowledges and agrees that this Agreement entitles Franchisee to construct and operate one Franchise Restaurant at the Location and affords Franchisee no right, title or interest in any additional franchise to be operated at any other location. Neither this Agreement nor the franchise issued hereunder (i) permits Franchisee to construct or operate another Restaurant, or (ii) obligates the Company in any way to sell or issue, nor entitles Franchisee to purchase, any other franchise. Franchisee understands and agrees that this Agreement does not entitle Franchisee to any exclusive or protected territory around the Franchise Restaurant, any other territorial rights, any options or rights of first refusal to acquire additional franchises for Fazoli's Restaurants or any similar rights or protection.

1.03 Acceptance of Franchise

(a) Franchisee agrees diligently to develop and operate the Franchise Restaurant and diligently to promote the interests of the System for the term of this Agreement and any renewal thereof. Unless otherwise approved in writing by the Company, Franchisee (if an individual), a principal shareholder (if Franchisee is a corporation), a general partner (if Franchisee is a partnership), a member having management authority (if Franchisee is a limited liability company), or other qualified person having qualifications stipulated in the Online Information Center is required, during the term of this Agreement, personally to devote his full time, energy, and best efforts to the management, operation, and financial matters exclusively of the Franchise Restaurant (the "Designated Manager"). The Company may disapprove Franchisee's selection, replacement, or substitute of the Designated Manager at any time and for any reason including, without limitation, that such selection, replacement, or substitute manager is not certified by the Company. The Designated Manager shall (i) devote his full time, energy and best efforts exclusively to the management, operation, and financial matters of the Franchise Restaurant, (ii) not manage more than one Restaurant, (iii) be certified by the Company, and (iv) shall comply with all qualifications stipulated in the Online Information Center.

(b) Franchisee accepts such grant and franchise and agrees to construct, maintain and operate the Franchise Restaurant only at the Location, and in accordance with (i) the Company's plans and specifications, (ii) the System, (iii) the Online Information Center, (iv) other manuals and procedures as may be included in the System and revised from time to time by the Company, and (v) the terms of this Agreement, and Franchisee agrees to use the Franchise Restaurant and the premises upon which it is located (the "Franchise Restaurant Premises") only for the purposes designated in this Agreement.

1.04 Company Services - The Company agrees to provide Franchisee with the following materials, benefits and services for the Franchise Restaurant, all as hereinafter more fully set forth and detailed:

- (a) written guidelines for site selection and evaluation, upon request;
- (b) one (1) set of standard plans, drawings and specifications for adaptation to a Franchise Restaurant and its related facilities, loaned to Franchisee for the term hereof including specifications for fixtures, furnishings, interior design and decor, signs and equipment pursuant to the System. Plans will need to be adapted to local, State, and Federal codes including the ADAA (Americans with Disabilities Act as Amended). Note: plans exclude all structural and electrical load calculations along with all energy calculations. Buildings over 100 occupants/seats may also require a fire suppression system and double occupancy restrooms per the 2018 International Building Code as adopted by the United States. These additions will add additional cost to the Franchise Restaurant.
- (c) such pre-opening assistance as the Company may, in its discretion, deem necessary for Franchisee to meet System standards;
- (d) a pre-opening management training program and such other training at such locations and for such periods as may be designated by the Company from time to time in the Online Information Center or otherwise in writing, subject to the terms set forth in Section 5.03;
- (e) on-site opening assistance for the Franchise Restaurant as the Company may, in its discretion, deem necessary;
- (f) access to the Online Information Center (provided in electronic form), loaned to the Franchisee for the term hereof, and such additions and modifications thereto as the Company may issue from time to time, in its discretion;
- (g) a sample of the Company's standardized chart of accounts, statement of earnings and balance sheet, to be used by Franchisee for reporting to the Company;
- (h) the Company's regular and continuing supervisory services and periodic inspections and evaluations of Franchisee's operation;
- (i) the Fazoli's Restaurant marketing and advertising program(s); and
- (j) reasonable efforts, upon Franchisee's written request, to disseminate to suppliers designated by Franchisee and approved by the Company, the System standards and specifications for non-secret food products and equipment items not subject to patent rights held by the Company or its Affiliate.

1.05 Franchisee Representations - In connection with the grant of the franchise to Franchisee hereunder, Franchisee represents, warrants and acknowledges that:

- (a) you received: (a) an exact copy of this agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this agreement; and (b) our franchise disclosure document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates or (ii) such earlier time in the sales process that you requested a copy;
- (b) you are aware of the fact that other present or future franchisees of ours may operate under different forms of agreement and consequently that our obligations and rights with respect to our various franchisees may differ materially in certain circumstances; and
- (c) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions except to the extent required by applicable law.

1.06 Reservation of Rights - All rights with respect to the System and the franchise that are not expressly granted to Franchisee are reserved for the benefit of the Company.

2. TERM

2.01 Initial Term - Unless previously terminated pursuant to the terms of this Agreement, the term of the franchise granted herein shall be fifteen (15) years commencing on the date the Franchise Restaurant first opens as such to the public for business.

2.02 Renewal Terms - The rights granted pursuant to this Agreement shall not automatically renew upon the expiration of the initial term. Franchisee shall, however, have the option to renew the franchise granted by this Agreement for two (2) additional terms of ten (10) years each; provided that (i) no renewal period may extend the term beyond the expiration of the lease, and any renewal thereof, on the Franchise Restaurant Premises, and (ii) Franchisee must:

- (a) give the Company written notice of its election to renew not less than six (6) months, nor more than nine (9) months, prior to the end of the then current term;
- (b) at the time when notice is given and at the end of the then current term, not be in default of any provision of this Agreement, any amendment hereof or successor agreement hereto, or any other agreement between Franchisee and the Company or any Affiliate, and have substantially complied with the terms and conditions of all such agreements during the initial and any prior renewal term(s);
- (c) have satisfied all monetary obligations owed by Franchisee to the Company and its Affiliates from any source whatsoever (whether under this Agreement or otherwise) prior to renewal, including the franchise renewal fee referenced in 2.02 (e) below, and have timely met all such obligations throughout the initial and all prior renewal terms;

- (d) execute the Company's then current standard form renewal franchise agreement, which may contain terms and conditions substantially different from those set forth herein including, without limitation, increased mandatory fees and advertising expenditures, and all exhibits and other then current ancillary agreements;
- (e) pay to the Company a renewal fee equal to 50% of our then current initial franchise fee (applicable to the purchase of a first franchise without any discount);
- (f) present evidence satisfactory to the Company that Franchisee has the right to remain in possession of the Franchise Restaurant Premises for the duration of the renewal term;
- (g) execute a general release, in a form satisfactory to the Company, of any and all claims Franchisee may have against the Company, as well as its affiliated and related entities, its and their members, officers, directors, shareholders and employees, in their corporate and individual capacities, including without limitation, claims arising under federal, state and local laws, rules and ordinances;
- (h) complete, or provide for, such renovation and modernization of the Franchise Restaurant and Franchise Restaurant Premises as the Company may reasonably require within 12 months following the effective date of the renewal franchise agreement, including, without limitation, such remodeling (including structural modification), redecoration, re-landscaping, repair, and replacement of fixtures, furniture, signs and equipment, as may be necessary both to reflect the then current public image required by the Company of new franchisees and to ensure the presentation of the Proprietary Marks consistent with such image; and
- (i) cause the Designated Manager of the Franchise Restaurant to attend and successfully complete such retraining programs as the Company may require in its sole discretion.

2.03 Opening Date – Unless otherwise agreed in writing by the Company, Franchisee must comply with all of its obligations set forth in this Agreement and must open the Franchise Restaurant to the public for business within one (1) year from the date of this Agreement. The Company may extend the time in which Franchisee must open the Franchise Restaurant for business in the event factors beyond Franchisee's reasonable control prevent, in Company's opinion, Franchisee from meeting the opening deadline, provided that Franchisee has made reasonable and continuing efforts to obtain and submit for approval an acceptable location and, provided further, that Franchisee requests, in writing, an extension of time in which to open the Franchise Restaurant, which request is received by the Company prior to the expiration of the one (1) year period. For purposes of this Agreement, the Franchise Restaurant shall be deemed "open" if the Company has approved the restaurant for opening and the general public can purchase all of the items listed on the menu. Except to the extent attributable to strikes, lockouts, fire, and other casualties and acts of God beyond Franchisee's reasonable control, failure by Franchisee to adhere to the opening date requirement (and any extension granted pursuant to this Section 2.03) shall constitute a default under this Agreement and, in addition to any rights available to it at law or in equity, the Company may, at any time thereafter, at its option, terminate this Agreement.

3. PREMISES AND EQUIPMENT

3.01 Development, Construction and Conversions of Restaurants

When Franchisee desires to develop the Franchise Restaurant pursuant to this Agreement, then the following procedures shall apply:

(a) Franchisee shall first submit to the Company the Site Acceptance Request provided by the Company for the proposed location, fully and accurately completed and including all attachments referenced therein.

(b) Within thirty (30) days following the Company's acceptance of the complete Site Acceptance Request, the Company may perform any on-site inspections of the proposed location pursuant to this Section 3.01 and shall issue its preliminary acceptance or rejection of the proposed location. If the Company elects not to perform an on-site inspection, then the Company will issue its preliminary acceptance or rejection of the proposed location within thirty (30) days following receipt of the complete Site Acceptance Request. Preliminary acceptance of a proposed location shall be given in writing (the "Preliminary Site Acceptance"), which may specify conditions to the Company's acceptance of the proposed location, including, without limitation, Franchisee's delivery, and the Company's review and approval, of (i) a Phase I environmental audit or other form of environmental audit as described in Section 3.01(d); (ii) prints indicating the final specific site plans; (iii) final corrected plans for construction of the building and a listing of proposed equipment; (iv) legal documents described in Section 3.02; (v) final financing plans; and (vi) such other conditions as may be described therein by the Company. No proposed location shall be deemed accepted by the Company unless and until Franchisee has received the Company's written approval to commence construction.

(c) Within thirty (30) days following the satisfaction of all conditions specified in the Company's Preliminary Site Acceptance, the Company shall issue its written approval to commence construction of the proposed franchise location, together with a revised Schedule One to this Agreement that identifies the accepted Location. No construction or conversion work shall commence on any proposed franchise site until the Company has finally accepted a Location.

(d) In connection with the Company's evaluation of a proposed location, Franchisee may be required to submit the report of an independent qualified engineer, acceptable to the Company, to be engaged by Franchisee, certifying that he has conducted a Phase I or other form of environmental audit of the proposed location, which form is acceptable to the Company, setting forth in detail the environmental audit procedures conducted and concluding that there are no toxic, hazardous or carcinogenic substances or wastes disposed of, stored or present on, in, under or adjacent to the proposed Franchise Restaurant Premises. In the event such engineer's report is not acceptable to the Company, the Company may require, at Franchisee's expense, such additional testing of the site for environmental quality as the Company may deem necessary.

(e) Upon Franchisee's request, the Company shall furnish to Franchisee such site selection counseling and assistance and, in response to Franchisee's requests for approval of a proposed location, such on-site evaluations as the Company may deem advisable; provided, however, that the Company shall not provide on-site evaluation for any proposed site prior to the receipt of a completed Site Acceptance Request and all required information and material concerning such site prepared by Franchisee pursuant to this Section 3.01. If the Company deems on-site evaluations advisable, necessary and appropriate (on its own initiative or at Franchisee's request) for any proposed location, then Franchisee shall reimburse the Company for all reasonable expenses incurred by the Company in connection with such on-site evaluation, including without limitation, salaries, the cost of travel, lodging and meals.

(f) In order to ensure uniformity of appearances of Restaurants, Franchisee shall construct or renovate the Franchise Restaurant Premises in accordance with building plans, current design reference manual, specifications and layouts approved in advance by the Company in writing.

(g) Layout and plans and specifications approved by the Company shall not thereafter be changed or modified without the Company's prior written consent. Franchisee shall promptly notify the Company in writing of the date construction or conversion commences and the anticipated date of completion. Franchisee acknowledges and agrees that:

(1) The Company's review and approval of plans and documents in the manner provided in this Section 3.01 is for the limited purpose of establishing a basis for compliance with the Company standards of image and operations and does not constitute a warranty of the technical adequacy of the plans or documents.

(2) Obtaining construction estimates and/or costs of related activities shall not prevent or relieve Franchisee from completing the project should the approved final specific site and building plans involve higher costs.

(h) Construction or conversion of the Franchise Restaurant building and improvements shall begin as soon as possible after the Company issues written approval to commence construction at the Location. The building or conversion and improvements shall be constructed in accordance with the plans, current design reference manual, and specifications approved by the Company. Franchisee shall undertake to ensure that such construction shall be in compliance with all laws, rules and regulations including but not limited to the Americans with Disabilities Act as Amended, and shall be completed within one (1) year following the date of this Agreement, unless extended by the Company in writing in accordance with Section 2.03. The Company, in its discretion, may inspect the construction at all reasonable times. Two weeks prior to a projected opening date, Franchisee shall submit photographs of the interior and exterior of the Franchise Restaurant for review by the Construction Department or other department designated by Company. Provided the photographs depict sufficient completion of construction, as determined in the Company's sole discretion, the Company will schedule a final inspection in conjunction with issuance of a Certificate of Occupancy. Franchisee shall not open the Franchise Restaurant for business until the Company performs its final inspection and issues final written approval to open to Franchisee.

(i) Within 45 days of opening, Franchisee must submit a balance sheet to provide evidence of financing consistent with the final financing plan approved by Fazoli's Finance Department.

(j) If the Franchise Restaurant is damaged or rendered totally or partially untenable by fire or other casualty, Franchisee shall repair or restore the Franchise Restaurant to its former condition within a reasonable time, not to exceed six (6) months after the date of the fire or casualty. In the event any signage at the Franchise Restaurant is damaged by fire or other casualty, Franchisee shall replace all signage at the Franchise Restaurant with the most recently approved signage package, unless approved otherwise in writing, in Company's sole discretion. Such signage shall be replaced within a reasonable period time, not to exceed six (6) months after the date of the fire or casualty. The proceeds of all insurance carried by Franchisee covering the Franchise Restaurant Premises shall be applied to the cost of repairing or restoring the Franchise Restaurant, and Franchisee shall pay the balance, if any, of such costs. Notwithstanding the foregoing, if the Franchise Restaurant is rendered totally or partially untenable by fire or other casualty within two years prior to the date of expiration of the Initial Term of this Agreement or any extension, Franchisee or the Company may terminate this Agreement in accordance with Sections 11.01(d) and 11.01(e) hereof.

3.02 Premises, Lease and Option

(a) Within sixty (60) days following the date the Company issues a Preliminary Site Approval (as defined in Section 3.01), Franchisee shall deliver a Certification letter in substantially the form attached as Schedule Two-A or Schedule Two-B, as the case may be, as such may be amended from time to time, issued by an attorney-at-law acceptable to the Company in the exercise of its reasonable discretion. Such Certification letter shall contain all provisions applicable to the Franchise Restaurant Premises together with all applicable attachments referenced therein. The supplemental letter referenced in Schedule Two-A or Schedule Two-B, if applicable, shall be issued by the same counsel and delivered to the Company within ten (10) days following receipt of final properly recorded documents, and in no event later than the opening date of the Franchise Restaurant.

(b) If Franchisee or any Interested Party (hereinafter defined) seeks to voluntarily transfer (or is compelled to involuntarily transfer) any interest in this Agreement, the Franchise Restaurant, the building and/or other improvements comprising all or a portion of the Franchise Restaurant (excluding Equipment, as hereinafter defined) as such may be constructed or acquired from time to time (each, an "Improvement" and collectively, the "Improvements"), the real estate upon which the Improvements are located (whether leasehold, fee, or other interest, ("Premises")), or Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Company in writing of the offer, and shall provide such information and documentation relating to the offer as Company may require. Company shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that Company intends to purchase the seller's interest on the terms and conditions offered by the third party. If Company elects to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of Company notice to seller of

its election to purchase and the date Company receives all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, Company may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If Company exercises its right of first refusal, it shall have the right to set off all appraisal fees and other amounts due from Franchisee to Franchisor or any of its Affiliates. A material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Company's failure to exercise the option afforded by this Section 3.02(b) shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 13.02(a) through 13.02(g). Failure to comply with this Section 3.02(b) shall constitute a material event of default under this Agreement.

(c) The parties understand and agree that, with respect to any acquisition by the Company of Franchisee's assets pursuant to Section 3.02(c), the acquisition price will include, if appropriate, a component or factor, if any, for goodwill, going concern or franchise value.

(d) Notwithstanding anything contained in this Section 3.02 to the contrary, Franchisee shall not be entitled to entertain any offer to purchase the Improvements and/or the Franchise Restaurant Premises, either in whole or in part, if the prospective third party purchaser would not meet the standards to own and operate a Fazoli's Restaurant franchise as determined by Company in its sole discretion.

(e) As used in this Section 3.02, "transfer" shall mean the direct or indirect, voluntary or involuntary, by operation of law or otherwise, sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest or partial interest in this Agreement, the Franchise Restaurant or the Improvements.

3.03 Purchase and Installation of Equipment and Furnishings

(a) Franchisee shall purchase and install and use in and about the Franchise Restaurant Premises such items and only such items of equipment (including, but not limited to, food and beverage preparation equipment, fixtures, furnishings, interior and exterior signage, air and exhaust handling equipment, drive-thru order taking system, Information Systems (defined below)) and other personal property (collectively referred to as "Equipment") as are designated by the Company from time to time in the Online Information Center, or which otherwise have been approved by the Company in writing, and which strictly conform to the appearance, uniform standards and specifications of the Company and the System as established from time to time. The Company's specifications and standards for such Equipment shall be provided to Franchisee upon written request. The Information Systems include computer hardware and software, communications hardware and software, point of sale hardware and software, kitchen display systems, data and/or databases and any other items that, collectively or independently, provide for administering, tracking, measuring, managing or reporting business information including,

without limitation, food cost and labor management. The Company's standards and specifications for Information Systems may include, without limitation, configurations, programming and support and service processes.

(b) If Franchisee desires to purchase or install any item not so listed or approved, Franchisee or the supplier of such item shall submit to the Company a written request for approval of the item. The Company shall have the right to refuse such request for approval. In its sole discretion, however, Company may, but shall not be obligated to, require, among other things, that a sample of the item be delivered (or otherwise be made available for inspection in a manner acceptable to the Company), at the Company's option, either to the Company or to an independent certified laboratory designated by the Company for testing prior to acting on the request for approval. Such samples must demonstrate to the Company's satisfaction the supplier's ability consistently to meet the Company's standards and specifications. A charge not to exceed the cost of the testing shall be paid to the Company by Franchisee or by the item's supplier. The Company shall not be liable for any damage to such items resulting from the testing process. The Company reserves the right to retest any item previously approved by it, and to revoke its approval if the item fails to continue consistently to meet the Company's standards and specifications.

(c) Upon notification by the Company, through revision of the Online Information Center or otherwise, that approval of any item has been revoked, Franchisee shall not thereafter purchase or, if the Company so directs, use such item. The Company may at any and all times inspect all Equipment and its installation to assure Franchisee's compliance with the Company's standards and specifications.

(d) Franchisee shall not install or permit any vending or gaming machines (including, but not limited to, cigarette or candy vending machines or pinball or video game machines), pay telephones or devices to facilitate charitable giving (including, but not limited to, wishing wells) on the Franchise Restaurant Premises without the Company's prior written consent.

3.04 Maintenance of Premises and Equipment

Franchisee covenants and agrees:

(a) to maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Franchise Restaurant Premises and all Equipment thereon in conformity with the high standards and public image of the Company and the System, and to make no additions or alterations to the Franchise Restaurant Premises without the Company's prior written consent;

(b) to keep the Franchise Restaurant Premises in the highest degree of sanitation, repair and condition, including, without limitation, such periodic repainting, repairs to impaired Equipment and replacement of worn items, furniture and fixtures and obsolete signs and Equipment, as the Company may reasonably direct in accordance with its then current standards set out in the Online Information Center or otherwise; and

(c) not to attach or exhibit any signs, displays or posters on or in the exterior or interior of the Franchise Restaurant or on the Franchise Restaurant Premises, other than signs, posters or displays then currently supplied, required or authorized in writing by the Company, nor permit or suffer others to do so.

3.05 Renovation of Equipment and Premises - In addition to performing maintenance required under Sections 3.04(a) and (b), Franchisee shall upon the Company's request, but not more often than once every five (5) years, refurbish the Franchise Restaurant Premises, at Franchisee's sole cost and expense, to conform to the building design, trade dress, color schemes and presentation of the Proprietary Marks consistent with the Company's then current public image, including, without limitation, extensive structural changes, remodeling, replacement of Equipment, redecoration and modifications to existing improvements. Franchisee acknowledges that continuous refurbishment of the Franchise Restaurant Premises will be necessary to continue public acceptance, to ensure uniformity of the System and to avoid deterioration of the premises and is in the best interest of all franchisees of the Company and the System as a whole.

4. SUPPLIES, FOOD PRODUCTS, RECIPE ITEMS AND UNIFORMS

4.01 Use of Food Supplies and Other Items

Franchisee shall:

(a) serve, sell or offer for sale all food and beverage products and only such products (i) as are listed as standard menu items from time to time in the Online Information Center; (ii) as meet the Company's uniform standards of quality and portions and appear on the Company's Approved Food and Beverage Brands List from time to time in the Online Information Center; (iii) as have been prepared in accordance with the recipes and food handling and preparation methods and procedures designated from time to time in the Online Information Center, and (iv) not of any brand other than those designated from time to time in the Online Information Center excepting those items of other brands which are offered system wide;

(b) maintain inventories of all such products in sufficient supply at all times;

(c) not deviate from the Company's standards and specifications for serving or selling such products without the Company's prior written consent; and

(d) immediately discontinue serving, selling or offering for sale any of such products as the Company may, in its discretion, disapprove in writing at any time.

4.02 Sampling and Testing - Franchisee shall permit the Company or its agents, at any and all reasonable times, to remove from the Franchise Restaurant Premises samples of any inventory items, without payment therefor, in amounts reasonably necessary for testing by the Company or an independent certified laboratory, to determine whether the samples meet the Company's then current standards and specifications.

4.03 Suppliers of Food Supplies and Other Items

(a) Franchisee shall purchase from the Company or sources designated by the Company such proprietary and/or secret recipe items as are set forth from time to time in the Online Information Center and shall not purchase such items from any other source or use any other item in substitution therefor.

(b) Franchisee shall purchase only those food products, paper and plastic goods, and service items (collectively, "Products") that conform to the specifications and standards of the Company and the System in effect from time to time and that are included on the Company's then current Approved Food and Beverage Brands and Approved Paper Brands Lists appearing in the Online Information Center. Except as designated pursuant to Section 4.03(a), such approved Products may be purchased from any source approved by the Company. The Company's approval of products not included on the Approved Brands Lists may be requested in writing by Franchisee and the Company may, in its sole discretion, refuse such request for approval. Alternatively, the Company may, but shall not be obligated to, require samples of any such products to be submitted to it or to a designated independent certified testing laboratory for testing to determine whether approval shall be granted. Such samples must demonstrate to the Company's satisfaction the supplier's ability consistently to meet the Company's standards and specifications. A charge not to exceed the cost of such testing shall be paid to the Company by Franchisee or the product supplier. The Company reserves the right to retest any Product previously approved by it and to revoke its approval of any Product that fails to continue consistently to meet the Company's standards and specifications. Upon notification by the Company that any Product being used is unapproved or otherwise does not satisfy the specifications and standards of the Company and System, Franchisee shall not thereafter purchase and, if the Company so directs, immediately cease to use the unacceptable Product. The Company may at any and all times inspect the Products held for use by Franchisee to assure Franchisee's compliance with the Company's standards and specifications.

4.04 Uniforms - Franchisee shall purchase, at its expense, for its employees' use, uniforms and costumes which conform strictly to the current specifications, design and style of the Company as set forth from time to time in the Online Information Center or otherwise in writing. The cost of new uniforms or costumes required by the Company from time to time in the Online Information Center or otherwise in writing shall be paid by Franchisee.

5. OPERATING STANDARDS, PROCEDURES, TRAINING AND SERVICING

5.01 Operational Standards; Manuals

(a) Franchisee shall receive on loan from the Company a security code to access the on-line version of the Online Information Center. The Online Information Center shall at all times remain the sole property of the Company, and Franchisee agrees to return the security code and any and all training manuals, CDs, and other training materials, to the Company immediately at the expiration or sooner termination of this Agreement.

(b) Franchisee recognizes that the Online Information Center is designed to assure, among other things, the quality of the products and services and the maintenance of the brand image and market positioning of the System, and that adherence to the Online Information Center is vitally important to the successful operation of the Franchise Restaurant. Franchisee shall (i) operate the Franchise Restaurant in strict accordance with the Online Information Center which, among other things, sets forth the standard method of operation for a Restaurant, the business format (including, without limitation, procedures for recommending prices at which menu items are offered to the public), recipes, guest service, menus and instruction for food preparation and the control of quality and portions; and (ii) conduct all training of employees of the Franchise Restaurant in strict accordance with the Online Information Center. Failure to comply with the standards set forth in the Online Information Center shall constitute a material breach of this Agreement.

(c) The Online Information Center and all of its contents are to be maintained in strict confidence and are deemed to be "Proprietary Information," as defined in Section 10.05. Franchisee shall not at any time allow the Online Information Center to be copied, duplicated or otherwise reproduced, nor shall any access to the on-line version be provided to a non-Fazoli's employee.

(d) Franchisee understands that the Company shall regularly revise the contents of the Online Information Center and such other manuals, standards, instructions, formulas, recipes, and specifications, if any, as it may develop for use with the System so as to maintain the most current and up to date information. Such revisions may include, without limitation, changes in the image, decor, design, format, appearance, methods, standards and specifications, operating procedures, menus, recipes, food products and beverages approved for Restaurants. Franchisee shall comply with each changed requirement within such reasonable time as the Company may require.

(e) Franchisee shall regularly access the Online Information Center and other manuals issued to it by the Company to be fully aware of the most current and up to date information. In the event of any dispute as to the contents, current status, and completeness of any of such manuals, the master copy of the respective manual maintained at the Company's principal place of business shall control.

(f) Franchisee shall promptly pay when due all taxes levied or assessed on Franchisee in the conduct of the business franchised under this Agreement including, without limitation, unemployment and sales taxes. In the event of any bona fide dispute as to the liability for taxes assessed, Franchisee may contest the validity or the amount of the tax in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Franchise Restaurant Premises, or any improvements thereon. Franchisee shall also promptly pay when due all creditors, including without limitation, trade creditors of items designated as approved brands in the Online Information Center.

(g) Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchise Restaurant; shall comply with all federal, state, and local laws, rules and regulations; and shall timely obtain and maintain all permits, certificates, and licenses

necessary for the full and proper conduct of the Franchise Restaurant, including, without limitation, building and other construction and occupancy permits, licenses to do business, and fictitious name registration, sales tax permits, health and sanitation permits and ratings, and fire code clearances. Franchisee shall notify the Company by telephone and facsimile within twenty-four (24) hours after receipt of any notice alleging a possible health or safety problem, and also shall furnish to the Company, within three (3) days after receipt thereof, a copy of all inspection reports, notices, warnings, certificates, and ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the Franchise Restaurant which allege, cite, or indicate Franchisee's failure to meet or maintain the highest governmental standards or less than full compliance by Franchisee with any applicable law, rule, or regulation, and Franchisee shall remedy same within the time period specified in the respective citation, report or other notice, or within three (3) days if no time period is so specified; provided, however, that Franchisee shall remedy any condition that presents a health or safety hazard to Franchise Restaurant employees or guests immediately. Notwithstanding the foregoing, in the event of any alleged or actual health or safety violation at the Franchise Restaurant, Company reserves its right to pursue any and all remedies available to it under the terms of this Agreement, at law and/or in equity. Further notwithstanding and without limiting the generality of the foregoing, in the event that the company determines that there exists at the Franchise restaurant an actual, potential, or alleged health or safety hazard, Franchisee shall immediately comply with any and all instructions from the Company, including, without limitation, closing the Franchise Restaurant to the public and referring any media inquiries to the Company or its designee.

(h) Franchisee shall not sell, offer for sale, or otherwise distribute at or from the Franchise Restaurant Premises:

(1) any alcoholic beverages; or

(2) any product or service not expressly authorized by the Company in the Online Information Center; including, without limitation, toys, games, or other articles distributed free of charge.

5.02 Operating Hours, Use of Premises - The Franchise Restaurant shall be open and in normal operation for such minimum hours and days as may from time to time be prescribed in the Online Information Center or otherwise by the Company in writing. During the term of this Agreement, and any renewals hereof, Franchisee shall not permit the Franchise Restaurant Premises to be used for any purpose other than operation of a Restaurant.

5.03 Training

(a) The Company shall maintain or designate Restaurants and/or training facilities at locations to be determined by the Company for training Franchisee and such of its executive, managerial and supervisory employees as the Company deems necessary. The Company shall determine (i) the number of Franchisee's employees to be Company-trained, (ii) the training period necessary to adequately train the employees, and (iii) when the employees have satisfactorily completed training. In so doing, the Company shall consider the background, experience and training

performance of the trainee. Unless otherwise specified in writing by the Company in the Online Information Center or otherwise, Franchisee's Designated Manager and other initial managers, prior to opening the Franchise Restaurant, and all successor Designated Managers and other managers, prior to assuming their respective positions of manager in the Franchise Restaurant, shall complete the minimum training period then currently specified by the Company for in-Restaurant, on-the-job training, at such location(s) as the Company may designate in the Online Information Center, and then shall timely enroll in, attend and successfully complete the training program then currently specified and as may be sponsored by the Company.

(b) In addition to the required management training, all other employees of Franchisee must undergo such on-the-job and instructional training as the Company may from time to time require in the Online Information Center or otherwise. Franchisee shall purchase and use such training materials, equipment, and supplies to properly conduct such training as may be specified by the Company from time to time in the Online Information Center.

(c) Franchisee and such executive, managerial, supervisory, and other employees as the Company from time to time may require, shall attend and successfully complete subsequent training, refresher, and retraining programs conducted by the Company. The Company reserves the right to require refresher and retraining programs to be successfully completed by the Designated Manager and any and all management employees.

(d) Upon failure for any reason of the Designated Manager to complete successfully any training, retraining or refresher program required by the Company, Company reserves the right to terminate this Agreement in accordance with Section 11 hereof. Upon the failure for any reason of any of Franchisee's other employees to complete successfully any training, retraining or refresher program required by the Company, Franchisee shall promptly designate another trainee who shall attend and successfully complete the program, and who, if the Company so directs, shall perform the functions of the category of employee for which the program was offered.

(e) Franchisee shall pay all expenses of travel, room, board, training supplies and materials and salaries or wages of its employees while in training as well as a tuition charge for such training required by Sections 5.03(a), (b), and (c) as may be designated by the Company. A cancellation fee, to be determined by the Company from time to time, may be charged for any training program registration cancelled within ten (10) business days of the class start date.

(f) The Company at its expense will furnish at least one (1) representative to assist in the opening activities of the Franchise Restaurant for a period of one (1) week, consisting of fifty (50) total person hours. Upon request by Franchisee, or if the Company deems additional assistance necessary, the representative shall remain for a reasonable period determined by the Company, and Franchisee shall reimburse the Company for its expenses (including, without limitation, salary) in providing the representative for the additional period. Franchisee's Designated Manager and management staff shall be at work in the Franchise Restaurant during the hours assistance is provided by the Company's representative. Notwithstanding the foregoing, the Company, at its option, may decline to provide the assistance set forth in this Section 5.03(f) if Franchisee fails to

give written notice to the Company of the opening of the Franchise Restaurant not less than thirty (30) days in advance of the opening date.

(g) Franchisee acknowledges and agrees that in the event this Agreement shall be the third or more Franchise Agreement between Franchisee, or Related Party of Franchisee, and Company, Company shall have the right to require Franchisee to recruit, hire and employ a Key Operator. The Key Operator will devote full time and best efforts exclusively to the supervision and conduct of the Franchise restaurants and business. Among other things, the Key Operator shall have prior multi-unit restaurant supervisory experience, must assume a supervisory role, and may not have daily shift management responsibilities for a Franchise Restaurant. The Key Operator shall be approved by Franchisor in accordance with the Online Information Center.

5.04 Continuing Services

(a) The Company shall furnish to Franchisee, from time to time, such merchandising and operating aids and services, and printed material in connection therewith, as are furnished to all other franchisees.

(b) The Company from time to time, in its discretion, may send its representatives to the Franchise Restaurant to consult with Franchisee or its management representative relative to the operation of the Franchise Restaurant, and shall inspect the Franchise Restaurant Premises with or without prior notice to determine the efficiency and quality of the operation and the faithfulness of Franchisee's compliance with the requirements of this Agreement and the System.

(c) On reasonable written request by Franchisee, as determined by the Company, the Company may, in its discretion, furnish services regarding specific problems encountered by Franchisee that are beyond the scope of the services provided by the Company under Section 5.04(b). Franchisee shall reimburse the Company promptly for its expenses incurred (including, without limitation, salaries) in aiding Franchisee with such problems.

5.05 Interference With Employment Relations of Others – Unless otherwise permitted by the Company as determined in its sole discretion, during the term of this Agreement Franchisee shall not employ or seek to employ any person who is at the time employed by the Company, any of its affiliates, or by any person who is at the time operating a Restaurant or otherwise induce, directly or indirectly, such person to leave such employment. This Section 5.05 shall not be violated if such person has left the employ of any of the foregoing parties for a period in excess of six (6) months.

5.06 Compliance with Anti-Terrorism Laws

(a) Franchisee agrees to comply with, and/or to assist us to the fullest extent possible in Company's efforts to comply with, Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of its property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Paragraph, "**Anti-Terrorism Law**" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Franchisee certifies that it is not listed in the Annex to Executive Order 13224, nor is any of its employees or Related Party. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) Franchisee agrees not to hire or contract with any individual who is listed in the Annex. Franchisee also certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224 and, if any of the foregoing becomes listed on such Annex, Franchisee will immediately notify Company in writing. Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in Section 9 of this Franchise extend to the obligations under this Section 5. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee or its employees shall constitute grounds for immediate termination of this Agreement and any other agreement between Franchisee and Company or its Affiliates, in accordance with the terms of Section 11 of this Agreement.

6. FEES AND ADVERTISING EXPENDITURES

6.01 Franchise and Royalty Fee - Franchisee shall pay to the Company:

(a) A nonrecurring, nonrefundable franchise fee of Fifty Thousand Dollars (\$50,000), due upon execution of your signed Agreement, all of which is fully earned by the Company upon receipt and not contingent upon the rendering of any further performance by the Company.

(b) A royalty fee, a sum equal to five percent (5%) of Franchisee's Gross Receipts (as defined below) from the operation of the Franchise Restaurant.

6.02 Advertising Expenditures

(a) Franchisee shall pay to the Company or its designee for advertising and marketing programs, a sum equal to four percent (4%) of Franchisee's Gross Receipts from the operation of the Franchise Restaurant. Payment shall be made on or before Wednesday of each week for the

preceding week's Gross Receipts. A report of the Gross Receipts of the Franchise Restaurant for the preceding month shall accompany each payment in the form provided by the Company.

(b) Franchisee shall pay to the Company or its designee, upon request but at least thirty (30) days prior to the opening of the Franchise Restaurant, an additional sum equal to Seven Thousand Five Hundred Dollars (\$7,500), for pre-opening and opening advertising arranged for and placed by the Company or its designee.

6.03 Definition of Gross Receipts - To compute the fees payable pursuant to Sections 6.01 and 6.02 and in all other franchise agreements previously entered into between Franchisee (or a Related Party) and the Company, the term "Gross Receipts" shall mean:

(a) All revenues (including, without limitation, the fair market value of any services or products received in barter or exchange) from sales of food, food products, beverages and any other items or services (including, without limitation, gift certificates and gift cards) sold in or from the Franchise Restaurant Premises or otherwise derived from the business operated on the Premises (including, without limitation, off-Premises catering or delivery orders);

(b) *Provided, however,* that "Gross Receipts" shall exclude (i) receipts from pay telephones; (ii) all sales, use, excise and similar taxes separately billed and collected by Franchisee for, and remitted to, governmental authorities; (iii) discounts and coupons authorized in writing by the Company; (iv) approved discounts to senior citizens; (v) employee meal discounts; and (vi) the amount of charitable donations to schools, churches and similar charitable organizations to the extent such amount was previously included in sales.

6.04 Charge on Late Payments - All royalty and service fees, advertising and marketing contributions, amounts due for purchases by Franchisee from the Company or its Affiliates, and other amounts that Franchisee owes to the Company or its Affiliates shall bear interest after the due date at the lower of eighteen percent (18%) per annum or such rate as is allowed by applicable law for open account business credit. Franchisee acknowledges that this Section 6.04 shall not constitute the Company's agreement to accept such payments after same are due or a commitment by Company to extend credit to, or otherwise finance Franchisee's operation of, the Franchise Restaurant. Franchisee further acknowledges that the failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 11.01 hereof, notwithstanding the provisions of this Section 6.04.

6.05 Method and Application of Payments - All fees and expenses due to the Company, after payment of the Franchise Fee, shall be collected and paid by electronic funds transfer initiated by or at the direction of the Company from the accounts of the Franchisee maintained in accordance with this Section 6.05, or at the Company's election by any other means, payable weekly by Wednesday of each week for the preceding week's Gross Receipts, or with such frequency as the Company shall elect from time to time. The electronic funds transfer and debit entries to

Franchisee's bank account shall be made pursuant to a bank authorization agreement for pre-authorized payments which Franchisee agrees to execute and deliver to the Company no later than thirty (30) days prior to the opening of the Restaurant, in the form attached hereto as Schedule Six and incorporated herein by reference, or at such times and in such other forms as the Company shall specify from time to time. A report of the Gross Receipts of the Franchise Restaurant for the preceding payment period in the form provided by the Company shall accompany each payment or, in the event of payment by electronic transfer, shall be delivered to the Company on the date such payment is due. If Franchisee fails to report Gross Receipts on a timely basis, then the Company may estimate the amount of Gross Receipts of the Franchise Restaurant for the applicable payment period and debit Franchisee's bank account in an amount of the Royalty Fee and Advertising Fee payable based upon such estimate. If an estimate results in an overpayment, then the Company shall deduct the amount of the overpayment from the next period's payments due. If an estimate results in a deficiency, then Company shall, as determined in the Company's sole discretion, be entitled to either: (i) immediately debit such deficiency directly from Franchisee's bank account, or (ii) add such amount to the next Royalty and/or Advertising Fee payments due with interest on such amount in accordance with this Agreement, and debit such amount from Franchisee's bank account.

(a) Franchisee agrees to establish a bank account whereby Franchisee shall authorize the Company to initiate direct debit entries from such account for the payment of fees and expenses or other amounts due to the Company or its Affiliates (and any interest on late payments of such fees). Such bank account shall provide for overdraft protection in an amount that, at a minimum, approximates the average monthly fees and expenses paid by Franchisee to Company. Franchisee is responsible for paying all costs associated with such bank account, including its establishment, maintenance, and any related penalties that may at any time be incurred in connection with the account. During the term of this Agreement, Franchisee agrees to execute all instruments and documents necessary to establish such bank account and the Company's right to initiate direct debit entries and draft monies from such account, maintain the account in good standing and ensure that a sufficient balance is maintained in the account in order to allow for timely remittance of all required payments. Franchisee shall notify the Company at least twenty (20) days prior to closing or making any changes to the account against which such debits are to be made. If such account is closed or ceases to be used, then Franchisee shall immediately provide all documents and information necessary to permit the Company to debit the amounts due from an alternative account. The Company will not initiate a debit entry for any required payment until on or after the due date for such payment. Franchisee will indemnify and hold the Company harmless from and against all damages, losses, costs and expenses resulting from any dishonored debit against Franchisee's account, regardless whether resulting from the act or omission of Franchisee; provided, however, that Franchisee shall not be obligated to indemnify the Company for any dishonored debit caused solely by the Company's negligence or mistake.

(b) Upon receipt of a payment from Franchisee, the Company shall have the right in its sole discretion to apply such payment to any past due indebtedness of Franchisee due to the Company or its Affiliates, whether for royalty fees, advertising fees, marketing contributions, service fees, purchases, interest, or for any other reason, regardless of how Franchisee may designate a particular payment to be applied.

7. ADVERTISING

7.01 Origination and Approval of Advertising

(a) Recognizing the value of advertising, and the importance of the standardization of advertising to the furtherance of the goodwill and public image of the System, Franchisee agrees that the Company or its designee shall conduct, determine, maintain and administer all national, regional, local and other advertising and marketing (including, without limitation, the Internet) with sole discretion over the concepts, materials, media, nature, type, scope, frequency, place, form, copy, layout and context used therein. Notwithstanding the foregoing, the Company, at its option, may decline to provide pre-opening advertising services if Franchisee fails to give written notice to the Company of the opening of the Franchise Restaurant not less than thirty (30) days in advance of the opening date.

(b) Provided Franchisee has paid all fees described in Section 6.02, the Company will allocate from such fees:

(1) Until such time as the System engages in national or regional advertising campaigns, a sum equal to four percent (4%) of Gross Receipts from the Franchise Restaurant (less applicable agency compensation fees, and related advertising support fees, and media production costs) to be used for advertising and marketing programs directed to the area of the Franchise Restaurant; provided, however, that if there are multiple Restaurants located within the same media market, then there is no assurance that advertising expenditures will be spent in direct proportion to the advertising fees generated by each Restaurant (including the Franchise Restaurant) in that market. Such allocations shall be offset by the amounts payable by Franchisee to an advertising cooperative pursuant to Section 7.03.

(2) After such time as the System engages in national or regional advertising campaigns, a sum equal to two percent (2%) of Gross Receipts from the Franchise Restaurant for the first twelve (12) months of operation (less applicable agency compensation fees, related advertising support fees, and media production costs) to be used for local advertising and marketing programs. To the extent that two percent (2%) of the actual Gross Receipts exceeds the expenditures under this program, the Company shall retain such excess as fees otherwise payable under Section 6.02.

(3) All advertising and marketing programs shall be subject to all rights of approval of the Company or its designee as set forth in this Agreement and Franchisee shall not incur any direct obligations for advertising expenditures to be paid from such fees.

(c) The Company or its Affiliate shall allocate funds for advertising and marketing expenditures in an amount equal to or greater than four percent (4%) of Gross Receipts from any Restaurants in the United States owned and operated by the Company and its Affiliates. Franchisee agrees that advertising and marketing expenditures may be used to meet any and all costs incident to the advertising and marketing described in Section 7.01(a), including, without limitation, reasonable administrative costs and overhead, as may be incurred in conducting market research,

providing marketing support, administering guest satisfaction and consumer feedback programs, preparing and producing advertising and marketing materials, public relations and governmental affairs initiatives and activities, or in other activities reasonably related to the administration or direction of advertising funds. Franchisee understands and acknowledges that advertising expenditures are intended to maximize general public recognition and acceptance of all Restaurants, and neither the Company nor any of its affiliates or designees makes any representation or warranty that any particular Restaurant, including the Franchise Restaurant, will benefit directly or pro-rata from such advertising. Franchisee further acknowledges and understands that no fiduciary relationship exists or shall be deemed to arise between Franchisee and the Company as a result of or in relation to this Agreement or the administration of advertising or marketing services or programs pursuant to this Agreement.

(d) To promote and increase the demand for the products and services of the Franchise Restaurant, Franchisee may conduct, at its separate expense, advertising and marketing (including, without limitation, the Internet) in addition to that described in Section 6.02 herein. All such additional advertising must either be prepared or previously approved in writing by the Company.

(e) Franchisee shall, at its separate expense, obtain and maintain an adequate supply of brochures, pamphlets and promotion materials of the kind and size, and at such locations in and around the Franchise Restaurant as the Company may reasonably require from time to time in the Online Information Center or otherwise in writing.

(f) Upon written request from Franchisee, the Company or its designee(s) will provide Franchisee with special or additional approved local advertising and marketing plans and materials, including, without limitation, newspaper photostats, radio commercial duplicates, merchandising materials, sales aids, special promotions, Internet and similar advertising and marketing materials. Such special or additional materials and services shall be provided to Franchisee in exchange for a fee to be paid to the Company equal to the Company's cost, including reasonable overhead, which shall be in addition to the fees specified in Sections 6.01 and 6.02.

7.02 Use of Advertising Funds - The Company agrees that the advertising funds are to be used for advertising and marketing purposes and associated administrative expenses. After the Company recoups its reasonable administrative and overhead costs related to advertising and marketing services and programs, the Company agrees that all additional advertising funds shall only be used for advertising and marketing expenditures, with approximately 15% of advertising funds being used for the sale of new franchises, unless otherwise agreed by the parties. The Company shall have the right to delegate and re-delegate its responsibilities and duties hereunder to any designee(s) of its choosing, including, without limitation, to any affiliate or agency. If the Company or its designee(s) shall obtain Franchisee's approval of any advertising and marketing plans and materials, then the Company shall be deemed to have met its obligations under Section 7.01(a); provided, however, that the Company shall not be obligated to obtain Franchisee's approval of any such advertising and marketing plans and materials and Franchisee specifically acknowledges and agrees that, pursuant to Section 7.01(a), the Company is authorized to exercise sole discretion over all advertising and marketing plans and materials. The books and business records of accounts for the Company's advertising programs shall be open to inspection by

Franchisee or its authorized representative at Franchisee's expense at any reasonable time. Franchisee may obtain an accounting of the Company's advertising expenditures upon written request to the Company's principal business office.

7.03 Advertising Cooperatives

(a) The Company shall have the right, in its discretion, to designate any geographical area for purposes of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established that includes the Location at the time Franchisee opens the Franchise Restaurant, then Franchisee must immediately become a member of such Cooperative. If a Cooperative that includes the Location is established at any later time, then Franchisee must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event will the Franchise Restaurant be required to be a member of more than one Cooperative.

(b) Each Cooperative shall be organized and governed in a form and manner, and will commence operation on a date, approved in advance by the Company in writing. The following provisions will apply to each Cooperative:

- (1) Each Cooperative shall be organized for the exclusive purposes of administering advertising programs and developing, subject to the Company's approval, standardized promotional materials for use by the members in local advertising.
- (2) No advertising or promotional plans or materials may be used in a Cooperative or furnished to its members without the prior written approval of the Company.
- (3) Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative with the Company's approval. Such contributions shall be paid by the Company on Franchisee's behalf out of funds paid to the Company (less applicable agency compensation fees, and related advertising support fees, and media production costs) pursuant to Section 6.02. In no event will Franchisee's total advertising fees payable to the Company (including those fees payable pursuant to Section 6.02 and any such fees contributed to the Cooperative) exceed four percent (4%) of Gross Receipts from the Franchise Restaurant.

(c) The Company, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting each exemption. The Company's decision concerning such request for exemption will be final.

8. BOOKS, RECORDS, CONTROL PROCEDURES

8.01 Bookkeeping System - The Company may furnish to Franchisee from time to time cost-control procedures, as well as a format of a chart of accounts, statement of earnings and balance sheet, which Franchisee shall use in reporting to the Company. Franchisee shall establish and

maintain accounting and record-keeping systems substantially in accordance with the specifications and procedures provided by the Company, as such may be amended from time to time, including, without limitation, maintaining accounting records on a basis enabling or facilitating reporting to the Company according to monthly, multi-week or weekly periods.

8.02 Reports - The Company shall have the right from time to time, and at any time, to retrieve such data and information from Franchisee's restaurant-level computer system as the Company, in its sole and exclusive discretion, deems necessary or desirable, with the cost of such telephonic retrieval to be borne by the Company. Upon the Company's request and as specified from time to time in the Online Information Center or otherwise in writing, Franchisee shall submit to the Company, for review or auditing, such forms, reports, records and financial statements in such form and format as the Company may reasonably designate. Within ninety (90) calendar days after the end of each of Franchisee's fiscal years during the term of this Agreement, Franchisee shall, at its expense, provide to the Company a financial review prepared by an independent certified public accountant satisfactory to the Company showing the results of operations of Franchisee's Restaurant during the immediately preceding fiscal year.

8.03 Marketing Information - Upon Company's request from time to time, Franchisee shall promptly furnish requested marketing information based on Franchisee's records.

8.04 Franchisee's Records - Franchisee shall at all times maintain and preserve, during the term of this Agreement and for at least five (5) years, or such longer period of time as may be required by law or regulation, after the termination or expiration of this Agreement, full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles, of such kind and in the form and manner prescribed by the Company from time to time in the Online Information Center or otherwise in writing.

8.05 Inspection of Franchisee's Records

(a) The Company shall have the right to examine and audit Franchisee's records, accounts and books at reasonable times and places (including, without limitation, at Franchisee's principal place of business).

(b) Franchisee shall immediately pay to the Company the amount of any overdue, unreported or understated payment disclosed by such audit, with late payment charges thereon as provided in Section 6.04 herein.

(c) Franchisee shall reimburse the Company for all expenses incurred in connection with an audit of Franchisee's books and records, including, but not limited to, reasonable accounting and legal fees and the travel expenses, room and board and salaries of accountants, attorneys and employees of the Company if: (i) the Company or its agents conduct the inspection or audit as a result of Franchisee's failure to furnish such financial reports, records or information required by this Agreement or by Company from time to time in connection with this Agreement, or to furnish such reports, records or information on a timely basis, or (ii) any audit or inspection reveals that the reports submitted by Franchisee understates Franchisee's Gross Receipts for any period by an

amount greater than three (3%) percent of the amount reported. Notwithstanding the foregoing, Franchisee acknowledges and agrees that any intentional, willful or negligent misstatement of Franchisee's financial reports shall constitute a material breach of this Agreement, entitling Company to pursue termination in accordance with Section 11 hereof.

(d) The foregoing shall be in addition to any other remedies the Company may have.

9. INSURANCE-INDEMNITY

9.01 **Indemnity** - To the fullest extent permitted by law, Franchisee agrees to indemnify, defend and hold harmless Company, its affiliated and related entities, its and their respective members, shareholders, directors, officers, employees, agents, representatives, successors and assigns (the "Indemnified Parties") from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations and damages directly or indirectly arising out of: (a) the Franchise Restaurant operations, including but not limited to, the sale of alcoholic beverages (b) the business conducted under this Agreement, (c) Franchisee's breach of this Agreement, or (d) noncompliance or alleged noncompliance with any law, ordinance, rule or regulation concerning the Franchise Restaurant's construction, design or operation, including: (i) the Americans with Disabilities Act and other laws regarding public accommodations for persons with disabilities; and (ii) the Fair Labor Standards Act, the Family and Medical Leave Act and other laws regarding wage and hour and other employment matters. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation, arbitration or alternative dispute resolution is commenced. Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at Franchisee's expense, and Franchisee may not settle any claim or take any other remedial, corrective or other actions relating to any claim without Company's consent. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination this Agreement. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Franchisee. Franchisee agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee.

9.02 Franchisee's Insurance

(a) Prior to opening the Franchise Restaurant, Franchisee, at its expense, shall obtain, and thereafter maintain during the entire term of this Agreement and any renewal(s) thereof, in full force and effect the following insurance:

- (1) comprehensive general liability insurance including personal injury, bodily injury, and products liability insurance, with minimum policy limits of One Million Dollars (\$1,000,000) per incident, insuring Franchisee and the Company, as well as its affiliated and related entities, its and their members, officers, directors, shareholders and employees, as additional named insured, against any liability that may accrue or have accrued against them, and any claim that is brought against them, by reason of the operation by Franchisee of its business, or by reason of any incident which may occur upon, in, about or in connection with the Franchise Restaurant Premises;
- (2) worker's compensation, social security, unemployment compensation, disability insurance and such other insurance coverages as may now or hereafter be required by law; and
- (3) fire, casualty and extended coverage insurance with limits of not less than the full replacement cost of the Franchise Restaurant and its Equipment and other improvements.

(b) Franchisee acknowledges that the types of coverages, minimum coverages and policy limits required by this Section 9 may be reasonably changed and/or increased from time to time by the Company for its own protection and Franchisee agrees to comply with such new requirements promptly upon receipt of written notice from the Company. Every insurance policy required by this Section 9 shall be written by one or more insurance companies possessing an A.M. Best rating of at least A, XII, or such other rating as the Company may specify in the Online Information Center or otherwise in writing.

(c) Franchisee's obligation to obtain and maintain the foregoing insurance in the specified amounts shall not be diminished in any way by reason of any insurance which may be maintained by the Company, nor shall such obligation relieve Franchisee of liability under the indemnity provisions set forth in Section 9.01 of this Agreement.

9.03 Evidence of Insurance - Franchisee shall deliver or cause to be delivered certificates (or copies thereof) of all insurance required by this Section 9 to the Company or, upon the Company's request, the policy or policies shall be deposited with and held by the Company or its designee, naming the Company as Certificate Holder and naming Company, Company's affiliated and related entities, its and their members, officers, directors and employees as Additional Insured. Franchisee shall also deliver to the Company evidence of payment of all insurance premiums.

9.04 Notice - All insurance policies shall provide for notice to the Company of any cancellation, termination or nonrenewal thereunder at least thirty (30) days prior to such occurrence and shall permit, but not require, the Company to cure any default in payment of premiums within ten (10) days after written notice. If the Company cures the default, Franchisee shall immediately pay the Company the cost of curing the default together with a reasonable fee for the Company's expenses in so acting. Any such payments by the Company shall not relieve Franchisee from any further obligations under the policy of insurance or this Agreement.

10. OWNERSHIP AND LIMITATIONS ON USE OF PROPRIETARY MARKS, TRADE SECRETS

10.01 Ownership of Proprietary Marks, Trade Secrets - All right, title and interest in and to all Proprietary Marks, trade secrets, systems, standard plans, drawings and specifications, instruction manuals and the goodwill associated therewith are the sole property of Fazoli's System Management, LLC, an Affiliate of the Company (subject to certain non-exclusive rights licensed to the Company and other affiliates of Fazoli's System Management, LLC) and no such right, title or interest is or shall be transferred hereunder. Franchisee shall not represent in any manner that it has any such ownership, right, title or interest. Franchisee acknowledges that on expiration or termination of this Agreement, no monetary sum shall be designated by it as attributable to any goodwill associated with Franchisee's use of the System and the Proprietary Marks.

10.02 Limitations on Use of Proprietary Marks

(a) Franchisee acknowledges that the use of the Proprietary Marks or other components of the System outside the scope of this Agreement without the Company's prior written consent, is an infringement of Fazoli's System Management, LLC's exclusive right, title and interest in and to the System and the Proprietary Marks and would constitute a violation of the Company's non-exclusive license to use the Proprietary Marks as granted by Fazoli's System Management, LLC. Franchisee shall not while this Agreement remains in effect and thereafter, directly or indirectly, commit any act of infringement or contest or aid in contesting the validity or the Company's ownership of the System or Proprietary Marks, or take any other action in derogation thereof.

(b) Franchisee shall not incorporate any of the Proprietary Marks, including but not limited to "Fazoli's Restaurants" or "Fazoli's", or words similar thereto in any trade, corporate or firm name of Franchisee or any Related Party.

(c) Franchisee shall not display or use any of the Proprietary Marks or other components of the System except as specifically authorized hereunder, nor do or omit to do anything to endanger the Company's proprietary right to use the foregoing.

10.03 Use of Proprietary Marks - Franchisee understands and acknowledges that each and every detail of the System is important to Franchisee, the Company and other franchisees to develop and maintain high and uniform standards of quality and service, and to protect the reputation and goodwill of Fazoli's Restaurants. Therefore, Franchisee shall:

(a) operate and advertise under the System name as specified in the Online Information Center, without prefix or suffix;

(b) adopt and use the Proprietary Marks solely in the manner prescribed by the Company;

(c) observe such requirements with respect to trademark registration and copyright notices as the Company may from time to time direct in the Online Information Center or otherwise in writing; and

(d) use, promote and offer for sale only those menu items, products and services which are part of the System and meet the standards or specifications as prescribed by the Company from time to time in the Online Information Center or otherwise in writing.

10.04 Defense of Proprietary Marks

(a) Franchisee shall promptly notify the Company of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Proprietary Marks or any colorable imitation thereof. Franchisee also agrees to notify the Company promptly of any litigation instituted by any person, firm, corporation or governmental agency against the Company or Franchisee relating to the Proprietary Marks, and the Company shall have the sole right to defend any such action. The Company shall have the exclusive right, at its expense, to contest or bring action against any third party regarding the third party's use of any of the Proprietary Marks and shall exercise such right in its sole discretion. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the System undertaken by the Company, Franchisee shall cooperate with the Company and execute any and all documents and take all actions as may be desirable or necessary in the opinion of the Company's counsel to carry out such defense or prosecution.

(b) The Company makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Proprietary Marks. However, the Company agrees to assume the defense of and pay all reasonable attorney's fees relating to, any and all actions, suits or proceedings of any kind or nature arising from any challenge from a third party of Franchisee's right to utilize the Proprietary Marks pursuant to and in compliance with this Agreement, other than a claim of unfair competition.

10.05 Nondisclosure of Trade Secrets and Confidential Information

(a) The Company has disclosed and from time to time will hereafter disclose (including, without limitation, via electronic transmission) to Franchisee in the Online Information Center, the standard plans, drawings and specifications and in other documents, including without limitation this Agreement, and discussions certain confidential information, programs, software (including the Software (defined in Section 10.08)), recipes, construction plans, business plans, copyright documents and trade secrets (herein "Proprietary Information"). The term "Proprietary Information" shall also include any and all information related to Franchise Restaurant and/or System sales reports and analyses, financial results and financial forecasts. Without the Company's prior written approval, Franchisee shall not, during the term of the Agreement, any renewal hereof and thereafter (regardless of cause of termination) divulge any Proprietary Information or use any Proprietary Information to or for the benefit of any other person or entity. Notwithstanding the foregoing, Franchisee may disclose Proprietary Information without the Company's prior written

consent: (i) during the term hereof to Franchisee's directors, officers and employees who have executed the Company's current Nondisclosure Agreement which is included in the Online Information Center (and may be updated and modified by the Company from time to time in its sole discretion) and only to the extent necessary for operation of the Franchise Restaurant; and (ii) to the extent such Proprietary Information has become public other than through any action or disclosure of Franchisee. Upon request of the Company, Franchisee shall deliver copies of all fully executed Nondisclosure Agreements entered into with Franchisee's partners, directors, officers and employees.

(b) Franchisee acknowledges that the Company will suffer irreparable harm and that monetary damages will be inadequate to compensate the Company for any breach by Franchisee of the terms of Section 10.05(a); therefore, Franchisee agrees that for such breach the Company shall be entitled to injunctive relief in addition to all other remedies it may have.

10.06 Modification or Discontinuance of Proprietary Marks - In the event the Company deems, in its sole discretion, it to be advisable for the Company and/or Franchisee to modify or otherwise discontinue use of any of the Proprietary Marks and/or use one or more additional or substitute Proprietary Marks, Franchisee shall comply with the Company's directions to modify or discontinue the use of such Proprietary Marks within twenty (20) days after receipt of written notice from the Company. The Company is not obligated to compensate Franchisee for any costs incurred by Franchisee in connection with any such modifications or discontinuance.

10.07 Plans and Specifications; Confidential

(a) The Company shall lend Franchisee a current set of standard plans, drawings and specifications for construction of a Fazoli's Restaurant. The standard plans, drawings and specifications provided to Franchisee hereunder shall be and remain the sole property of the Company. It is expressly understood that the Company claims federal copyright in such plans, drawings and specifications (and any related architectural guides) and further claims all proprietary rights of each and every type and kind in such, including trade secret rights. If Franchisee wants additional copies of the standard plans, then they must be obtained from the Company.

(b) Franchisee agrees that it will not make, and will use its best efforts to prevent others from making, any unauthorized reproductions of the standard plans loaned to it by the Company. Franchisee shall use its best efforts to assure that, on completion of construction, the Standard Plans furnished by the Company, derivations from such, and all copies thereof will be returned to the Company.

(c) Franchisee further agrees to keep such plans, drawings and specifications as are developed from the standard plans provided by the Company confidential and not to use or disclose their contents to others except as permitted by Agreement. It is understood that copies of portions of the plans, drawings, and specifications so developed may be loaned as necessary to contractors and others involved in the construction process. Franchisee has the responsibility and obligation to use its best efforts to enforce the confidentiality as to all such copies, to return such to the

Company upon completion of construction, and to account for or return such at any other time upon the request of the Company.

(d) Franchisee shall require that any architect, engineer, or other person receiving a copy in whole or in part of the Company's plans, drawings, and specifications will execute an agreement, acceptable to Company, providing that such person will adhere to all of the confidentiality standards of this Agreement and shall not attempt to use, reproduce or duplicate such items in any other project at any time.

10.08 Software - The Company shall have the right to designate one or more software systems (the "Software") for use in connection with the operation of Franchisee's restaurant and for financial reporting purposes. The Software may be proprietary to the Company or its Affiliates, or may be developed and/or owned by an unaffiliated third party. Franchisee shall use the Software as directed by the Company or its designee. The Company may require Franchisee to execute such software licensing agreements and maintenance or support agreements as the Company or its Affiliates or such third party software owner may reasonably require. A copy of the current form of required licensing, maintenance and support agreements, if any, are attached as Schedule Seven. Franchisee acknowledges that such agreements may require the payment of fees to the Company or its Affiliates or to a third-party to compensate them for the Software licenses and the performance of their obligations under such agreements, which amounts may include a sum sufficient to cover their costs and expenses and to provide a reasonable profit. Franchisee may use the Software solely to operate and use the Franchise Restaurant-related computers and to operate the Franchise Restaurant pursuant to the terms of this Agreement. Franchisee shall not make copies of the Software except as expressly permitted by the Company or as is permitted by any third-party agreement. Franchisee shall not modify the Software or reverse engineer or decompile the Software or otherwise attempt to discover the source code of the Software. Franchisee shall not assign, transfer or sublicense the Software without the prior written consent of the Company or any third-party company who owns or licenses software. Franchisee acknowledges and agrees that the Software, and any resulting database or information created or compiled by the Company through use of the Software, comprise Proprietary Information of the Company and that, as such, remains subject to the use and disclosure restrictions set forth in this Agreement, and to the requirement that all materials containing Proprietary Information be returned immediately to the Company upon any termination or expiration hereof.

10.09 Notice of Registrations; Assumed Names - Franchisee shall notify the Company in writing of any and all trade mark and service mark registrations related to or in any way used in connection with Franchisee's business in operating a Fazoli's Restaurant. Franchisee shall obtain such fictitious or assumed name registrations as may be required under applicable law.

11. TERMINATION

11.01 Termination Clause; General Provisions

(a) Franchisee shall be deemed to be in default of this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall make a general

assignment for the benefit of creditors, or if a petition is filed against and consented to by Franchisee, or if Franchisee is adjudicated a bankrupt or insolvent or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by a court of competent jurisdiction.

(b) Franchisee shall be deemed to be in default, and the Company may, at its option, terminate this Agreement and all rights granted hereunder at any time by notice to Franchisee without any opportunity to cure the default, upon the occurrence of any of the following events:

- (1) if Franchisee ceases to operate for any period of time or abandons or forfeits the legal right to transact business at the Franchise Restaurant;
- (2) if Franchisee leases the Franchise Restaurant Premises, if Franchisee's lease for the Location expires or is terminated for any reason or is assigned to the Company as is contemplated in Section 3.02;
- (3) if Franchisee (or any shareholder, member or partner if Franchisee is a corporation, limited liability company or partnership) is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the Company's sole judgment, to affect adversely the System, the Proprietary Marks, the goodwill associated therewith or the Company's rights therein;
- (4) if Franchisee (or any shareholder, member or partner if Franchisee is a corporation, limited liability company or partnership) assigns, conveys, gifts, hypothecates, transfers, purports to transfer, or markets and/or advertises for the sale or transfer of any rights or obligations arising under this Agreement to any third party without the Company's prior written consent, contrary to the terms of Section 13.02 of this Agreement;
- (5) if Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristic of the System, or otherwise materially impairs the goodwill associated therewith, or the Company's rights therein;
- (6) if Franchisee (or any shareholder, member or partner if Franchisee is a corporation, limited liability company or partnership) discloses to a third party any Proprietary Information or other confidential information learned from the Company or relating to the System or if Franchisee uses or permits to be used any such information or secret, unique or confidential food product or other element of the System in a restaurant or business other than the Franchise Restaurant or if Franchisee breaches any duty of confidentiality imposed on Franchisee in this Agreement or otherwise by law;
- (7) if two (2) or more Notices of Default pursuant to Section 11.01(c) hereof have been sent to Franchisee for the same, similar or different defaults, in which event this

Agreement may be terminated in lieu of the Company's sending the third or any subsequent Notice of Default;

- (8) if Franchisee made or makes any intentional or material misrepresentation to the Company in any information or report provided prior to or during the term of this Agreement;
 - (9) if Franchisee fails to repair or restore the Franchise Restaurant Premises to its former condition within six (6) months of its being damaged or rendered totally or partially untenable by fire or other casualty, as required by Section 3.01(i);
 - (10) if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedes bond is filed), if execution is levied against Franchisee's business or property, or suit to foreclose any lien against the assets of the Franchise Restaurant business is instituted against Franchisee and not dismissed within thirty (30) days, or if the assets of the Franchise Restaurant business are sold after levy thereupon by any sheriff, marshal or constable;
 - (11) if Franchisee engages in conduct that, in Company's sole judgment, presents a health or safety hazard to Franchise Restaurant employees or guests; or
 - (12) if Franchisee fails to open the Restaurant within the time specified herein.
- (c) Except as specifically provided in Section 11.01(a) and (b) above, Franchisee shall be deemed to be in default and the Company may, at its option, terminate this Agreement and all rights granted hereunder without further notice upon Franchisee's failure to observe any of its obligations hereunder and to carry out the terms of the franchise in good faith, if such failure is not cured by Franchisee within thirty (30) days after receipt from the Company of a written Notice of Default specifying the default. Such defaults shall include, but shall not be limited to, the occurrence of any of the following illustrative events:
- (1) if Franchisee fails, refuses or neglects to adhere to the standards and specifications of the System as set forth in the Online Information Center, or otherwise adopted by the Company from time to time;
 - (2) if Franchisee fails, refuses or neglects to pay promptly when due any amounts owed to the Company;
 - (3) if Franchisee fails, refuses or neglects to submit to the Company any financial or other information required hereunder, including, without limitation, failure to deliver a certification letter or a supplemental certification letter, pursuant to Section 3.01, along with any documents required to be placed of record at the appropriate state or local records;
 - (4) if Franchisee fails, refuses or neglects to obtain the Company's prior written approval or consent as required hereunder;

- (5) if Franchisee fails to obtain the minimum score on the Restaurant Evaluation established by the Online Information Center from time to time;
 - (6) if Franchisee is in arrears in payment to any supplier of Approved Brands items for more than sixty (60) days;
 - (7) if Franchisee fails, refuses, neglects, or defaults under its financing obligations for the Franchise Restaurant Premises;
 - (8) if Franchisee leases the Franchise Restaurant Premises, and Franchisee amends, renews, or assigns the lease without the Company's prior written approval; or
 - (9) Except for a default or termination of any Multi-Unit Restaurant Agreement, or similar agreement, consisting solely of Franchisee's failure to meet the development schedule thereunder, any default by Franchisee under the terms and conditions of this Agreement, or any other agreement between Franchisor (or its Affiliate), and Franchisee (or any Affiliate of Franchisee), shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Franchisor may, at its option, terminate any or all said agreements.
- (d) Franchisee may, at its option, terminate this Agreement if the Restaurant is rendered totally or partially untenable by fire or other casualty within two years prior to the date of expiration of the Initial Term of this Agreement or any extension, provided that the Company receives Franchisee's written notice of its election to terminate within thirty (30) days after the fire or other casualty. In the event of such option exercise by Franchisee, Company shall be entitled to, but shall not be obligated to, purchase Franchisee's entire remaining interest in the Equipment and the Franchise Restaurant Premises in accordance with the provisions of Section 3.02(c)(1) hereof.
- (e) Company may, at its option, terminate this Agreement if the Restaurant is rendered totally or partially untenable by fire or other casualty within two years prior to the date of expiration of the Initial Term of this Agreement, provided that Franchisee receives the Company's written notice of its election to terminate within ninety (90) days after the fire or other casualty. In the event of such option exercise, Company shall be entitled to, but shall not be obligated to, purchase Franchisee's entire remaining interest in the Equipment and the Franchise Restaurant Premises in accordance with the provisions of Section 3.02(c)(1) hereof.

11.02 Effect of Termination or Expiration; Liquidated Damages

- (a) Franchisee, upon any termination or expiration of this Agreement, including but not limited to a request by Franchisee, and consent by Company, for early termination of this Agreement, shall promptly pay to the Company, its Affiliates and System suppliers any and all sums owed to them. In the event of an early termination due to Franchisee's request or termination for any default by Franchisee, such sums shall include all damages (subject to Section 11.02(g) below), costs and expenses, including reasonable attorneys' fees, incurred by the Company as a result of the default, and late payment charges, as described in Section 6.04, which obligation shall give rise to and

remain, until paid in full, a lien in favor of the Company against any and all of the assets of the Franchise Restaurant owned by Franchisee or Related Party at the time of default.

(b) Upon termination or expiration hereof for any reason, all Franchisee's rights hereunder shall terminate. Franchisee shall immediately (i) cease to use and shall not thereafter use any Proprietary Information or other trade secrets disclosed to it hereunder, and (ii) cease to use, remove from the Franchise Restaurant and destroy any paper or plastic goods, emblems, signs, displays or other property on which the Company's name, any of the Proprietary Marks or any confusing simulation thereof are imprinted. Franchisee shall not otherwise use or duplicate the System or any portion thereof or assist others to do so. Unless otherwise directed in writing by the Company, Franchisee shall (i) remove from the Franchise Restaurant Premises all signs, emblems and displays identifying it as associated with the Company or the System, (ii) cease to use the System and return to the Company all copies of the Online Information Center, and all other manuals, instructions or materials delivered to it by the Company or otherwise hereunder; (iii) relinquish its Franchise Restaurant telephone number to the Company; and (iv) relinquish its Internet web site unless Franchisee continues to operate one or more other duly franchised Fazoli's® Restaurants in which case Franchisee shall modify its web site to exclude all references to the Franchise Restaurant licensed under this Agreement.

(c) Upon termination or expiration of this Agreement, unless otherwise directed in writing by the Company, Franchisee shall modify the exterior and interior design and decor of the Franchise Restaurant Premises and shall make or cause to be made such changes in signs, buildings and structures as may from time to time be prescribed in the Online Information Center or as the Company shall otherwise reasonably direct and, so as to effectively distinguish the Franchise Restaurant from its former appearance and from any other Restaurant, including, but not limited to, removing the Fazoli's tower, canopies and awnings and painting the exterior of the Franchise Restaurant to cover up the distinctive Fazoli's colors and motif. If Franchisee fails or refuses to comply with Section 11.02(b) and this Section 11.02(c), in addition to any other rights which the Company may have, the Company shall have the right, but not the obligation, to enter upon the Franchise Restaurant Premises without being guilty of trespass or any other tort and make or cause to be made such changes at Franchisee's expense, which Franchisee shall pay on demand.

(d) Franchisee shall cease to hold itself out in any way as a franchisee of the Company or do anything that would indicate any relationship between it and the Company, except only to the extent that Franchisee operates another Fazoli's Restaurant under a separate franchise agreement with Company and such franchise agreement remains in full force and effect, upon termination or expiration of this Agreement.

(e) Franchisee shall complete all modifications within thirty (30) days after the Franchise Restaurant ceases to operate as a Restaurant. No business shall be conducted on the Franchise Restaurant Premises until all modifications have been completed. Franchisee and the Company agree that the Company's damages resulting from a breach of the provisions of this Section 11.02 are difficult to estimate or determine accurately; therefore, in the event of a breach by Franchisee of the provisions of this Section, Franchisee shall pay the Company the sum of Five Hundred Dollars (\$500) per day beginning on the thirty-first (31st) day after the Franchise Restaurant ceases

to operate. Such payment shall be made as an interim license fee and not as a penalty, having been agreed to by Franchisee and the Company as reasonably representative of the actual damage sustained by the Company in the event of such a breach. In addition, Company shall be entitled to pursue any other remedies available to it at law or in equity.

(f) Following the expiration or termination of this Agreement, Franchisee shall not suffer or permit the Franchise Restaurant Premises to be used for, or in connection with, an Italian Restaurant for a period of two (2) years; provided, however, a restaurant or food service business operated from the Franchise Restaurant Premises may sell or serve flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that such items collectively constitute less than twenty percent (20%) of the sales of such restaurant or food service business. Unless the Franchise Restaurant Premises are transferred to Company or its designee, Franchisee shall cause the uses permitted in any lease agreement assigning, subletting or conveying a leasehold interest in the Franchise Restaurant Premises to contain the foregoing restrictions. In the event fee title to the Franchise Restaurant Premises is conveyed by Franchisee, Franchisee shall cause the following language to be incorporated into the deed of transfer:

By acceptance and recordation of this deed, GRANTEE, on behalf of itself and its successors, assigns and beneficiaries, warrants and covenants that, without the prior written consent of GRANTOR and its attorney-in-fact, designated below, acting jointly, the Premises shall not be used for, or in connection with, an Italian Restaurant (as defined herein). This covenant shall be binding upon GRANTEE, its successors and assigns for a period ending on _____, or the maximum restrictable time under state law on the date of execution hereof, whichever is less. GRANTEE agrees that it will not convey the Premises except by lease or deed containing a restrictive covenant equivalent to the above, which fully protects GRANTOR's interest herein. Any subsequent purchaser or lessee under GRANTEE agrees to be bound by the same provision and agrees that the foregoing covenant is attached to and running with the land. For purposes of this paragraph, an "Italian Restaurant" shall mean a restaurant or other food service business, which sells or serves flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguine, and fettuccini) and/or pizza; provided, however, that the restaurant or food service business operated from the Premises may sell or serve flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that such items collectively constitute less than twenty percent (20%) of the sales of such restaurant or food service business.

GRANTOR grants to Fazoli's Franchising Systems, LLC, a Delaware limited liability company, the power and authority, and constitutes Fazoli's Franchising Systems, LLC as its agent and attorney-in-fact, to waive or modify the restriction on the use of the Premises set forth in the immediately preceding paragraph. The foregoing power and agency is coupled with an interest and shall survive the death or dissolution of GRANTOR. Such power and authority shall inure to the benefit of Fazoli's Franchising Systems, LLC and its successors and assigns.

(g) The parties acknowledge and agree that the actual damages that the Company suffers for loss of prospective fees, including but not limited to loss of royalties, and other amounts payable to the Company under this Agreement on account of early termination by Franchisee, or a default or breach hereunder by the Franchisee would be difficult if not impossible to ascertain. Accordingly, in the event that the Company agrees to an early termination request by Franchisee,

terminates this Agreement or institutes litigation against Franchisee and seeks termination of this Agreement on account of the Franchisee's default, Franchisee shall be liable to company for liquidated damages, which shall be calculated and defined as two (2) times the amount payable to the Company under Section 6.01(b) above for the twelve (12) month period immediately preceding the termination or institution of litigation ("Termination Date"), or in the event that there are less than twenty four (24) months remaining in the initial or then current renewal term of this Agreement as of the Termination Date, an amount equal to the number of months remaining in the term or renewal term as of the Termination Date times the average monthly royalty fees payable to the Company under Section 6.01(b) above for the twelve month period immediately preceding the Termination Date.

11.03 Company's Option to Purchase

(a) In addition to the option described in Section 3.02, upon termination or expiration hereof, the Company shall have the option but not the obligation, to purchase all or any portion of the items used in connection with the Franchise Restaurant including but not limited to any patented, special or unique items of restaurant equipment, the Equipment, furnishings, signs, sign faces, decor, food items and supplies of Franchisee, at their fair market value, with no allowance for goodwill. For purposes of this Section 11.03(a), this option shall not be deemed to expire or terminate as long as Franchisee continues as franchisee of the Company with respect to the Franchise Restaurant.

(b) The Company must give Franchise written notice of its interest in exercising the option to purchase the items (the "First Notice").

(c) If, within fifteen (15) days following the date of the First Notice (the "Negotiation Period"), Franchisee and the Company cannot agree on the fair market value of such items, then the option price shall be determined by two independent qualified appraisers, one appointed by each of the Company and Franchisee. If the appraisers appointed by each party cannot agree on a purchase price, then each appraiser shall promptly issue a written report confirming the appraised price determined by each such appraiser. The appraisers shall promptly and jointly appoint a third independent qualified appraiser who shall determine an appraised price and issue a written report confirming same. The price to be paid by the Company shall be the average of the three (3) appraised prices contained in the written reports. Franchisee shall pay the costs of the appraiser appointed by it, the Company shall pay the cost of the appraiser appointed by it, and Franchisee and the Company shall share equally the cost of the third appraiser, if any. The Company must deliver written notice of its intent to exercise its option to purchase the items within ten (10) days following the determination of the option price under this Section 11.03 ("Exercise Notice"). If the Company elects to exercise any option to purchase provided in this Section 11.03, it shall have the right to set off all amounts due from Franchisee under this Agreement and any other agreements and the Franchisee's cost of the appraiser(s), if any, against any payment due to Franchisee.

(d) In the case of expiration, the Company must deliver the First Notice under this Section 11.03 at least thirty (30) days prior to the expiration. In the case of termination for any reason, the Company must deliver the First Notice under this Section 11.03 within thirty (30) days after such termination.

(e) The Company's option under this Section 11.03 is without prejudice to its right under any security agreement held by it or with respect to which it may have a guarantor or surety's subrogation interest. If the Company exercises its option, it may pay any debts that Franchisee owes to it and shall remit any balance of the purchase price to Franchisee.

11.04 Company's Obligation to Purchase - Franchisee shall notify the Company within ten (10) days of the expiration or termination hereof of its desire to sell its unbroken inventory packages of approved items and supplies to the Company. At the expiration of the ten (10) day notice period, Franchisee shall deliver such items at its expense, with an itemized inventory listing, to the nearest Company-owned Restaurant or to such other unit as may be designated by the Company. The Company shall purchase such items at Franchisee's cost and shall pay Franchisee, or set off the amount due therefore against any amount owed the Company by Franchisee, within seven (7) days after delivery.

12. OTHER BUSINESS INTERESTS OF FRANCHISEE

12.01 Notification of Other Business Activity - During the term of this Agreement and for a period of two (2) years after the expiration or termination hereof, Franchisee shall notify the Company of its intention to participate or engage directly or indirectly in any other restaurant, food service or hospitality business activity, at least thirty (30) days before (i) Franchisee becomes a party to any agreement or understanding relating to such activity or (ii) such activity commences, whichever is earlier, and shall provide the Company with such information about the activity as the Company may reasonably request.

12.02 Competing Business - Franchisee acknowledges: (i) that, pursuant to this Agreement, Franchisee will receive valuable training and confidential and trade secret information, including, without limitation, information regarding the promotional, operational, sales and marketing methods and techniques of the Company and the System, (ii) that the Company may sell franchises authorizing other persons to, and the Company and its affiliates may, construct, own and operate Restaurants throughout the United States and (iii) its obligation under this Agreement to develop the franchised business and to promote the interests of the System. Accordingly, Franchisee agrees:

(a) During the term of this Agreement, neither Franchisee nor Franchisee's Related Party shall, except as otherwise approved in writing by the Company, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, or have any interest in any restaurant or food service business if the restaurant or business would be deemed to be an Italian Restaurant, as that term is defined in Section 1.01(c); provided, however, that Franchisee may own a restaurant or food service business which sells or serves flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that: (a) such items collectively

constitute less than twenty percent (20%) of the sales of such other restaurant or food service business; (b) Franchisee notifies the Company in writing of the names and locations of all such businesses prior to the date of this Agreement and on an ongoing basis at least ninety (90) days prior to the opening of such restaurant or food service business; and (c) Franchisee, at the time when notice is given and at the time of the opening of such restaurant or food service business, (i) is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and the Company, (ii) has complied with the terms and conditions of all such agreements during the term of this Agreement, and (iii) has satisfied all monetary obligations owed by Franchisee to the Company and its Affiliates.

(b) Except as prohibited in Section 12.02(a), Franchisee may, during the term of this Agreement, own all or a portion of a business competitive with the System, provided:

- (1) Franchisee does not use or allow others to use any part of the System in the competing business;
- (2) the operational management, supervisory personnel and restaurant level employees of the competing business are not transferred from or combined, mixed or shared in any way with those of the Franchise Restaurant;
- (3) the competing business does not employ or seek to employ any person who is at that time employed by the Company, or any affiliate or franchisee of Company, or otherwise induce such employee to leave his or her employment;
- (4) the competing business is not advertised on or from the Franchise Restaurant Premises and the competing business does not share or is not combined in any advertisement with the Franchise Restaurant;
- (5) Franchisee notifies the Company in writing of the names and locations of all such businesses prior to the date of this Agreement and on an ongoing basis at least ninety (90) days prior to the opening of such competing business; and
- (6) Franchisee, at the time when notice is given and at such time of the opening of such competing business:
 - (i) is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and the Company;
 - (ii) has complied with the terms and conditions of all such agreements during the term of this Agreement; and
 - (iii) has satisfied all monetary obligations owed by Franchisee to the Company and its Affiliates.

(c) No business shall be directed or diverted at any time for any reason by Franchisee from the Franchise Restaurant to any competing business.

(d) During the term of this Agreement and for a period of two (2) years after the expiration or termination hereof, regardless of the cause of termination, neither Franchisee nor Franchisee's Related Party shall, except as otherwise approved in writing by the Company, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, or have any interest in any Italian Restaurant, which is located within a five (5) mile radius of (i) the Location or (ii) any Restaurant (franchised or owned by the Company or any affiliate) located within the United States which is in operation or under construction on the date of expiration or termination of this Agreement; provided, however, the Franchisee may own a restaurant or food service business which sells or serves flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that such items collectively constitute less than twenty percent (20%) of the sales of such restaurant or food service business.

(e) Notwithstanding Section 12.02(d) hereof, the Company shall have the right, in its sole discretion and without Franchisee's consent, to reduce the scope of any covenant of this Agreement binding upon Franchisee. The covenant as reduced shall be fully enforceable. The reduction shall be effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply immediately with the covenant as so reduced.

(f) Franchisee expressly agrees that any claim it may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the Company's enforcement of the covenants of this Section 12.02.

(g) Franchisee acknowledges that its failure to comply with the requirements of this Section 12.02 will cause the Company irreparable injury, and Franchisee accordingly agrees that in addition to all other legal or equitable rights and remedies which the Company may have under this Agreement, or otherwise, the Company shall be entitled and Franchisee consents to the entry of an order by any court of competent jurisdiction for specific performance of, or for an injunction against violation of, the requirements of this Section 12.02.

(h) Unless otherwise specified, the term "Franchisee" as used in this Section 12.02 shall include, individually and collectively, all direct and indirect holders of general or limited partnership interests of Franchisee, if Franchisee is a partnership; and all direct and indirect holders of any stock or other equity interest of Franchisee, if Franchisee is a corporation or limited liability company. In accordance with Section 14.10(b) hereof, the foregoing individuals and/or entities shall each be required to execute a Confidentiality and Other Business Interests Agreement in the form of Schedule Three attached hereto.

(i) Subsections (a) through (d) of this Section 12.02 shall not apply to ownership by Franchisee of less than a ten percent (10%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934, unless Franchisee shall also serve as a director or executive officer of or in a management capacity in such corporation.

13. ASSIGNMENT-BENEFITS

13.01 Assignment by the Company - The Company may assign this Agreement and any or all benefits and obligations arising from it.

13.02 Assignment by Franchisee

(a) Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee, and that the Company has granted this franchise in reliance on the individual and collective character, skill, aptitude and business and financial capacity of Franchisee, or of its principal(s) if Franchisee is a legal entity. Franchisee therefore shall not, without the Company's prior written consent, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, give away, pledge, mortgage, gift, hypothecate, or otherwise encumber any interest or partial interest in this Agreement ("Transfer"), or in the franchise granted herein, or market and/or advertise, or offer or attempt to do so, or permit the same to be done. Any actual or purported assignment occurring by operation of law or otherwise without the Company's prior written consent shall be a material default of this Agreement and shall be null and void.

(b) If Franchisee or any successor is a partnership, corporation or limited liability company:

- (1) Holders of any partnership interest in Franchisee, if Franchisee is a partnership, any stock or other equity interest in Franchisee, if Franchisee is a corporation, or all members, if Franchisee is a limited liability company, shall not, without the Company's prior written consent, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber such partnership interest or securities, or offer or attempt to do so, or permit the same to be done. Any actual or purported sale, assignment, transfer, gift, pledge, mortgage or encumbrance occurring by operation of law or otherwise without the Company's prior written consent shall be a material default of this Agreement and shall be null and void.
- (2) The Articles of Partnership, Partnership Agreement, Articles of Incorporation, Bylaws, Articles of Organization, Operating Agreement and other organizational documents shall provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement. Copies of such documents and of resolutions of Franchisee's board of directors authorizing its entry into this Agreement shall be furnished to the Company upon request.
- (3) All general and limited partners, if Franchisee is a partnership; all members, if Franchisee is a limited liability company; and all direct and indirect holders of any stock or other equity interest in Franchisee, if Franchisee is a corporation, shall, upon Franchisee's execution of this Agreement, execute agreements, in the form of the agreements attached as Schedule Three and Four, undertaking to be bound, individually, by certain of the terms of this Agreement, including, without limitation, the restrictions on assignment contained herein.

- (4) Franchisee shall not use the name “Fazoli's,” any other Proprietary Mark, or any name deceptively similar thereto, in a public offering of its securities, except to reflect its franchise relationship with the Company. Franchisee shall not undertake any public offer or sale of its securities without the Company’s prior written consent. If Franchisee’s offering is approved, then the Company shall have the right to approve Franchisee’s managing underwriter which shall be a nationally recognized firm in good standing both with all applicable securities regulators and self-regulatory organizations. All disclosure documents distributed in any securities offering conducted by Franchisee (whether or not offers are made publicly) shall be submitted in advance to the Company for review and approval of disclosures relating to the Company, its affiliates and their respective businesses. In addition, all such disclosure documents shall contain the following disclaimer in bold face type on the cover page, or such other disclaimer as the Company may from time to time dictate:

“FAZOLI’S FRANCHISING SYSTEMS, LLC, THE FRANCHISOR OF THE FAZOLI’S RESTAURANT CONCEPT, IS NOT AFFILIATED WITH THE ISSUER OF THESE SECURITIES AND MAKES NO REPRESENTATION REGARDING THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS.”

- (5) Franchisee shall furnish the Company, at the time of execution of this Agreement and upon all transfers subject to the provisions of this Section 13 thereafter, a list of all stockholders, partners and members having an interest in Franchisee, their respective percentage interests, and the number of shares, directly and indirectly owned or controlled by each. Franchisee shall also furnish, for every general and limited partner (if Franchisee is a partnership), every member (if Franchisee is a limited liability company), or every holder of stock or other equity interests of Franchisee (if Franchisee is a corporation), current personal financial statements for such partner, member, stock or equity interest holder.
- (6) Franchisee, if a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 13, and shall cause all certificates representing outstanding voting securities to be surrendered for reissuance and cause all certificates for voting securities in the future to be issued with this legend printed conspicuously upon the face of each certificate:

“The transfer of this certificate and the shares it represents is subject to the terms and conditions of a certain Franchise Agreement with Fazoli’s Franchising Systems, LLC. Reference is made to that Agreement and to certain restrictive provisions of the Articles and Bylaws of this corporation.”

- (c) Franchisee acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Company's Proprietary Marks, Proprietary Information and operating procedures and quality, as well as the Company's high reputation and image, and are for the protection of the Company, Franchisee, and other franchisees. No attempted

assignment or transfer permitted by this Section 13 shall take effect without the Company's written consent.

(d) The Company shall not arbitrarily withhold its consent to a request for assignment following its receipt and review of fully executed copies of all relevant documents; provided, however, that the Company may condition its consent upon the following:

- (1) neither Franchisee nor any successor of Franchisee is in default hereunder, and all of their accrued monetary obligations to the Company and all System suppliers (with respect to goods and services provided to the Franchise Restaurant) have been satisfied;
- (2) the assignee has demonstrated to the Company's satisfaction that it meets all of the Company's then current requirements for new franchisees, including, without limitation, personal, financial and operational requirements. This Subsection 13.02(d)(2) shall not apply to an assignment of the franchise to an entity formed by Franchisee for estate planning purposes; provided that Franchisee's counsel, accountant or other professional advisor provides a summary of the estate plan and the structure and ownership of the entity that is intended to be the owner of the franchise; and provided further that Franchisee, the assignee of the franchise and all parties with an interest in such assignee comply with all other provisions of Section 13.02(b), (c) and (d), including without limitation, that such parties appoint and continuously retain a Designated Manager that meets all of Company's requirements and qualifications and that appropriate parties execute a Guaranty of Franchisee's undertakings;
- (3) the assignee has executed, or in appropriate circumstances, caused all necessary parties to execute, the Company's then current standard form Franchise Agreement (and such other current ancillary agreements as the Company may reasonably require), for a term expiring on the expiration date of this Agreement;
- (4) the assignee has entered into a written assignment in a form prescribed by the Company, assuming and agreeing to discharge all of the assignor's obligations under this Agreement;
- (5) in the sole discretion of the Company, the assignee and any of its employees responsible for the operation of the Franchise Restaurant shall have satisfactorily completed the Company's training program then in effect for all new franchisees;
- (6) a transfer fee in an amount equal 50% of our then current initial franchise fee (applicable to the purchase of a first franchise without any discount) to defray expenses we incur in connection with the Transfer (if the transferee is found by a broker we engage, you must also reimburse us for all commissions we pay to the broker, which amount shall be in addition to the transfer fee);
- (7) the assignment is not to an individual or entity which, directly or indirectly, owns, operates or franchises an "Italian Restaurant" as defined in Section 1.01(c)(3), provided, however, the individual or entity may, directly or indirectly, own, operate or

franchise a restaurant or food service business that sells or serves flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that such items collectively constitute less than twenty percent (20%) of the sales of such restaurant or food service business; and

- (8) to reconfirm such duties and obligations from and after the date of assignment, Franchisee and (i) if Franchisee is a partnership, every general and limited partner;; if Franchisee is a limited liability company , all members;; if Franchisee is a corporation, then and all direct and indirect holders of any stock or other equity interest in Franchisee, , has executed a Confidentiality and Other Business Interests Agreement in the form set forth in Schedule Three (as it may be revised by the Company from time to time) and a Noncompetition Agreement containing terms substantially similar to those set forth in Sections 12.02(d)-(i) of this Agreement and otherwise reasonably acceptable to the Company; and (ii) a Guaranty of Franchisee's Undertakings in the form set forth in Schedule Four (as it may be revised by the Company from time to time) executed by every general partner, if Franchisee is a partnership; or every member, if Franchisee is a limited liability company, or every stockholder or other holder of equity interest, if Franchisee is a corporation, representing ten percent (10%) or more of the equity interest. In the event no stockholder or other holder of equity interest owns or holds ten percent (10%) or more in Franchisee, then all parties owning and holding any equity interest shall execute such Guaranty
 - (9) Franchisee and all guarantors of Franchisee's obligations hereunder have entered into and delivered to the Company a written termination and release agreement in a form prescribed by the Company, (i) agreeing to release and discharge the Company and its affiliates from all obligations and liability arising under or as a result of this Agreement or Franchisee's operation of the Franchise Restaurant, and (ii) confirming Franchisee's continued compliance with Franchisee's obligations under this Agreement.
- (e) If Franchisee is an individual and desires to assign all of his rights to a partnership, limited liability company, or corporation formed for convenience for ownership, the Company's consent to such assignment shall be conditioned on the following requirements, in addition to those in Sections 13.02(b), (c) and (d):
- (1) the assignee shall be newly organized and its Partnership and Partnership Agreement, Articles of Organization and Operating Agreement, or Articles of Incorporation and Bylaws shall provide that its activities shall be confined exclusively to operating the Franchise Restaurant or other businesses franchised under similar agreements with the Company, its subsidiaries, or Affiliates;
 - (2) Franchisee shall be the owner of a majority voting interest in the securities of the assignee; and
 - (3) all general and limited partners, members, or shareholders of the assignee to which Subsection 13.02(b)(3) shall apply, shall comply with the requirement of that Subsection.

(f) Upon the dissolution or death or permanent incapacity of Franchisee or of a stockholder, member or a partner of Franchisee, the respective personal representative or trustee may sell or assign the entire interest of Franchisee, such stockholder, member or partner in this Agreement to a third party, subject to the conditions set forth in this Agreement for any other transfer. If the personal representative does not receive, or desire to accept, a bona fide offer to sell such interest, and if under applicable law Franchisee's rights in this Agreement and in the Franchise Restaurant business are distributable to heirs or legatees who would otherwise qualify as franchisees and assignees under the terms of this Section 13, the Company shall consent to such assignment, provided such prospective assignees agree to accept all the conditions imposed on Franchisee by this Agreement.

(g) If any person, partnership, corporation or limited liability company with an interest subject to the restrictions of this Section 13 desires to accept a bona fide offer from a third party to purchase such interest, the prospective transferor shall notify the Company in writing of each such offer and shall deliver to the Company a written copy of the offer including the name of the offeror and the price and terms of the offer. The Company shall have the option to purchase such business, franchise or interest, including any lease, on the same terms and conditions offered by the third party, except that the Company shall have at least thirty (30) days to prepare for closing. If the third party offer is such that the Company may not reasonably be required to furnish the same consideration, terms or conditions, then the Company may purchase the interest to be sold for the reasonable equivalent in cash of the consideration, terms, or conditions contained in the offer, the consideration to be determined by an independent appraiser designated by the Company, whose determination shall be binding. The Company shall notify the prospective transferor of its intention to exercise its option within thirty (30) days after receipt of such notice and a copy of the offer. Any material change in the terms of the third party offer prior to transfer to the third party shall constitute a new offer, subject to the same option by the Company as in the case of an initial offer. The Company's failure to exercise the option afforded by this Subsection 13.02(g) shall not constitute a waiver of any other provision of this Agreement, including any of the requirements of this Section 13 with respect to the proposed transfer, nor shall such failure constitute a waiver of its right to exercise its option with respect to any subsequent third party offer.

(h) The Company's consent to a transfer of any interest subject to the restrictions of this Section 13 shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms of this Agreement by the assignee.

14. GENERAL PROVISIONS

14.01 Improvements to System - All improvements in the System, including but not limited to all new menu items, products, marketing concepts, trademarks and service marks, developed by Franchisee, the Designated Manager, the Company or other franchisees, shall be and become the sole and absolute property of the Company. The Company or its Affiliates may incorporate such improvements into the System and shall have the sole and exclusive right to copyright, register and protect such improvements in the Company's own name to the exclusion of Franchisee whose right to use such improvements shall be limited to its rights as a franchisee hereunder.

14.02 Governing Law - This Agreement has been accepted by the Company at Lexington, Kentucky, and shall be governed and construed under and in accordance with the laws of the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed, which law shall prevail in the event of any conflict of law.

14.03 Jurisdiction; Venue - Franchisee acknowledges that this Agreement has been negotiated, offered and accepted in the Commonwealth of Kentucky. To the fullest extent permitted by law, Franchisee irrevocably submits to the jurisdiction of the courts of the Commonwealth or such other State where the Company has its principal place of business at the time the proceeding is filed and waives any objection he may have to either the jurisdiction or venue of such forums.

14.04 Mediation

(a) Except for any dispute, claim or controversy between the parties relating to: (i) the termination of this Agreement or the effect of termination as provided in Sections 11.01 and 11.02; (ii) any action by the Company to stop or prevent any threat or danger to the public health or safety resulting from the construction, maintenance or operation of the Franchise Restaurant; (iii) any action which, in the sole opinion of the Company, may result in material or irreparable harm to the Proprietary Marks; or (iv) at the Company's option, Franchisee's use of the Proprietary Marks after the expiration or termination of this Agreement; all disputes, claims or controversies arising out of or relating to this Agreement shall be submitted to non-binding mediation at the offices of the Company, on a date and at a time mutually acceptable to the parties. By way of illustration, disputes arising from the unauthorized use of the Proprietary Marks and Proprietary Information shall not be deemed to arise out of this Agreement and the Company shall retain its legal remedies. Nothing herein shall prevent the Company or Franchisee from seeking injunctive or other equitable relief to prevent irreparable harm, in addition to all other remedies.

(b) The parties shall select a mutually acceptable independent mediator who is experienced in franchise and restaurant business matters to preside over the mediation.

(c) The mediation shall be attended by Franchisee (if an individual), a principal shareholder (if Franchisee is a corporation), a managing member (if Franchisee is a limited liability company) or a general partner (if Franchisee is a partnership), on behalf of Franchisee, and by a Vice President or the officer having primary responsibility for overseeing franchisee relations, on behalf of the Company. After completing the mediation the parties may pursue any rights or remedies that may be available under law or in equity.

(d) Each party shall bear his or its own costs in any mediation. Mediator's fees and expenses shall be prorated evenly between the parties.

14.05 Severability

(a) Except as expressly provided to the contrary herein, each section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term or provision herein is determined to be invalid, contrary to, or in conflict with, any existing or future law or regulation of a court or agency having valid jurisdiction, such shall not impair the operation or affect such other portions, sections, part, terms or provisions of this Agreement as may remain otherwise intelligible, and the latter will continue to be given full force and effect and bind the parties hereto. Such invalid sections, parts, terms and provisions shall be deemed not to be a part of this Agreement.

(b) If any applicable law or rule requires a greater period for notice to or performance by Franchisee than the period(s) provided in this Agreement, then the period required by such law or rule shall be substituted for the period specified herein.

(c) If any court in a final decision to which the Company is a party holds any provision of this Agreement or portion thereof to be unenforceable or reduces the scope or direction of any covenant or provision herein, then the parties shall petition the court to reform or reduce such covenant or provision such that it shall be legally enforceable to the greatest possible extent consistent with the parties original intent. Franchisee shall be bound to the fullest extent by such covenant or provision as reformed or reduced consistent with such decision, and as if such reformed or reduced provision were separately set forth in and made a part of this Agreement.

14.06 Franchisee is Independent Contractor

(a) This Agreement does not create a fiduciary relationship between the parties hereto. Subject to the operating procedures and standards set forth herein and in the Online Information Center, Franchisee understands and agrees that Franchisee shall be at all times an independent contractor, and nothing herein contained shall constitute Franchisee as the agent, legal representative, partner, joint venturer or employee of the Company. Franchisee shall not have any right or power to and shall not bind or obligate the Company in any way or manner whatsoever, nor represent that it has the right to do so. Except as expressly provided in this Agreement, Company may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Franchise Restaurant. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement.

(b) Franchisee shall have sole responsibility for, and shall promptly pay when due, all taxes levied or assessed by reason of its operation and performance under this Agreement, including, but not limited to, local, state and federal, property, gross receipts, license, sales, use, leasehold, excise and income taxes. Franchisee shall be responsible for all loss, damage and contractual liabilities to third person originating in or in connection with the operation of the Franchise Restaurant and for all claims and demands for damages to property and for injury, illness or death

of persons directly or indirectly resulting therefrom. Franchisee shall indemnify and save the Company harmless from any such claims for taxes and other liabilities, loss, expense or damage.

(c) Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any national, city state or federal governmental agency. We will not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to train and certify certain of your employees for certain required functions for your Franchise Restaurant does not directly or indirectly vest in us the power to hire, fire or control any such employee.

(d) You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations and activities of your franchise business and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchise Restaurant.

(e) In all building directories, public records and in its relationship with other persons, Franchisee shall indicate its independent ownership of the Franchise Restaurant and that it is only a franchisee of the Company. Franchisee and any permitted assignee shall file, and keep on file at all times in the proper public office for the locality involved, a statement showing the actual name of Franchisee as the proprietor of its business, if such is required or permitted by the law of the state and for the locality where the Franchise Restaurant and Franchisee's principal place of business are located.

(f) Franchisee shall affix a plaque or have printed or painted in a manner, form and style prescribed by the Company, in one or more places upon the Franchise Restaurant Premises and upon its business forms and stationery, a notification to the public to the effect that Franchisee is franchised by the Company. Franchisee upon request will furnish the Company with reasonable proof of its compliance with the terms of Subsections 14.06 (c) and (d).

14.07 Construction - Section and paragraph titles are used for convenience only and shall not affect the meaning or construction of any provision hereof. Any reference herein to a numerical section shall mean the section of this Agreement so designated. Any reference herein to the Online Information Center shall refer to such manual as may be amended from time to time by the Company.

14.08 Entire Agreement - This Agreement, which shall include the preamble recitals, constitutes the entire agreement of the parties and supersedes all prior negotiations, commitments, representations and undertakings of the parties with respect to the subject matter hereof. The

Company has made no representations inducing the execution of this Agreement other than those expressly stated herein. NOTWITHSTANDING the foregoing, nothing in this Agreement is intended to disclaim the express representations made in Franchisor's Franchise Disclosure Document. Nothing in this Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. 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.

14.09 Number and Gender - All the terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number (singular or plural), and any other gender (masculine, feminine or neuter), as the context or sense of this Agreement or any paragraph or clause hereof may require, the same as if such words have been fully and properly written in the appropriate number and gender.

14.10 Obligations of Interested Parties and Guarantors

(a) Except as otherwise provided herein, all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be jointly and severally made or undertaken by Franchisee and all persons signing this Agreement in their individual capacities. This Agreement shall be binding on Franchisee and its Related Party and shall inure to the benefit of the Company and its affiliates, including, without limitation, Fazoli's Group, Inc., Fazoli's System Management, LLC and their respective affiliates, all of which shall be deemed third party beneficiaries of Franchisee's covenants set forth herein.

(b) Franchisee shall forward to the Company concurrently with the execution and delivery of this Agreement and prior to the transfer or acquisition of any interest in Franchisee by a third party, which transfer or acquisition shall require the prior written consent of Company, during the term of this Agreement and any extension hereof: (i) a Confidentiality and Other Business Interests Agreement in the form set forth in Schedule Three (as it may be revised by the Company from time to time), executed by every general and limited partner, if Franchisee is a partnership; all members, if Franchisee is a limited liability company; and all direct and indirect holders of any stock or other equity interest in Franchisee, if Franchisee is a corporation (individually "Interested Party", and collectively "Interested Parties"); (ii) a Guaranty of Franchisee's Undertakings in the form set forth in Schedule Four (as it may be revised by the Company from time to time) ("Guaranty"), personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Company and to Company's Affiliates, executed by (a) if Franchisee is a partnership, every general partner;; (b) if Franchisee is a limited liability company, every member; or (c) if Franchisee is a corporation, every stockholder or other holder of equity interest, , representing ten percent (10%) or more of the equity interest (individually "Guarantor", and collectively "Guarantors"), in the event no stockholder or other holder of equity interest owns or holds ten percent (10%) or more in Franchisee, then all parties owning and holding any equity interest shall execute Guaranty; and

(iii) the organizational structure of the Franchisee, including the names and personal addresses of partners, members, and shareholders, along with their percentage of ownership interest.

14.11 Written Approval, Waiver and Nonwaiver

(a) Whenever this Agreement requires the prior approval or consent of the Company, Franchisee shall make a timely written request therefore, and such approval must be obtained in writing. The Company will also consider, in its sole discretion, other reasonable prior requests individually submitted in writing by Franchisee for the Company's waiver of any obligation imposed by this Agreement. The Company's failure to respond to such request from Franchisee shall be deemed a denial of such request by Company. Furthermore, the Company makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this franchise or by any neglect or delay in furnishing the same.

(b) No failure of the Company to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee 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 the Company's right to demand exact compliance with all of the terms hereof. Waiver by the Company of any particular default by Franchisee shall not affect or impair the Company's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance, or omission of the Company to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair the Company's right to exercise the same, nor shall such constitute a waiver by the Company of any right hereunder, or the right to declare any subsequent breach a default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by the Company of any payments due to it hereunder shall not be deemed to be a waiver by the Company of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

(c) No right or remedy conferred upon or reserved to the Company or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy.

(d) No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

14.12 Notices; Payments

(a) All notices required hereunder shall be in writing and, unless otherwise expressly provided herein, shall be deemed given when sent: by registered or certified mail, return receipt requested, postage fully prepaid; when sent overnight delivery by a national courier service; or when transmitted via facsimile provided that the original shall thereafter be mailed by registered or certified mail, return receipt requested, or by overnight delivery by a national courier service:

If to the Company
Legal Department
Fazoli's Franchising Systems, LLC
2470 Palumbo Drive
Lexington, Kentucky 40509-1117

or at such other address or facsimile number as the Company shall from time to time designate in writing; and

If to Franchisee

_____ (Franchisee name)
Attn: _____ (Designated Agent)

or at such other address or facsimile number as Franchisee shall from time to time designate in writing.

(b) Unless otherwise required to be made by electronic funds transfer in accordance with the terms hereof, all payments required to be made to the Company shall be sent by first class mail, postage fully prepaid, addressed to the attention of the Accounting Department at the above address, or at such address as the Company shall from time to time designate in writing. Any payment not actually received by the Company on or before the date specified herein shall be deemed overdue.

14.13 Designated Agent of Franchisee - Franchisee designates _____ to act in its behalf and execute all documents in all transactions with the Company. All actions by such designated agent shall be binding upon Franchisee and shall be valid and binding on any partnership, limited liability company, or corporation as if done by each and every partner, member or officer. The Company shall have no duty to deal with anyone other than the designated agent; however, any documents submitted to the Company executed by any other partner, member or officer shall be valid and binding upon Franchisee. Franchisee shall promptly notify the Company in writing of any change in its designated agent.

14.14 Survival – The covenants set forth in Sections 8, 9, 10, 11, and 12 shall survive the termination or expiration of this Agreement and all rights, claims and indebtedness which may accrue to the Company under this Agreement shall survive any termination or expiration of this Agreement and be enforceable by the Company.

IN WITNESS WHEREOF, the Company and Franchisee have executed this Agreement on the the date(s) indicated below.

FAZOLI'S FRANCHISING SYSTEMS,
LLC

By: Fazoli's Restaurant Group, Inc.
Sole Member

By: _____

Name: _____

Title: _____

Date: _____

(INSERT FRANCHISEE NAME)

By: _____

Name: _____

Title: _____

Date: _____

RELATED PARTY joins in this Agreement for the limited purposes expressed herein.

(INSERT RELATED PARTY NAME)

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE ONE

(Referred to in 1.01(a))

LOCATION

The Location is:

SCHEDULE TWO-A

(Referred to in 3.02)

FORM OF ATTORNEY'S CERTIFICATION LETTER

**FOR USE BY FAZOLI'S FRANCHISEES WHEN LEASING THE REAL ESTATE WHERE
THE FRANCHISE RESTAURANT WILL OPERATE OR, WHEN A RELATED PARTY IS
THE OWNER OF THE REAL ESTATE, A LEASE WILL NEED TO BE MADE BETWEEN
OWNER AND FRANCHISEE**

Attorney-at-Law

Date

Fazoli's Franchising Systems, LLC
Attn: Spencer Houlihan
Chief Financial Officer
Fazoli's Franchising Systems, LLC
2470 Palumbo Drive
Lexington, Kentucky 40509-1117

Dear Mr. Houlihan:

I am acting as legal counsel to _____ ("Franchisee") in connection with Franchisee's efforts to lease certain [improved] [unimproved] real property located at _____ (the "Property"). I have been advised that Franchisee intends to use the Property for development and operation of a Fazoli's® Restaurant (the "Restaurant") pursuant to the terms of a Franchise Agreement entered into or to be entered into by Fazoli's Franchising Systems, LLC (the "Company") and Franchisee (the "Franchise Agreement"). I acknowledge that the Company will rely upon this letter as a condition to the approval of the Property as a franchise location.

In connection with my representation of Franchisee, I have examined a fully executed original of the applicable lease (the "Lease"), pursuant to which Franchisee [currently leases] [has the unconditional right to lease] the Property from the owner thereof (the "Owner"), and such other documents, certificates, records and authorizations as I have deemed necessary or appropriate for purposes of the statements expressed herein. Based upon the foregoing, I certify to the Company as follows:

1. A copy of the fully executed Lease with Lease Guarantees evidencing Franchisee's leasehold estate is attached to this letter as Attachment ____.

2. Franchisee and Owner have executed a *Lease Amendment Agreement* evidencing the terms required by the Franchise Agreement to be included in the Lease. A fully executed copy of the *Lease Amendment Agreement* is attached to this letter as Attachment ____.

3. [The Owner and Franchisee have executed and Franchisee has caused to be filed of record in the appropriate state and/or county records] [Franchisee has the unconditional right to require the complete execution and filing of] a *Memorandum of Lease* or *Short Form Lease* setting forth, in summary form, the critical dates and terms of the Lease (including, without limitation, the Company's right to cure Franchisee's defaults under the Lease). A fully executed, file stamped copy of the *Memorandum of Lease* or *Short Form Lease* is attached to this letter as Attachment ____.

4. Franchisee has executed, and [has caused to be filed of record in the appropriate state and/or county records] [has the unconditional right to file] a *Memorandum of Right of First Refusal* evidencing the Company's rights of first refusal under certain circumstances to acquire Franchisee's interest in the Property and the building and other improvements placed thereon (the "Improvements"). [Two partially executed copies of the *Memorandum of Right of First Refusal* are enclosed for execution by Company to be returned and recorded by Franchisee and attached to this letter as Attachment ____] [A fully executed, file stamped copy of the *Memorandum of Right of First Refusal* recorded in the appropriate state or local records is attached to this letter as Attachment ____].
[A *Memorandum of Right of First Refusal* form is attached for Franchisee's Counsel's use.]

IF THE LEASED PROPERTY IS TO BE FINANCED AND ENCUMBERED BY A MORTGAGE OR LIEN, THEN, IN ADDITION TO THE FOREGOING THE FOLLOWING CERTIFICATION MUST BE GIVEN:

5. [The Mortgagee(s) has (have) executed, and Franchisee has caused to be filed of record in the appropriate state and/or local records,] [Franchisee has the unconditional right to require the execution and filing in the appropriate state and/or local records of] a *Right to Cure/Financing* whereby the Company is granted the right to cure any defaults under any mortgage Franchisee has granted against the Property and/or the Improvements. A fully executed, file stamped copy of the *Right to Cure/Financing* is attached to this letter as Attachment ____.

[A *Right to Cure/Financing* form is attached for Franchisee Counsel's use.]

6. A copy of the fully executed loan agreement (with all guarantees) is attached to this letter as Exhibit ____.

IF ANY OF THE ABOVE STATEMENTS CANNOT BE GIVEN AT THE TIME THIS LETTER IS ISSUED BECAUSE THE DOCUMENTS REFERENCED IN THOSE CERTIFICATIONS HAVE NOT YET BEEN

**FULLY EXECUTED OR RECORDED, THEN THE FOLLOWING
COVENANT MUST BE MADE:**

I covenant and agree to deliver to the above-named addressee, within ten (10) days following receipt of final properly recorded documents, and in no event later than the opening date of the Franchise Restaurant, a supplemental letter, substantially in the form of this letter, opining as to [those items listed above for which counsel was unable to certify because the requisite documents had not yet been fully executed or recorded]. Further, the documentation evidencing these certifications will be attached to the supplemental letter.

In addition, enclosed is certain information needed to complete the Franchise Agreement, including: Franchisee's state of incorporation or organization; the address of Franchisee's principal office; a list of all direct and indirect equity owners of Franchisee together with their respective percentage interests, titles, and addresses; and the person(s) authorized to execute documents on behalf of the Franchisee. Additionally, I have enclosed copies of Franchisee's organizational documents.

Sincerely yours,

Attorney-At-Law

ATTACHED EXHIBITS

Attachment 1 _ Lease and Guarantees
Attachment 2 _ Lease Amendment Agreement
Attachment 3 _ Memorandum of Lease
Attachment 4 Memorandum of Right of First Refusal
 Appendix A Property-Legal Description
Attachment 5 _ Right to Cure/Financing
 Appendix A Property-Legal Description
 Attachment 6 _ Loan Agreement

SCHEDULE TWO-B

(Referred to in 3.02)

**FOR USE BY FAZOLI'S FRANCHISEES WHEN FRANCHISEE OWNS OR IS
PURCHASING THE REAL ESTATE WHERE THE FRANCHISE RESTAURANT
WILL OPERATE**

Attorney-at-Law

Date

Fazoli's Franchising Systems, LLC
Attn: Spencer Houlihan
Chief Financial Officer
Fazoli's Franchising Systems, LLC
2470 Palumbo Drive
Lexington, Kentucky 40509-1117

Dear Mr. Houlihan:

I am acting as legal counsel to _____ ("Franchisee") in connection with Franchisee's efforts to purchase certain [improved] [unimproved] real property located at _____ (the "Property"). I have been advised that Franchisee intends to use the Property for development and operation of a Fazoli's® Restaurant (the "Restaurant") pursuant to the terms of a Franchise Agreement entered into or to be entered into by Fazoli's Franchising Systems, LLC (the "Company"), and Franchisee (the "Franchise Agreement"). I acknowledge that the Company will rely upon this letter as a condition to the approval of the Property as a franchise location.

In connection with my representation of Franchisee, I have examined a fully executed original of the applicable purchase contract, a copy of which is attached to this letter as Exhibit ____ (the "Contract"), pursuant to which Franchisee [purchased] [has the unconditional right to purchase] the Property from the owner thereof (the "Owner"), and have conducted such other reasonable inquiry as I have deemed necessary or appropriate for purposes of the certifications expressed herein. Based upon the foregoing, I certify to the Company as follows:

1. A copy of the fully executed Contract is attached to this letter as Attachment ____.
2. A copy of the fully executed and file stamped *Deed* evidencing conveyance of title to Franchisee is attached to this letter as Attachment ____.
3. Franchisee has executed, and [has caused to be filed of record in the appropriate state and/or county records] [has the unconditional right to file] a *Memorandum of Right*

of First Refusal evidencing the Company's rights of first refusal under certain circumstances to purchase the Property and the building and other improvements placed thereon (the "Improvements"). [Two partially executed copies of the *Memorandum of Right of First Refusal* are enclosed for execution by Company to be returned and recorded by Franchisee and attached to this letter as Attachment ____] [A fully executed, file stamped copy of the *Memorandum of Right of First Refusal* recorded in the appropriate state or local records is attached to this letter as Attachment ____.]

[A *Memorandum of Right of First Refusal* form is attached for Franchisee Counsel's use.]

IF THE PROPERTY AND/OR THE IMPROVEMENTS ARE TO BE FINANCED AND ENCUMBERED BY A MORTGAGE OR LIEN, THEN, IN ADDITION TO THE FOREGOING, THE FOLLOWING CERTIFICATION MUST BE GIVEN:

4. [The Mortgagee(s) has (have) executed, and Franchisee has caused to be filed of record in the appropriate state and/or local records,] [Franchisee has the unconditional right to require the execution and recordation in the appropriate state and/or local records of] a *Right to Cure/Financing* whereby the Company is granted the right to cure any defaults under any mortgage Franchisee has granted against the Property and/or the Improvements. A fully executed, file stamped copy of the *Right to Cure/Financing* is attached to this letter as Attachment ____.

[A *Right to Cure/Financing* form is attached for Franchisee Counsel's use]

5. A copy of the fully executed loan agreement (with all guarantees) is attached to this letter as Attachment ____.

IF ANY OF THE ABOVE STATEMENTS CANNOT BE GIVEN AT THE TIME THIS LETTER IS ISSUED BECAUSE THE DOCUMENTS REFERENCED IN THOSE CERTIFICATIONS HAVE NOT YET BEEN FULLY EXECUTED OR RECORDED, THEN THE FOLLOWING COVENANT MUST BE MADE:

I covenant and agree to deliver to the above-named addressee, within ten (10) days following receipt of final properly recorded documents, and in no event later than the opening date of the Franchise Restaurant, a supplemental letter, substantially in the form of this letter, opining as to [those items listed above for which counsel was unable to certify because the requisite documents had not yet been fully executed or recorded]. Further, the documentation evidencing these certifications will be attached to the supplemental letter.

In addition, enclosed is certain information needed to complete the Franchise Agreement, including: Franchisee's state of incorporation or organization; the address of Franchisee's principal office; a list of all direct and indirect equity owners of Franchisee together with their respective percentage interests, titles, and addresses; and the person(s) authorized to execute

documents on behalf of the Franchisee. Additionally, I have enclosed copies of Franchisee's organizational documents.

Sincerely yours,

Attorney-At-Law

ATTACHED EXHIBITS

Attachment 1 Contract

Attachment 2 Deed

Attachment 3 Memorandum of Right of First Refusal

Appendix A Property-Legal Description

Attachment 4 Right to Cure/Financing

Appendix A Property-Legal Description

Attachment 5 Loan Agreement

**FOR USE BY FAZOLI'S FRANCHISEES WHEN
OWN/PURCHASING OR LEASING REAL ESTATE**

MEMORANDUM OF RIGHT OF FIRST REFUSAL

[If Franchisee owns or leases the Property Location from a Related Party, then certain modifications must be made to this form prior to execution by Franchisee or the Related Party]

This Memorandum of Right of First Refusal ("Memorandum") is made as of the __ day of _____, _____ by _____, a _____ [corporation/limited liability company/partnership], with principal offices at _____ ("Franchisee"), and FAZOLI'S FRANCHISING SYSTEMS, LLC, a Delaware limited liability company, with principal offices at 2470 Palumbo Drive, Lexington, Kentucky 40509-1117 ("Company").

WITNESSETH, THAT,

WHEREAS, Franchisee and the Company are parties to a Franchise Agreement (the "Agreement") whereby the Company granted to Franchisee a license to operate a Fazoli's® Restaurant at the Property Location (as hereinafter defined); and

WHEREAS, under the terms of the Agreement, Franchisee granted to the Company certain options and rights of first refusal (collectively, the "Rights") to purchase certain interests in the Property Location and/or improvements and personal property located thereon; and

WHEREAS, Franchisee is currently leasing the Property Location from the owner of the Property Location; and [the current owner of the Property Location; and]

WHEREAS, for the purpose of evidencing the existence of such Rights in the records of the County where the Property Location is situated, Franchisee and the Company execute, deliver and record this Memorandum.

NOW, THEREFORE, in consideration of the foregoing premises, the covenants and agreements hereinafter set forth, and the mutual benefits to be derived therefrom, the adequacy of which is acknowledged, Franchisee and the Company acknowledge and agree as follows:

1. Property Location. The "Property Location" is defined as follows:

City of _____, County of _____, and State of _____, with a street address of _____, as more particularly described in Appendix A, attached hereto and incorporated herein by reference.

2. Grant. If the Property Location and/or the improvements and personal property located thereon are, either now or at any time during the term of the Agreement, owned or leased by Franchisee and/or by

any person or entity (i) which owns or controls a majority of the equity interests of Franchisee, (ii) a majority of the equity interests of which is owned or controlled by Franchisee, or (iii) a majority of the equity interests of which is owned or controlled by a person or entity which owns or controls a majority of the equity interests of Franchisee (a "Related Party"), then Franchisee has granted, and has covenanted to cause each Related Party to grant, the Rights to Franchisee's and the Related Party's interests in the Property Location and/or the improvements and personal property located thereon to the Company. Each such Right shall be exercisable by the Company at any time during the term of the Agreement, including any extension thereof, or within ninety (90) days following the expiration or termination of the Agreement.

3. Exercise. In the event Franchisee desires to accept a *bona fide* offer from a third party to purchase an interest in the Property Location and the improvements located thereon, the Company shall have the right to purchase the applicable interest upon the same terms and conditions offered by any such third party, subject to the terms and extension rights set forth in the Rights contained in the Agreement.

4. Successors and Assigns. This Memorandum shall be binding upon and inure to the benefit of the Company and its successors and assigns.

5. Conflict. In the event of a conflict between the terms of this Memorandum and the terms related to the Rights contained in the Agreement, the terms contained in the Agreement shall prevail.

6. Governing Law. This Memorandum shall be construed in accordance with and governed by the laws of the state in which the Property Location is located.

IN WITNESS WHEREOF, the parties have executed and delivered, or have caused their authorized representatives to execute and deliver, this Memorandum of Right of First Refusal as of the date first above written.

WITNESSES:

FRANCHISEE

Print Name:_____

By: _____

Title: _____

Print Name:_____

Date: _____

WITNESSES:

FAZOLI'S FRANCHISING SYSTEMS, LLC

By: Fazoli's Restaurant Group, Inc.
Sole Member

Print Name:_____

By: _____

Title: _____

Print Name:_____

Date: _____

APPENDIX A

TO MEMORANDUM OF RIGHT OF FIRST REFUSAL

DATED _____, ____

EXECUTED BY

and

FAZOLI'S FRANCHISING SYSTEMS, LLC

DESCRIPTION OF THE PREMISES

FOR USE BY FAZOLI'S FRANCHISEES WHEN FINANCING ACQUISITION OF
LAND AND/OR CONSTRUCTION OF IMPROVEMENTS

RIGHT TO CURE/FINANCING

[If Franchisee is leasing the Premises from a Related Party, then certain modifications must be made to this form prior to execution by the Related Party]

This **Right To Cure/Financing** is made and granted effective as of the ____ day of _____, ____, by _____, a _____ [corporation/partnership], with principal offices at _____ (“Lender”), to and for the benefit of **FAZOLI'S FRANCHISING SYSTEMS, LLC**, a Delaware limited liability company, with offices at 2470 Palumbo Drive, Lexington, Kentucky 40509 (“Company”).

WITNESSETH, THAT,

WHEREAS, Lender is the current holder of that certain Mortgage and/or Security Agreement executed by _____ (“Borrower/Franchisee”), as the mortgagor, to and in favor of Lender, as the mortgagee, dated _____, and recorded in _____ Book _____, page _____, _____ County, _____ (the “Mortgage”), together with the promissory note or notes secured thereby; and

WHEREAS, the Mortgage constitutes a lien and encumbrance upon certain real property, and/or the improvements located, or to be located, thereon, situated:

City of _____, County of _____, State of _____,
with a street address of _____,

such property being more particularly described in Appendix A, attached hereto and incorporated herein by reference (the “Premises”); and

WHEREAS, Borrower/Franchisee is the current owner of the Premises and/or the improvements located thereon; and

WHEREAS, Borrower/Franchisee and the Company have entered into, or intend to enter into, a Franchise Agreement whereby Borrower/Franchisee acquires from the Company a license to develop and operate a Fazoli's® Restaurant on the Premises, and which provides in part that the Company's approval of the Premises is conditioned upon Lender executing and delivering this Right To Cure.

NOW, THEREFORE, in consideration of the foregoing premises, the covenants hereinafter set forth, and the mutual benefits to be derived therefrom, the receipt and adequacy of which are acknowledged, Lender covenants and agrees as follows:

1. **Covenant** Lender shall give written notice to the Company (concurrently with the giving of such notice to Borrower/Franchisee) of any default notice required to be provided by Lender to Borrower/Franchisee under the Mortgage, and the Company shall have, after expiration of the period during which Borrower/Franchisee may cure such default, an additional period of thirty (30) days to cure any such default; provided, however, that the Company shall not be obligated to cure any such default.

2. **Governing Law** This Agreement shall be construed in accordance with and governed by the laws of the state in which the Premises are located.

3. **Notices** Any notices required to be given hereunder shall be in writing and shall be deemed to have been given (i), in the case of delivery, when delivered to the party at the address set forth in the preamble to this Agreement; (ii) in the case of mailing, three business days after such notice has been deposited, postage prepaid, in the United States mails, certified or registered mail, return receipt requested, addressed to the party as set forth in the preamble to this Agreement; and (iii) in all other cases, when actually received. The parties may change the address to which such notices are to be given by providing written notice of such to the other in accordance with this Section 3.

4. **Successors and Assigns** This Agreement shall be binding upon and inure to the benefit of Lender and the Company and their respective successors and assigns.
IN WITNESS WHEREOF, Lender has caused its authorized representative to execute and deliver this **Right To Cure/Financing** as of the date first above set forth.

WITNESSES:

LENDER

Print Name: _____

Print Name: _____

By: _____

Title: _____

ACKNOWLEDGEMENT

STATE OF _____

COUNTY OF _____

The foregoing Right To Cure/Financing was acknowledged before me this _____ day of _____, by _____, as _____ of _____, a _____ [corporation/partnership], on behalf of such entity and for the purposes set forth therein.

My Commission Expires: _____

NOTARY PUBLIC

[SEAL]

APPENDIX A

TO RIGHT TO CURE/FINANCING

DATED _____, ____

EXECUTED BY

_____, as Lender

**FOR THE BENEFIT OF
FAZOLI'S FRANCHISING SYSTEMS, LLC**

DESCRIPTION OF THE PREMISES

FOR USE BY FAZOLI'S FRANCHISEES WHEN LEASING REAL ESTATE

LEASE AMENDMENT AGREEMENT

This Lease Amendment Agreement is made and entered into as of the ____ day of _____, ____, by and between _____, a _____ [corporation/limited liability company/partnership], with principal offices at _____ ("Landlord"), and _____, a _____ [corporation/limited liability company/partnership], and an independent Fazoli's® Restaurant franchisee, with principal offices at _____ ("Tenant").

WITNESSETH, THAT,

WHEREAS, Landlord and Tenant have entered into a lease agreement (the "Lease Agreement") for the following premises:

City of _____, County of _____, and State of _____,
with a street address of _____,

(the "Leased Premises"), which Leased Premises shall be used by Tenant for operation of a Fazoli's® Restaurant pursuant to the terms and subject to the conditions of a Franchise Agreement between Tenant and Fazoli's Franchising Systems, LLC ("FFS"), its successors and assigns; and

WHEREAS, FFS requires that each lease covering real estate to be used by Fazoli's franchisees for operation of a Fazoli's Restaurant must contain certain provisions for the direct benefit and protection of Tenant, FFS and the Fazoli's franchise system; and

WHEREAS, Landlord and Tenant, in order to more fully comply with FFS's requirements, desire to amend the terms of the Lease Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing recitals, the terms, conditions and covenants hereinafter set forth, and the mutual benefits to be derived therefrom, the receipt and adequacy of which are acknowledged, Landlord and Tenant agree as follows for the mutual benefit of Landlord and Tenant and for the benefit of FFS:

1. Amendments. Notwithstanding anything contained in the Lease Agreement to the contrary, the Lease Agreement is modified and amended in all respects consistent with the following:

(a) The initial term of the Lease Agreement, or the initial term together with any renewal terms for which rent shall be set forth in the Lease Agreement and which are exercisable by Tenant, shall be for a period of not less than fifteen (15) years from the opening date of the Fazoli's Restaurant.

(b) Landlord shall give written notice to FFS (concurrently with the giving of such notice to Tenant) at 2470 Palumbo Drive, Lexington, Kentucky 40509-1117, Attention: Franchise Department, or such other address as Landlord is provided by FFS in writing, of any

notice required to be provided by Landlord to Tenant under the Lease Agreement, including a notice of default by Tenant under the Lease Agreement, and FFS shall have, after the expiration of the period during which Tenant may cure such default, an additional period of thirty (30) days to cure any such default; provided, however, that FFS shall not be obligated to cure any such default. In the event FFS cures all monetary defaults of Tenant under the Lease, Tenant and Landlord agree that, upon receipt by Landlord of written election of assumption from FFS at any time within ninety (90) days following the date FFS cures such defaults, the Lease Agreement shall be automatically assigned to FFS, and FFS shall, thereafter, have all the rights and all of the prospective obligations of Tenant thereunder.

(c) In the event FFS elects to assume a leasehold interest in the Leased Premises upon Tenant's default, FFS shall have the right, without Landlord's prior consent, to assign the Lease Agreement, or to sublease the Leased Premises, from time to time, to franchisees, subsidiaries, or affiliates of FFS.

(d) Landlord acknowledges that FFS has and shall have, pursuant to the terms of the Franchise Agreement, a right of first refusal to purchase Tenant's ownership interest in the Leased Premises or the building and other improvements located thereon (the "Improvements") (whether such ownership is in the form of a leasehold, fee or other interest) from Tenant if Tenant desires to accept a *bona fide* offer from a third party to purchase an interest therein.

(e) Landlord agrees that, upon expiration or termination of the Franchise Agreement or the Lease Agreement, FFS shall have the right, but not the obligation, at FFS's sole cost, to enter upon the Leased Premises and to remove all trade names, trade dress and other trade indicia associated with FFS, including, without limitation, external and internal signage and menu boards, awnings, tower canopy and/or tower, and any neon on the tower structure, and all point-of-purchase materials and signage, decor and pictures, and, in general, all trade dress and architectural characteristics identifying the Leased Premises as a Fazoli's Restaurant, and to make such modifications thereto as are set forth in FFS's Online Information Center (a copy of the pertinent sections of which Landlord acknowledges receipt) including, without limitation, repainting, provided that FFS repairs any damage to the Leased Premises caused by such removal or modifications.

(f) FFS shall have the right to access the Leased Premises during continuance of the Lease Agreement to ensure compliance by Tenant with its obligations under Tenant's Franchise Agreement with FFS.

(g) The Lease Agreement shall not be amended, assigned or renewed without the prior written approval of FFS, which approval shall not be unreasonably withheld.

(h) Tenant shall have the right, from time to time, to refurbish the Leased Premises and the facilities and improvements located thereon without Landlord's consent, provided that such refurbishment must be a mandatory requirement of FFS and, provided further, that such refurbishment shall not decrease the value of the Leased Premises.

(i) FFS's standard promotional signs may be used in the Leased Premises by Tenant, so long as such usage complies with applicable laws and zoning requirements.

(j) Landlord waives its statutory Landlord's lien, if any, against all improvements placed or constructed upon the Leased Premises by Tenant, and against the furniture, fixtures, equipment and other personal property of Tenant.

(k) Landlord acknowledges and agrees that, upon (i) Tenant's financing default under the Franchise Agreement, (ii) Tenant's proposed assignment of its leasehold interest in the Leased Premises, (iii) Tenant's default under its Franchise Agreement with FFS or (iv) termination or expiration of Tenant's Franchise Agreement with FFS, FFS has, and shall have, a right to assume Tenant's leasehold interest in the Leased Premises, and a right to acquire title to the Improvements and the furniture, fixtures, equipment and other personal property of Tenant. Landlord further acknowledges and agrees that Tenant and FFS will file of record a Memorandum of Right of First Refusal evidencing FFS's rights set forth in this Section 1(k). Tenant covenants that such Memorandum shall be released of record at Tenant's expense upon expiration or termination of the Lease.

(l) Landlord and Tenant shall execute and place of record a Memorandum of Lease setting forth, in summary form, the critical dates and terms of the Lease Agreement, including FFS's rights and options set forth in Section 1(k) above.

2. Conflicts. In the event of a conflict between the terms of the Lease Agreement and the terms set forth in this Lease Amendment Agreement, the terms set forth herein shall govern.

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IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered, or caused their respective authorized representatives to execute and deliver, this Lease Amendment Agreement as of the date first above set forth.

WITNESSES:

LANDLORD

Print Name: _____

By: _____

Print Name: _____

Title: _____

Date: _____

WITNESSES:

TENANT:

Print Name: _____

By: _____

Title: _____

Print Name: _____

Date: _____

ACCEPTANCE BY FAZOLI'S FRANCHISING SYSTEMS, LLC

Fazoli's Franchising Systems, LLC, franchisor of the above-named franchisee/tenant, accepts the referenced Lease Agreement, as amended by the foregoing Lease Amendment Agreement, as satisfying the requirements of Fazoli's Franchising Systems, LLC's Franchise Agreement.

FAZOLI'S FRANCHISING SYSTEMS, LLC

By: Fazoli's Restaurant Group, Inc.
Sole Member

By: _____

Title: _____

Date: _____

SCHEDULE THREE

(Required by 13.02 and 14.10 - to be executed by all partners, members and holders of equity interests)

CONFIDENTIALITY AND OTHER BUSINESS INTERESTS AGREEMENT

This **CONFIDENTIALITY AND OTHER BUSINESS INTERESTS AGREEMENT (“Agreement”)** dated _____, is between Fazoli’s Franchising Systems, LLC, a Delaware limited liability company (the “Company”) and _____, who resides at _____ (the “Interested Party”).

On _____, the Company entered into a Franchise Agreement with _____, (the “Franchisee”). Interested Party understands that Franchisee will be in default under the Franchise Agreement and its franchise rights may be terminated if each general and limited partner, member or stockholder of Franchisee does not execute a written agreement to be personally bound by the covenants in Sections 10.05, 10.07, 12.02 and 13.02 of the Franchise Agreement. Interested Party desires to acquire and maintain an interest in Franchisee, and has an interest in ensuring that Franchisee complies fully with all of the terms of the Franchise Agreement.

NOW THEREFORE, in consideration of the Company's agreement not to terminate the Franchise Agreement by reason of the Interested Party's acquisition of an interest in Franchisee, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Interested Party agrees to be bound by and will comply with all the requirements set forth in Sections 10.05 (Nondisclosure of Trade Secrets and Confidential Information), 10.07 (Plans and Specifications; Confidential), 12.02 (Competing Business) and 13.02 (Assignment by Franchisee) of the Franchise Agreement. Notwithstanding the foregoing, the Interested Party may disclose Proprietary Information (as such term is defined in Section 10.05 of the Franchise Agreement) without the Company's prior written consent: (i) during the term of the Franchise Agreement to Franchisee's directors, officers and employees who have executed the Company's current Nondisclosure Agreement which is included in the Online Information Center (as may be updated and modified by the Company from time to time in its sole discretion) and only to the extent necessary for operation of the Franchise Restaurant; and (ii) to the extent such Proprietary Information has become public other than through any action or disclosure of Franchisee or Interested Party.

The covenants set forth in this Agreement and in Sections 10.05 (Nondisclosure of Trade Secrets and Confidential Information), 10.07 (Plans and Specifications; Confidential), 12.02 (Competing Business) and 13.02 (Assignment by Franchisee) of the Franchise Agreement shall survive the termination or expiration of the Franchise Agreement, any transfer of Interested Party’s interest or portion thereof in the Franchisee and any assignment or transfer of the Franchise Agreement. If any court in a final decision to which the Company is a party holds any provision of this Agreement or the Sections of the Franchise Agreement referenced herein or any portion(s) thereof to be unenforceable or reduces the scope or direction of any covenant or provision thereof, then the

parties shall petition the court to reform or reduce such covenant or provision such that it shall be legally enforceable to the greatest possible extent consistent with the parties original intent. The Interested Party shall be bound to the fullest extent by such covenant or provision as reformed or reduced consistent with such decision, and as if such reformed or reduced provision were separately set forth in and made a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement at Lexington, Kentucky on the day and year first above written.

FAZOLI'S FRANCHISING SYSTEMS, LLC

By: Fazoli's Restaurant Group, Inc.
Sole Member

By: _____

Name: _____

Title: _____

Print Name: _____

SCHEDULE FOUR

(Required by 13.02 and 14.10 - to be executed by
all partners or members, or holders of equity interests of 10% or greater, if none,
then all holders of equity interest)

GUARANTY OF FRANCHISEE'S UNDERTAKINGS

In consideration of, and as an inducement to, Fazoli's Franchising Systems, LLC 's (the "Company"), execution of the Franchise Agreement dated _____ with _____ ("Franchisee"), each of the undersigned hereby personally and unconditionally guarantees to the Company, its affiliates, successors, assigns, parent and its parent's other subsidiaries, for the term of the Franchise Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement. Each of the undersigned further waives (a) acceptance and notice of acceptance of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or for performance of any obligations guaranteed; and (c) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each of the undersigned further consents and agrees that (1) his direct and immediate liability under this Guaranty shall be joint and several; (2) that he shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) that such liability shall not be contingent or conditioned upon the pursuit of any remedies against Franchisee or any other person; and (4) that such liability shall not be diminished, relieved or otherwise affected by the extension of time, credit or any other indulgence which the Company, its affiliates, successors, assigns, parent or its parent's other subsidiaries, may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty. This Guaranty shall continue and be irrevocable throughout the term of the Franchise Agreement and any extensions thereof, and for a period of one (1) year after the expiration or termination of the Franchise Agreement.

Each of the undersigned acknowledges that they have had continuing and substantial contact with the Company in Kentucky in connection with the transactions referenced in this Guaranty and the Franchise Agreement. This Guaranty shall be governed by and interpreted in accordance with the substantive laws of Kentucky, without regard to its conflict of law principles. Any action brought to enforce the terms of this Agreement shall be filed in the U.S. District Court for the Eastern District of Kentucky (or, solely in the event that such U.S. District Court lacks subject matter or diversity jurisdiction over such action, in the Fayette County, Kentucky Circuit Court), and the parties hereby consent and submit to the jurisdiction of said courts for resolving any claims arising in connection with this Guaranty.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the above Franchise Agreement was executed.

GUARANTOR:

Print Name: _____

Personal Address: _____

SCHEDULE FIVE
FRANCHISEE'S ORGANIZATIONAL STRUCTURE

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Date: _____

By: _____

Name: _____

Title: _____

SCHEDULE SIX

BANK AUTHORIZATION AGREEMENT (DIRECT DEBITS)

The undersigned depositor (“Depositor”) hereby (1) authorizes Fazoli’s Franchising Systems, LLC, its successors or assigns, its affiliated or related entities, (“Company”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account indicated below, and (2) authorizes the depository designated below (“Depository”) to debit such account pursuant to the Company’s instructions.

Depository

Branch

City State

Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depositor shall provide Company with thirty (30) days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account by Company, Depositor shall have the right to have the amount of such entry credited to such account by Company. Depositor shall have sent to Company written notice identifying such entry within 45 days of posting, stating that such entry was in error and requesting Company to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

DEPOSITOR (Print Name)

By: _____

Its: _____

Date: _____

SCHEDULE SEVEN

Brand Technology System Support Services Agreement (Required by 10.08)

Franchisee Information

Franchisee:	
Address:	
City:	
State:	Zip Code:
Telephone Number:	Fax Number:
Email Address:	

This BRAND TECHNOLOGY SYSTEM SUPPORT SERVICE AGREEMENT (the "Agreement") is made and entered into as of _____ ("Effective Date"), by and between Fazoli's System Management, LLC ("FSM") and the franchisee whose name and address appears above, for the Franchise Restaurant #_____ located at _____ hereafter referred to as "Franchisee." This agreement also references the Approved Suppliers List, hereafter referred to as "Approved Suppliers" and "Brand Technology System Standards," all of which are part of the Fazoli's Online Information Center, hereafter referred to as "Online Information Center."

WHEREAS, Franchisee has purchased or subscribed to one or more element(s) of the Brand Technology System, as listed in the Fee Schedule attached hereto at Attachment 1, which is used for, but is not limited to: order entry, loyalty marketing, online ordering, and Back of House operations of Fazoli's restaurants. The Brand Technology System includes a back office computer, POS terminals, printers, cash drawers, uninterruptible power supply, monitors, a report printer, a label printer, networking equipment and other third party hardware and software required for use in Information Technology systems such as the Point of Sale, Back of House, Loyalty, Online Ordering, or other administrative areas of Information Technology.

WHEREAS, FSM, through its I.T. Department (the "I.T. Department") is willing and agrees to provide certain franchisee support services to the Franchisee set forth in this Agreement (the "Services") related to the hardware and software specified in the Online Information Center.

WHEREAS, Franchisee agrees to accept such Services and assumes certain responsibilities and obligations as more particularly set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, it is agreed by and between FSM and the Franchisee to abide by the terms, conditions and definitions of this Agreement as set forth throughout this Agreement.

TERM AND TERMINATION

The initial term of the Agreement shall be from the Effective Date as set forth above through December 31st of that year. Upon the expiration of the initial term, this Agreement shall automatically renew for successive one year renewal terms unless or except as otherwise provided herein. In the event FSM will no longer provide the Services as described under this Agreement, the Franchisee will be notified in writing and the Agreement terminated sixty (60) days following the date of such notice. In the event Franchisee permanently closes for business, sells or transfers a restaurant to a third party, Franchisee shall notify FSM in writing and the Agreement shall terminate only with respect to such restaurant as of the date of such closure, transfer or sale. Notwithstanding the foregoing, this Agreement will remain effective with respect to Franchisee's other restaurants. In the event that FSM terminates the entire Agreement early, FSM will refund a prorated amount of Help Desk Fees that Franchisee paid in advance under this Agreement based on the number of weeks remaining in the term.

CHARGES AND PAYMENTS

In exchange for the Services that FSM provides to Franchisee, Franchisee shall pay FSM the fees for the services chosen by Franchisee as set forth on the Fee Schedule on Attachment 1 (the "Fees") attached to this Agreement and incorporated herein. If the initial term is less than one year in length, the Fees set forth on attachment 1 are or will be prorated to the first day of the quarter in which Brand Technology System services begin. Not all technology fees will be billed by FSM. In some cases, fees may be directly billed by supplier.

For any software single fee less than \$500: Franchisee shall pay FSM in advance for all Fees together with any applicable sales, use excise, or other taxes related to the Services on a quarterly basis through ACH. For any software single fee more than \$500: Franchisee shall pay FSM in advance for all Fees together with any applicable sales, use excise, or other taxes related to the Services, within 10 days of receiving said Invoice for the Services. All payments of Fees made through ACH shall occur no more than fifteen (15) days before the quarter for which Franchisee is making payment. Franchisee shall execute the Bank Authorization Agreement for ACH transactions attached as Schedule Six to the Franchise Agreement for the purpose of paying the Fees and other payments due under this Agreement, as well as the Franchise Agreement. Franchisee shall notify FSM within 10 days of any changes to bank information which will affect ACH withdrawals, including but not limited to bank account numbers, bank routing numbers, and insufficient funds. If for any reason Franchisee fails to pay any invoice issued pursuant to or in connection with this Agreement when due, FSM may charge Franchisee interest at eighteen percent (18%) per annum, or the highest rate allowed by applicable law, until paid in full. Additionally, FSM shall have the right to stop performing the Services until Franchisee pays in full all amounts owed under this Agreement. Upon termination of this Agreement, Franchisee shall still remain obligated to pay FSM all monies owed pursuant to this Agreement. For any hardware

supplied by FSM, Franchisee shall pay FSM in advance by credit card for all equipment, shipping, taxes and a credit card fee of 4%.

Charges for special shipping services beyond those that are standard or otherwise listed in this Agreement (such as Saturday delivery), are not included in the Fees and are Franchisee's responsibility. The Franchisee shall pay FSM its current hourly rate, including labor, travel time and expenses, if the Franchisee requests FSM to dispatch a Help Desk technician to a Franchisee site for training or support. All additional costs allowed under this Agreement, including those listed in section VII, may be collected through the ACH withdrawal.

DEFAULT.

Event of Default. The following shall constitute an Event of Default by Franchisee:

- (i) Non-payment when due of any amount due and payable under this Agreement;
- (ii) Upon thirty (30) days prior written notice of breach from FSM, Franchisee's breach of any of its obligations under this Agreement (except for Franchisee's payment obligations under this Agreement) that remains uncured after expiration of such notice period;
- (iii) Franchisee shall be unable to pay its bills as they become due, or shall become insolvent or shall commit an act of bankruptcy under the United States Bankruptcy Act, or shall file or have filed against it, voluntarily or involuntarily, a petition in bankruptcy or for reorganization or for the adoption of an arrangement or plan under the United States Bankruptcy Code or shall procure or suffer the appointment of a receiver for any substantial portion of its properties, or shall initiate or have initiated against it, voluntarily or involuntarily, any act, process or proceeding under any insolvency law or other statute or law providing for the modification or adjustment of the rights of creditors; or
- (iv) Franchisee shall fail to observe or perform any covenant or agreement binding on Franchisee under any other agreements it has with FSM within any applicable grace period.

Remedies. If an Event of Default occurs FSM may do any of the following:

- (i) immediately terminate this Agreement;
- (ii) stop performing any of the Services until the Event of Default is cured; or
- (iii) declare any amounts owed under this Agreement, whether then due or to become due, immediately due and payable and recover damages for such unpaid amount.

A default under this Agreement shall constitute a default under any other agreement between FSM and Franchisee or Franchisee's Affiliates. For purposes of this Agreement, an "Related Party" of the Franchisee shall mean any person or entity: (1) which owns a majority of the equity interests of the Franchisee, (2) a majority of the equity interests of which is owned by the Franchisee, or (3)

a majority of the equity interests of which is owned by a person or entity which owns a majority of the equity interests of the Franchisee. As used in this Agreement, “owns” or “owned” shall include both direct and indirect ownership.

Cumulative Remedies. The remedies set forth in this Agreement are not exclusive, but are cumulative and in addition to any other remedies otherwise available to FSM in law and equity.

EXCLUSION FROM SERVICE

Unless agreed otherwise in writing, FSM shall have no obligation to provide Services: (i) to maintain, repair or replace equipment or parts that are identified as “hardware” in the Online Information Center (the “Equipment”) when necessitated by catastrophe, accidents, neglect, misuse, spillage, fault or negligence of Franchisee, faulty electric power or air-conditioning, or any other causes; (ii) to service or repair accessories, apparatuses, attachments, or any other devices that FSM does not support; (iii) to make changes, modifications or alterations to Equipment; (iv) to rebuild or overhaul Equipment; (v) to replace expendable parts on the Equipment, including but not limited to printer consumable supplies, cables, or removable media; (vi) for any software listed in the Online Information Center (the “Software”) when necessitated by catastrophe, accidents, neglect, misuse, fault or negligence of Franchisee, faulty electric power or air-conditioning, or any other causes other than ordinary use; (vii) to correct any problems in the functionality of the Software that are caused when the Software is used in conjunction with software that is not FSM approved software or used on a system other than the Brand Technology System on which the Software was originally installed; or (viii) to support any software or hardware not listed in the Online Information Center.

LIMITATIONS OF SERVICE

The Help Desk is only accessible via telephone during the business hours listed in the Online Information Center. Any requests for service after these hours of operation will be addressed the following business day. No requests for same day shipping of equipment will be processed after 3:00 p.m. EST, for FSM supplied equipment.

WARRANTY CLAIMS ON EQUIPMENT AND SOFTWARE

With respect to the Equipment and Software, FSM may act as an agent to facilitate warranty or maintenance claims on behalf of Franchisee. FSM shall not provide Services to Franchisee for any Equipment or Software for which Franchisee has not obtained from the appropriate manufacturer or vendor a warranty or maintenance agreement. FSM cannot guarantee problem resolution for any Equipment or Software issue more quickly than the response and repair time of the manufacturer or vendor providing warranty or maintenance services for such Equipment or Software. It is the Franchisee’s sole responsibility to maintain warranty or maintenance coverage on all pieces of equipment that are required for a complete functioning Brand Technology System, including but not limited to the PC, printers, POS terminals, networking equipment,

communications equipment or server and internet connectivity. In the event that Franchisee requires services from FSM to restore full functionality following the failure of a system not covered by a required warranty or maintenance, the Franchisee shall pay FSM its current hourly rate, including labor, travel time and expenses, plus shipping and material costs incurred while restoring system functionality.

STANDARD FRANCHISEE SUPPORT SERVICES

Conditions Precedent to FSM Obligations:

As a condition precedent to FSM performing its obligations herein, the Franchisee is required and agrees to the following:

- (a) Franchisee shall keep current all payments for Fees.
- (b) Franchisee shall adhere to all Brand Technology System Standards for hardware, software, processes, business rules and requirements as defined in the Online Information Center.
- (c) Franchisee shall maintain current warranty or maintenance coverage on all essential items of equipment comprising the Brand Technology System, including but not limited to the PC, printers, POS terminals, networking equipment, communications equipment, server or internet connectivity. In the event that warranty or maintenance service is no longer available, Franchisee shall purchase replacement equipment that can be covered by warranty or maintenance prior to expiration of coverage or within 30 days of notification by FSM, whichever is earlier, at Franchisee's expense.
- (d) Franchisee shall provide proof of warranty or maintenance agreement with the appropriate manufacturer or vendor for all supported Equipment and Software upon renewal or request by FSM.
- (e) Franchisee shall pay any costs of repair for the Equipment that is not covered under the applicable warranty.
- (f) Franchisee shall pay FSM or the appropriate vendor any fees for support and maintenance of the Software.
- (g) Franchisee shall use an FSM approved point of sale ("POS") system, as detailed in the Online Information Center.
- (h) Franchisee shall repair or replace within 72 hours any equipment or cabling that due to failure or defect interferes with the normal operation of the Brand Technology System, prevents the Brand Technology System from communicating with the Point of Sale, or prevents the Brand Technology System from

communicating with FSM servers. This will include, but is not limited to, internet connectivity.

(i) For Franchisees who are not on the Par/Brink Point of Sale System, Franchisee shall obtain all support for POS problems directly from its POS support vendor for hardware, programming and steering. FSM, Par, or a help desk designated by FSM will provide support for Franchisees who are on Par/Brink Point of Sale.

(j) Franchisee shall not install any software, other than that listed as approved in the Online Information Center on any of the Brand Technology System equipment. If unauthorized software is found on any of the Brand Technology System equipment, FSM may remove it without advanced notice to the Franchisee, and all costs for such removal and restoration of the system to approved standards will be billed to Franchisee as part of the Fees at an hourly rate not to exceed FSM's then current rate.

(k) Franchisee shall not grant to anyone other than the Help Desk personnel or FSM's information technology staff any administrative privileges for the Brand Technology System, without advanced approval from an FSM's information technology leadership team member.

(l) Franchisee shall maintain at least one General Manager or Restaurant Manager per restaurant that has attended the approved Brand Technology System training.

(m) Franchisee shall maintain at least one person, the Key Operator, Supervisor or other employee with supervisory authority over Franchisee's restaurant(s), which has been approved by FSM and is properly trained on the Brand Technology System. This person shall provide support to the restaurants for all Franchisee specific Brand Technology System support needs. This person must receive calls from Franchisee-owned restaurants and/or FSM if the person's support or involvement is needed. In the event a Franchisee-owned restaurant is unable or unwilling to resolve a problem concerning the Brand Technology System that is within its control, the certified and trained person will be contacted and requested to work with the restaurant directly until the problem has been resolved.

(n) Franchisee shall ensure that its personnel receive ongoing training in the use and operation of the Brand Technology System. If Franchisee contacts the Help Desk for support of functions that are included in the Brand Technology System training program or Online Help that could have been resolved by Franchisee personnel properly trained and certified, then FSM may invoice Franchisee for such call at its then current hourly rates.

- (o) Franchisee agrees to stay current with all FSM technology changes, enhancements and additions, pertaining to the Brand Technology System as updated in the Online Information Center or otherwise. Hardware or software upgrades or employee training may be required, at Franchisee's expense, in the event of a change to major technology standards or in the event that Franchisee's hardware or software is past the supported end of life as defined by the manufacturer.
- (p) Franchisee shall adhere to FSM POS programming schedules as identified in the Online Information Center.
- (q) Franchisee shall cause a properly certified employee to input and maintain on the Brand Technology System all vendor related information.
- (r) Franchisee must have a telephone that reaches to the Brand Technology System equipment.
- (s) Franchisee shall cause reasonable restaurant level cooperation with the Help Desk staff in problem solving via the telephone and/or electronic communications such as email or online chat.
- (t) Franchisee shall ship to FSM broken Equipment for repair within five (5) days of receiving replacement Equipment. Franchisee agrees to fax or email the Help Desk a copy of the air bill at the time of shipment to facilitate tracking. In the event the Help Desk does not receive the Equipment and no proof of shipment is provided, FSM will collect via Franchisee's quarterly ACH payment the full replacement value of such Equipment. Failure to pay charges incurred will result in an Event of Default, which may result in suspension of support until such default is cured.
- (u) Franchisee shall maintain proof of ownership for software licenses to include, by way of example only and not as a limitation, Par/Brink software, Crunchtime software and any other optional software.
- (v) Franchisee is responsible for accurate data entry into the Franchisee's Point of Sale system and Brand Technology System.
- (w) Franchisee is responsible for establishing and maintaining an internet connection with an appropriate Internet Service Provider ("ISP"). If at any time Franchisee is not complying with any of the condition precedents listed above, FSM may immediately cease providing the Services.

Help Desk Support

The Services shall include Franchisee access to the Help Desk during the hours of operation specified in the Online Information Center. Help Desk support will include assisting with problems pertaining to:

- The Equipment;
- The Software that is identified as supported in the Online Information Center (the “Supported Software”);
- The WAN (Wide Area Network), with the exception of the Franchisee’s ISP
- Next day reporting via the current FSM standard reporting solution;

FSM may provide second level support through other FSM resources, including, but not limited to, its Information Technology, Accounting and Training departments. FSM may access Franchisee’s computer, network hardware, Point of Sale system, or any other above store systems or databases as needed in order to provide support, perform upgrades and system maintenance, ensure the security of the network, ensure compliance with laws and industry regulations, and perform other tasks required for support of the Brand Technology System. This may be done without the prior notification of the Franchisee.

FSM Obligations. Subject to the terms of this Agreement, FSM shall provide the following Services:

- (a) FSM may make any warranty or maintenance claims that Franchisee may have with the appropriate manufacturer of the Equipment and coordinate with such manufacturer the warranty or maintenance service that is required and permissible under the appropriate Equipment warranty or maintenance agreement. FSM shall only provide these Services for Equipment that Franchisee has executed a warranty or maintenance agreement with the manufacturer of such Equipment.
- (b) FSM may make any maintenance or support claims that Franchisee may have with the appropriate vendor of the Supported Software and coordinate with such vendor the maintenance or support service that is required and permissible under the appropriate Supported Software maintenance or support agreement. FSM shall only provide these Services for Supported Software that Franchisee has executed a maintenance or support agreement with the vendor of such Supported Software.
- (c) FSM (through the Help Desk) shall prioritize all Franchisee calls, as it deems appropriate from time to time. Initially, calls will be prioritized based upon the following criteria:
 - 1. Priority 1 = system down due to hardware failure or software corruption. The WAN is down and credit card processing is completely unavailable.
 - 2. Priority 2 = system functionality issues. The Franchisee cannot perform daily tasks on the Brand Technology System such as scheduling or

- inventory, Administrative functions such as Franchisee cannot retrieve e-mail or does not have access to a form.
3. Priority 3 = training issues. Franchisee is asking “how to” questions or ask for investigation of possible issues with recipes or food cost issues.
- (d) FSM shall use a call tracking application to track all Brand Technology System Equipment and Supported Software issues, documenting each incident.
 - (e) FSM shall provide, upon Franchisee’s request, but not more frequently than once per month, Franchisee history of Brand Technology System Equipment and Supported Software issues.
 - (f) FSM shall conduct periodic Franchisee satisfaction surveys.
 - (g) To the extent that FSM has been notified in advance from the third-party suppliers, FSM shall provide notification, via e-mail or alternate methods if necessary, of planned and unplanned outages that may or will affect service or availability of systems.
 - (h) FSM will provide Par/Brink POS programming updates per the schedule set forth in the Online Information Center.
 - (i) FSM will provide network monitoring and problem resolution for connectivity to Fazoli’s systems, such as e-mail or polling, and access to any of the approved Internet sites as listed in the Online Information Center as well as connectivity problems to the Fazoli’s approved credit processing provider as listed in the Online Information Center.

In the event Franchisee is dissatisfied with the service it is receiving, the following escalation path should be taken:

- i. Help Desk Supervisor
- ii. Director of Information Technology
- iii. Senior most office directly responsible for Franchise operations

FSM Depot Obligations. Subject to the terms of this Agreement, FSM shall provide the following additional Services (the “Depot Services”) with respect to the Brand Technology System PC and time clock that are part of the B System (the “Depot Equipment”):

- a. FSM may, in its reasonable discretion, replace any part of a Brand Technology System PC or the entire Brand Technology System that is the subject of a valid warranty claim with the manufacturer.

- (b) FSM may, in its reasonable discretion, replace the hard drive or other components of a Brand Technology System PC as a fix to a Supported Software issue.
- (c) FSM shall provide same day shipping of replacement Depot Equipment for all diagnosed problems reported prior to 3:00 PM EST. Standard shipping method is Ground service.
- (d) FSM shall provide Saturday and Next-Day Early A.M. deliveries at Franchisee's request and expense for all Depot Equipment.
- (e) FSM shall provide return labels for ground shipping Depot Equipment to FSM for repair.
- (f) FSM shall replace any Depot Equipment that it replaces pursuant to this Agreement with equipment/parts of equal or greater capacity.
- (g) FSM shall send weekly email(s) for non-returned Depot Equipment with Franchisee's charges for replacing the Equipment.
- (h) FSM reserves the right to adjust its services concerning Depot Equipment as needed from time to time.

WORKMANSHIP WARRANTY AND DISCLAIMER OF ALL OTHER WARRANTIES.

FSM warrants that the Services provided by FSM personnel will be rendered by competent professionals with the degree of skill and care that is required by current good and sound professional procedures and practices in accordance with industry standards. If FSM breaches this limited warranty, Franchisee shall be entitled to re-performance of defective services at no additional cost to Franchisee and in such time and manner as is reasonable in light of the nature of the Services and their impact on the business operations of the Franchisee. This shall be Franchisee's sole and exclusive remedy for FSM's breach of this limited warranty. This warranty does not cover any Services that a third party renders, such as warranty work that a manufacturer performs on Equipment or maintenance work that a vendor performs on Software.

FSM is not providing any warranty whatsoever with respect to the Equipment and Software. Franchisee shall obtain any warranties on the Equipment and Software from the appropriate manufacturer or vendor of the Equipment and Software. FSM provides no warranty with respect to any data that it or others input into the Brand Technology System.

OTHER THAN THE WARRANTY PROVIDED ABOVE, FSM EXPRESSLY DISCLAIMS ALL WARRANTIES WITH RESPECT TO THE SERVICES THAT FSM IS RENDERING UNDER THIS AGREEMENT, THE DATA THAT IT INPUTS INTO THE BRAND TECHNOLOGY SYSTEM, THE BRAND TECHNOLOGY SYSTEM, THE EQUIPMENT OR THE SOFTWARE, WHETHER SUCH WARRANTIES ARE EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, IMPLIED WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE, NON-INFRINGEMENT, AND IMPLIED WARRANTY ARISING BY USAGE OR TRADE, COURSE OF DEALING, COURSE OF PERFORMANCE, OR THAT THE BRAND TECHNOLOGY SYSTEM SHALL BE ERROR FREE OR OPERATE UNINTERRUPTED.

INDEMNIFICATION

Franchisee agrees to defend, indemnify and hold FSM, its affiliated and related entities, its and their respective members, officers, directors, shareholders, employees, agents and representatives, harmless from and against all liabilities, losses, attorneys' fees, fines, penalties or any other damages (collectively, the “Damages”) arising out of or on account of any claims, causes of actions or proceedings that any third party or governmental party may bring to the extent such Damages arise from: (i) Franchisee’s breach or alleged breach of its license for the Software; (ii) Franchisee’s breach or alleged breach of Franchisee’s agreements with any manufacturer of the Equipment; (iii) any negligent act, omission, or willful misconduct of Franchisee in the performance of this Agreement; or (iii) Franchisee’s breach of any covenant, warranty or representation set forth in this Agreement. The terms of this Article IX shall survive the termination or expiration of this Agreement.

LIMITATION OF REMEDIES

1. FSM SHALL NOT BE LIABLE FOR ANY DATA THAT IT RECEIVES FROM FRANCHISEE AND INPUTS INTO THE BRAND TECHNOLOGY SYSTEM. FSM DISCLAIMS ANY LIABILITY FOR ANY ERRORS IN THE DATA IT INPUTS (OTHER THAN ERRORS THAT ARE THE RESULT OF FSM’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT). FSM SHALL NOT BE LIABLE FOR ANY ERRORS OR DEFECTS IN THE SOFTWARE OR EQUIPMENT.
2. EXCEPT FOR THE INDEMNITY OBLIGATIONS SET FORTH HEREIN, NO PARTY SHALL UNDER ANY CIRCUMSTANCES BE RESPONSIBLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE, OR CONSEQUENTIAL DAMAGES OR LOSSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF REVENUE, DATA, PROFIT OR USE OR COST OF CAPITAL), ARISING OUT OF OR RELATED IN ANY WAY TO THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT, EVEN IF THE OFFENDING PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. UNDER NO CIRCUMSTANCES SHALL FSM’S TOTAL LIABILITY OF ALL KINDS ARISING OUT OF OR RELATED TO THIS AGREEMENT, REGARDLESS OF THE FORUM AND REGARDLESS OF WHETHER ANY ACTION OR CLAIM IS BASED ON CONTRACT, STRICT LIABILITY, TORT OR OTHERWISE, EXCEED THE TOTAL AMOUNT THAT FRANCHISEE PAYS TO FSM FOR THE SERVICES (DETERMINED AS OF THE DATE OF ANY FINAL JUDGMENT IN SUCH ACTION).
3. FSM is not responsible for hard drive crashes unless such crash is a result of FSM’s gross negligence or willful misconduct. If a hard drive needs to be reloaded with Software, FSM will provide the standard BRAND TECHNOLOGY System image and the restaurant specific information will be retrieved from the restaurant’s system back up, if available. FSM is not responsible for lost data due to backup failures.

GOVERNING LAWS

The existence, validity and construction of this Agreement shall be governed in all respects by the substantive laws of the Commonwealth of Kentucky. With respect to any claims concerning this Agreement, each party agrees: (i) to submit to the exclusive general jurisdiction of the Courts of the Commonwealth of Kentucky or the federal courts that are located in Lexington, Kentucky; (ii) that any such action or proceeding may be brought in such courts; and (iii) to waive any objection that it may have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same.

ATTORNEYS FEES AND ENFORCEABILITY

If any action at law or equity is brought to enforce or interpret any of the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees in addition to any other relief to which it may be entitled. In the event a provision of the Agreement is held by any court to be invalid, void or unenforceable by action of law or equity, the remaining provisions shall continue in full force and effect and such invalid, void or unenforceable provision shall be stricken from this Agreement.

NOTICE

Notice to be submitted by either party shall be sufficiently given if made in writing and sent by prepaid Certified Mail, or hand delivered as evidenced by signed receipt, or by express delivery with a nationally recognized carrier. Until either party provides notice to the other party of a change in address, all notices shall be sent to the addressee specified below to the attention of the persons named:

If to FSM:

If to Franchisee:

Fazoli's System Management, LLC

Attn: Help Desk Supervisor

2470 Palumbo Drive

Lexington, KY 40509

With Copy to: Fazoli's Legal Department at the same address set forth above.

ENTIRE AGREEMENT AND MODIFICATION

This Agreement and all documents and agreements referred to in this Agreement supersede all prior understandings, agreements and discussions between the parties concerning this subject matter, with such prior understandings, agreements and discussions between the parties being merged into this Agreement, and constitute the entire agreement between the parties with regard to this subject matter. The parties have not relied upon any promises, representations, warranties,

agreements, covenants or undertakings, other than those expressly set forth or referred to herein. No amendment, change, waiver or discharge hereof shall be valid unless in writing and signed by the party against whom enforcement is sought.

ASSIGNMENT

1. The Company may assign this Agreement and any or all benefits and obligations arising from it.
2. Franchisee shall not assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of Company, and any such assignment lacking consent shall be null and void. This Agreement shall be binding on and shall inure to the benefit of the successors and assignees of the Franchisee hereto, but nothing in this Article shall be construed as a consent to any assignment of this Agreement by Company except as provided hereinabove.

NO WAIVER

Waiver of the benefit of any provision of this Agreement must be in writing to be effective. The waiver by any party hereto of a breach of any provision hereof shall not operate or be construed as a waiver of any subsequent breach. No action taken pursuant to this Agreement shall be deemed to constitute a waiver by such party of compliance by the other party hereto with any of the covenants or other obligations contained herein. A failure by a party to insist upon strict compliance with any term of this Agreement, enforce any right or seek any remedy upon any default of any other party shall not affect, or constitute a waiver of, such party's right to insist upon such strict compliance, enforce that right or seek that remedy with respect to that default or any prior, contemporaneous or subsequent default.

DELAYS

FSM shall not be liable for any failure or delay in delivery or in rendering service if the failure or delay is caused entirely or in material part by events beyond FSM's control, including but not limited to fire, tornado, flood, earthquake, civil turmoil, labor dispute, failure or delay of transportation, or shortage or unavailability of parts or units. Shipping is subject to availability.

HOLIDAYS

FSM recognizes the holidays set forth in the Online Information Center. The Help Desk will be available on those holidays as set forth in the Online Information Center.

EXCLUSIONS FROM PLAN

The following items are excluded from this Agreement and will not be supported by FSM in the event of a failure:

- Non-standard hardware

- Non-standard software
- Unapproved POS hardware and software
- Unapproved exports or Interfaces to external systems such as Payroll, Accounting, (GL, etc.)
- Internet Service Providers or telephone vendors
- Updates or corrections to vendor information

AUTHORITY

All parties signing this Agreement expressly represent and warrant that they have the requisite authority to enter into this Agreement on behalf of the party for which they are signing.

COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Execution of this Agreement via facsimile shall be effective, and signatures received via facsimile shall be binding upon the parties hereto and shall be effective as originals.

ASSIGNMENT OF INVENTIONS

A. Franchisee shall make full and prompt disclosure to FSM of all inventions, improvements, modifications, discoveries, creations, works of authorship, methods, processes and developments which are related to the Brand Technology System (all of which are collectively termed “Work Product”), and which are made or conceived by Franchisee, alone or with others, whether or not such developments are patentable, copyrightable, registerable as a trademark, servicemark or the like, or protected as confidential information, whether or not such developments are made or conceived during normal working hours or on the premises of Franchisee.

B. All Work Products shall belong to FSM, its successors and permitted assigns. Franchisee shall automatically assign, and shall cause its personnel automatically to assign, at the time of creation of the Work Product, without any requirement of further consideration, any right, title, or interest it or they may have in such Work Product, including any patents or copyrights or other intellectual property rights pertaining thereto. Upon request of FSM, Franchisee shall take such further actions, and shall cause its personnel to take such further actions, including execution and delivery of instruments of conveyance, as may be appropriate to give full and proper effect to such assignment. If such further actions shall be requested outside the term of this Agreement, FSM agrees to compensate Franchisee on an hourly basis for the time spent on such actions at Franchisee’s then established rates for such efforts.

C. FSM shall determine, in its sole and absolute discretion, whether an application for patent, for copyright, for trademark, for mask work registration, or for any other intellectual property right

shall be filed on any Work Product which is assigned to FSM under this Agreement and whether such an application shall be prosecuted or abandoned prior to issuance or registration.

D. Franchisee shall have a non-exclusive, perpetual, royalty-free license to use, modify and copy the Work Product, without any right to sublicense to unrelated third parties.

E. This Article XXII shall survive termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of _____.

Fazoli's System Management, LLC

By: Fazoli's Restaurant Group, Inc.

Its Sole Member

By: _____

Name: _____

Title: _____

Date: _____

Franchisee:

By: _____

Name: _____

Title: _____

Date: _____

Address: _____

Key Operator Signature

ATTACHMENT 1

FEE SCHEDULE

Fazoli's Brand Technology System Services = \$11,296 (minimum requirement) - \$13,096 total annual fee, excluding Wide Area Network service, and depending on the options that are chosen by Franchisee.

Category/Item	Annual Cost	Billing method
<u>Third Party Software</u>	\$ 908	
Bit9	\$ 142	Rebilled by FSM
Altiris/Ghost	\$ 16	Rebilled by FSM
Microsoft CAL	\$ 34	Rebilled by FSM
CT Server Maint	\$ 200	Rebilled by FSM
Sysaid	\$ 17	Rebilled by FSM
Mail Enable	\$ 5	Rebilled by FSM
Meraki Router	\$ 224	Rebilled by FSM
Meraki AP	\$ 110	Rebilled by FSM
Google Apps/Vault	\$ 160	Rebilled by FSM
<u>BOH/POS/ATS Software</u>	\$ 7,052	
Brink POS	\$ 2,892	Billed directly by Vendor
Crunchtime Net-Chef	\$ 1,760	Rebilled by FSM
Crunchtime TeamworX	\$ 600	Rebilled by FSM
**Crunchtime BizIQ	\$ 600	Rebilled by FSM
**Crunchtime Mobile	\$ 600	Rebilled by FSM
**Talent Reef	\$ 600	Billed directly by Vendor
<u>Catering/Online Ordering/Loyalty</u>	\$ 2,340	
Punchh Loyalty	\$ 1,140	Rebilled by FSM
Monkey Media Catering/OLO	\$ 1,200	Billed directly by Vendor
<u>4G Communications</u>	\$ 1,408	
4G Backup communications	\$ 208	Rebilled by FSM
4G Primary communications	\$ 1,200	Rebilled by FSM
<u>IT Support Services</u>	\$ 1,388	
Help Desk	\$ 1,388	Billed by FSM
Total Range	\$11,296 - \$13,096	

** Not required as of 7/1/2018. Fazoli's reserves the right to make these mandatory at any point in the future.

EXHIBIT D

Right to Cure/Financing Agreement

**FOR USE BY FAZOLI'S FRANCHISEES WHEN FINANCING ACQUISITION OF LAND
AND/OR CONSTRUCTION OF IMPROVEMENTS**

RIGHT TO CURE/FINANCING

[If Franchisee is leasing the Premises from a Related Party, then certain modifications must be made to this form prior to execution by the Related Party]

This **Right To Cure/Financing** is made and granted effective as of the ____ day of _____, ____ by _____, a _____ [corporation/partnership], with principal offices at _____ (“Lender”), to and for the benefit of **FAZOLI'S FRANCHISING SYSTEMS, LLC**, a Delaware limited liability company, , with offices at 2470 Palumbo Drive, Lexington, Kentucky 40509 (“Company”).

WITNESSETH, THAT,

WHEREAS, Lender is the current holder of that certain Mortgage and/or Security Agreement executed by _____ (“Borrower/Franchisee”), as the mortgagor, to and in favor of Lender, as the mortgagee, dated _____, and recorded in _____ Book _____, page _____, _____ County, _____ (the “Mortgage”), together with the promissory note or notes secured thereby; and

WHEREAS, the Mortgage constitutes a lien and encumbrance upon certain real property, and/or the improvements located, or to be located, thereon, situated:

City of _____, County of _____, State of _____,
with a street address of _____,

such property being more particularly described in Attachment One, Description of the Premises, attached hereto and incorporated herein by reference (the “Premises”); and

WHEREAS, Borrower/Franchisee is the current owner of the Premises and/or the improvements located thereon; and

WHEREAS, Borrower/Franchisee and the Company have entered into, or intend to enter into, a Franchise Agreement whereby Borrower/Franchisee acquires from the Company a license to develop and operate a Fazoli's® Restaurant on the Premises, and which provides in part that the Company's approval of the Premises is conditioned upon Lender executing and delivering this Right To Cure.

NOW, THEREFORE, in consideration of the foregoing premises, the covenants hereinafter set forth, and the mutual benefits to be derived therefrom, the receipt and adequacy of which are acknowledged, Lender covenants and agrees as follows:

1. **Covenant** Lender shall give written notice to the Company (concurrently with the giving of such notice to Borrower/Franchisee) of any default notice required to be provided by Lender to Borrower/Franchisee under the Mortgage, and the Company shall have, after expiration of the period during which Borrower/Franchisee may cure such default, an additional period of thirty (30) days to cure any such default; provided, however, that the Company shall not be obligated to cure any such default.

2. **Governing Law** This Agreement shall be construed in accordance with and governed by the laws of the state in which the Premises are located.

3. **Notices** Any notices required to be given hereunder shall be in writing and shall be deemed to have been given (i), in the case of delivery, when delivered to the party at the address set forth in the preamble to this Agreement; (ii) in the case of mailing, three business days after such notice has been deposited, postage prepaid, in the United States mails, certified or registered mail, return receipt requested, addressed to the party as set forth in the preamble to this Agreement; and (iii) in all other cases, when actually received. The parties may change the address to which such notices are to be given by providing written notice of such to the other in accordance with this Section 3.

4. **Successors and Assigns** This Agreement shall be binding upon and inure to the benefit of Lender and the Company and their respective successors and assigns.

IN WITNESS WHEREOF, Lender has caused its authorized representative to execute and deliver this **Right To Cure/Financing** as of the date first above set forth.

WITNESSES:

LENDER

Print Name: _____

By: _____

Print Name: _____

Title: _____

ACKNOWLEDGEMENT

STATE OF _____

COUNTY OF _____

The foregoing Right To Cure/Financing was acknowledged before me this ____ day of _____, by _____, as _____ of _____, a _____ [corporation/partnership], on behalf of such entity and for the purposes set forth therein.

My Commission Expires: _____

NOTARY PUBLIC

[SEAL]

ATTACHMENT ONE

**TO RIGHT TO CURE/FINANCING
DATED _____, ____**

EXECUTED BY

_____, as Lender

**FOR THE BENEFIT OF
FAZOLI'S FRANCHISING SYSTEMS, LLC**

DESCRIPTION OF THE PREMISES

EXHIBIT E

Fazoli's Online Information Center Sections and SubsectionsHome

- Trending – This section is where we highlight subtopics that are found throughout the Online Information Center that the Company believes should be brought to the Franchisee's attention. These highlighted subtopics change regularly, but can also be found permanently under the corresponding topic of the tabs along the top of the page, or by using the search tool, located to the right of the tabs.
- Franchise Notice – This is a permanent post at the bottom of the Online Information Center's home page. This notice provides a simplified version of our confidentiality notice and disclosure statements, pertaining to the Online Information Center and its contents.

COVID-19 Updates¹

- COVID-19 Health Screening Questionnaire
- Handwashing Procedure
- Editable Hours Sign
- Maximum Occupancy Sign

Company Directory

- Accounting
- Executive Team
- Human Resources
- Information Technology
- Legal
- Marketing
- Office Administration
- Operations
- Supply Chain
- Training

Fazoli's Culture

- Fazoli's Mission Statement
- Fazoli's Values
- Our Values
- Fazoli's Operating Theme

Quality Assurance

- Product Quality Reporting

¹ We take the health and safety of our guests and employees very seriously. Due to the nature of COVID-19 (Coronavirus Disease 2019), this topic is updated regularly with our most recent policies and procedures. If, in the future, the company feels comfortable with lowering our COVID-19 precautions, this tab may be removed entirely. Franchisees with questions or concerns relating to Fazoli's current COVID-19 precautions, policies, and procedures should contact ? for information.

- Company Health Department Requirements
- Health Department
- Pasta Food Safety Guidelines
- PFG Credit Request Form
- Safety
- Employee Health
- Sanitation

Operations

- Associate Appearance
- Daily Bundles/Ops Forms
- Crisis Management
- Guest Recovery
- Recipes & Procedures
 - Fresh Pasta
 - Pizza, Subs, & Salads
 - Baked Pasta
 - Family Meals & Lunch Specials
 - Snacks & Shareables
 - Catering
 - Storage & Prep
 - Beverages & Desserts
 - Top-Its & Sides
- Restaurant Security
 - Cash Security Standards
 - Closing Security Procedures
 - Conduct During Robbery
 - Opening Security Procedures
 - Physical Security Standards
 - Reporting Crimes
 - Security Investigations
- ServSafe

Marketing

- Franchise Marketing
- Company Marketing
- Off-Premise

Brand Technology (IT)

- Contact Information
- Bullseye Phone System
- Company Alarm System
- IT Rollout
- IT Systems Quick Reference Guides
- Music Network

- POS/Kitchen Monitor Care
- Kiosk Ordering
- IT Communications

Training

- Select Franchise Locations ONLY! – New Hires
- Noodle University
- Manager Pocket Guide
- Build Charts & Job Aids – Site
- ServSafe
- About Noodle University
- Readiness Checklist

Human Resources

- All American Site
- Company Benefits
- Company Bonus Program
- Company Handbook
- Company Policies & Procedures
- Company Risk Management
- Crisis Management
- Hall of Fame
- Pins & Recognition
- Recruitment Guide
- Recruitment Portal
- Selection & Hiring
- TalentReef Quick Reference Guide
- Payroll Quick Reference Guide

More

- Supply Chain
 - PFG Special Order/Credit Process
 - Approved Vendors/Equipment
 - Receiving & Storing Goods
 - Quick Links
 - Quality Assurance
 - Safety
 - Sanitation
- Franchise Requirements
 - Approved Brands
 - De-Identification
 - Hiring of Fazoli's Management Personnel
 - Franchise Royalty Reporting
 - Required Standard Menu Items
 - Retention of Forms

- Trademarks

Search – Indicated by a magnify glass icon, this tool allows you to search the entire Online Information Center for words and phrases you input by typing in the search box, which appears after clicking the icon.

EXHIBIT F

**Termination Agreement, Release Agreement
and Confidentiality and Non-Competition Agreement**

TERMINATION AGREEMENT

This TERMINATION AGREEMENT ("Termination Agreement") is made and shall be effective as of _____ by and between _____, a _____ corporation ("Franchisee"); and FAZOLI'S FRANCHISING SYSTEMS, LLC, a Delaware limited liability company (the "Company"). _____; _____; and _____ (individually and collectively, the "Guarantors") join in this Termination Agreement as Guarantors of Franchisee's obligations. *[Add if a Related Party has signed the Franchise Agreement: _____, a _____ corporation, ("Related Party") has executed the Franchise Agreement as a Related Party under the Franchise Agreement and joins in this Termination Agreement with respect to certain covenants applicable thereto.]*

RECITALS:

- A. Franchisee and the Company are parties to that certain Franchise Agreement dated _____, as amended (the "Franchise Agreement"), pursuant to which Franchisee franchised Fazoli's® Restaurant No. _____ located at _____ (the "Franchise Restaurant"). Section 2.01 of the Franchise Agreement requires Franchisee to operate the Restaurant for a term of 15 years commencing on _____ and ending on _____ (the "Term").
- B. Franchisee has requested the Company to terminate the Franchise Agreement, effective _____, which termination will relieve Franchisee of its obligation to continue to operate the Franchise Restaurant for the full Term.
- C. The Company has agreed to the early termination of the Franchise Agreement provided that Franchisee and Guarantors execute this Termination Agreement and perform the covenants and deliveries provided herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants set forth herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows, intending to be legally bound:

1. Termination. The Franchise Agreement is hereby terminated as of 11:59 p.m. on _____ (the "Termination Date") as of which date and time Franchisee shall forever cease and terminate business operations under the Fazoli's System of or from the Franchise Restaurant. Thereafter, Franchisee, Guarantors and the Company shall be relieved from performing any further obligations under the Franchise Agreement; *provided, however*, that such termination shall not relieve Franchisee and Guarantors of the following covenants and obligations, all of which shall survive the Termination Date and the termination of the Franchise Agreement:

- a. Franchisee shall pay immediately to the Company, its affiliates and subsidiaries, all sums due and owing under the Franchise Agreement and the Company may, at its option, impose

the charge on late payments on such amounts provided by Section 6.04 of the Franchise Agreement.

b. In addition to all sums owed referenced in paragraph (a) above, Franchisee shall pay immediately to the Company the amount of _____, as an early termination fee, as calculated pursuant to Section 11.02 of the Franchise Agreement.

c. Franchisee shall pay immediately to all System suppliers all sums due and owing for goods and services provided to the Franchise Restaurant.

d. On or before _____, Franchisee shall de-identify the Franchise Restaurant strictly in accordance with Company's specifications as found in the Fazoli's Restaurant De-Identification Resource Guide, attached hereto as Schedule One and incorporated herein by reference, and, thereafter, Franchisee shall not permit or suffer the Franchise Restaurant Premises to be altered in a manner that would (i) incorporate any of the design elements altered or removed during the de-identification process; or (ii) adopt features similar to such design elements. In the event of a breach by Franchisee of the obligations of this paragraph (c), in addition to any other remedies that the Company may pursue, Franchisee shall pay Company the sum of Five Hundred Dollars (\$500.00) per day, until de-identification shall be completed. Such payment shall not be an interim license fee and shall not be construed as a penalty, having been agreed to by Franchisee and the Company as reasonably representative of the actual damages sustained by the Company in the event of such breach.

e. Franchisee shall remove from the premises of the Franchise Restaurant or destroy any paper or plastic goods, emblems, signs, displays or other property on which the Fazoli's name, any of the Proprietary Marks or any confusing simulation thereof are imprinted.

f. Franchisee shall maintain and preserve all records required by Section 8.04 of the Franchise Agreement with respect to the operation of the Franchise Restaurant, and shall permit the Company to inspect such records, pursuant to Section 8.05 of the Franchise Agreement.

g. Franchisee shall promptly return to the Company all copies of the Online Information Center, the Training Manual and all other documents containing proprietary information about the Fazoli's System, including, but not limited to, all recipes, training materials, sales reports, financial information and similar information, used in or stored at the Franchise Restaurant.

h. Franchisee's covenants provided in Sections 9.01 and 9.02 of the Franchise Agreement, regarding indemnity of the Company in connection with Franchisee's operation of the Franchise Restaurant and the maintenance of insurance, shall survive the Termination Date and the termination of the Franchise Agreement.

i. Franchisee's other covenants provided in Sections 8, 9, 10, 11, 12, and 13 of the Franchise Agreement shall survive the Termination Date and the termination of the Franchise Agreement. Without limiting the foregoing, Franchisee **[and Related Party]** shall not suffer or permit the Franchise Restaurant Premises to be used for, or in connection with, an Italian

Restaurant (as defined in the Franchise Agreement) for a period of two (2) years from the Termination Date; provided, however, a restaurant or food service business operated from the Franchise Restaurant Premises may sell or serve flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that such items collectively constitute less than twenty percent (20%) of the sales of such restaurant or food service business. Unless the Franchise Restaurant Premises are transferred to Company or its designee, Franchisee **[and Related Party]** shall cause the uses permitted in any lease agreement assigning, subletting or conveying a leasehold interest in the Franchise Restaurant Premises to contain the foregoing restrictions. In the event fee title to the Franchise Restaurant Premises is conveyed by Franchisee **[and Related Party]**, Franchisee **[and Related Party]** shall cause the following language to be incorporated into the deed of transfer:

By acceptance and recordation of this deed, GRANTEE, on behalf of itself and its successors, assigns and beneficiaries, warrants and covenants that, without the prior written consent of GRANTOR and its attorney-in-fact, designated below, acting jointly, the Premises shall not be used for, or in connection with, an Italian Restaurant (as defined herein). This covenant shall be binding upon GRANTEE, its successors and assigns for a period ending on _____, or the maximum restrictable time under state law on the date of execution hereof, whichever is less. GRANTEE agrees that it will not convey the Premises except by lease or deed containing a restrictive covenant equivalent to the above, which fully protects GRANTOR'S interest herein. Any subsequent purchaser or lessee under GRANTEE agrees to be bound by the same provision and agrees that the foregoing covenant is attached to and running with the land. For purposes of this paragraph, an "Italian Restaurant" shall mean a restaurant or other food service business, which sells or serves flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguine, and fettuccini) and/or pizza; provided, however, that the restaurant or food service business operated from the Premises may sell or serve flour or non-flour based pasta (e.g., spaghetti, macaroni, ravioli, lasagna, linguini and fettuccini) and/or pizza, provided that such items collectively constitute less than twenty percent (20%) of the sales of such restaurant or food service business.

GRANTOR grants to FAZOLI'S FRANCHISING SYSTEMS, LLC, a Kentucky corporation, the power and authority, and constitutes FAZOLI'S FRANCHISING SYSTEMS, LLC as its agent and attorney-in-fact, to waive or modify the restriction on the use of the Premises set forth in the immediately preceding paragraph. The foregoing power and agency is coupled with an interest and shall survive the death or dissolution of GRANTOR. Such power and authority shall inure to the benefit of Fazoli's Systems, Inc and its successors and assigns.

2. Time of Essence. Time shall be of the essence in the performance of each of the obligations set out in Section 1 of this Termination Agreement. In the event Franchisee fails to timely perform any of the foregoing obligations, the Company shall have the right, in its sole discretion to declare this Termination Agreement void *ab initio* and/or to seek damages resulting from the breach of Franchi'ee's obligations hereunder.

3. Document Deliveries. To induce the Company to enter into this Termination Agreement and in partial consideration thereof, (i) Franchisee and Guarantors shall each execute and deliver, or cause other parties to execute and deliver, to the Company the Release in the form attached hereto, fully executed by all named signatories; and (ii) Franchisee shall cause its Interested Parties to, execute and deliver to the Company the Confidentiality and Non-Competition Agreement in the form attached hereto.

4. Representations and Warranties of Franchisee. Franchisee and Guarantors represent and warrant as follows:

a. That Franchisee is a duly organized corporation, validly existing and in good standing under the laws of the **State of _____** and has all requisite power and authority necessary to enter into and carry out the provisions of this Termination Agreement.

b. That no one other than Franchisee has any interest, legal or equitable, direct or indirect, overt or concealed, in the Franchise Agreement, or with respect to operations carried on at the Franchise Restaurant except Franchisee.

c. That Franchisee is duly authorized and legally entitled to enter into this Termination Agreement and there are no third party consents required to Franchisee's execution, delivery and performance of this Termination Agreement.

d. That no judgments, actions, suits or proceedings are pending against Franchisee, and no causes of action exist against Franchisee, arising out of or with respect to Franchisee's conduct of business pursuant to the Franchise Agreement, or the occupancy of use of the Franchise Restaurant or its premises.

e. That Franchisee has paid, or will pay when due, all federal, state, county, city and other taxes, fees, charges and assessments, however named or described, together with any interest or penalty, arising from Franchisee's operation of the Franchise Restaurant, including, without limitation, income, gross receipts, sales and use, withholding, unemployment, Social Security, real property and personal property taxes.

5. Indemnification. Franchisee **[Related Party]** and Guarantors (and each of them), for themselves and their respective heirs, successors, assigns and representatives do hereby agree to indemnify and hold harmless the Company, its affiliates and associates and their respective shareholders, officers, directors, employees, agents, attorneys, successors and assigns from and against any and all liability, loss, damage or expense (including attorney's fees and costs) which any of them may sustain or incur because of any breach of any representation, warranty, covenant or obligation by Franchisee **[Related Party]** or Guarantors or the failure of any of them to perform or observe any term, condition or covenant of this Termination Agreement.

6. Miscellaneous.

a. Entire Agreement. Except as otherwise provided herein with reference to other written agreements, this Termination Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements and discussions regarding the subject matter hereof. This Termination Agreement may not be altered, amended, modified, or otherwise changed in any respect or particular whatsoever, except by a writing fully executed by all parties hereto.

b. No Assignment. The rights and/or obligations of any party to this Termination Agreement shall not be assigned to any person (whether or not a party hereto) without

the prior written consent of all other parties and any purported assignment without such consent shall be void *ab initio*.

c. No Disparaging Comments. No party to this Termination Agreement shall issue or make, or caused to be issued or made, any disparaging comment, press release or announcement or other negative disclosure concerning the other parties hereto, the transactions contemplated herein, or the relationship of the parties without the advance approval of the form and substance thereof by all other parties.

d. Defined Terms. All capitalized terms used in this Termination Agreement but not defined herein shall have the meaning ascribed to such term in the Franchise Agreement.

e. Titles and Captions. Section titles, captions and exhibits contained in this Termination Agreement are inserted only as a matter of convenient reference, and in no way define, limit, extend or describe the scope of this Termination Agreement, or the intent of any provision hereof.

f. Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

g. Choice of Law; Construction. This Termination Agreement has been accepted by the Company at Lexington, Kentucky, and shall be governed by, and construed in accordance with the laws of the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed, which law shall prevail in the event of any conflict of law. To the fullest extent permitted by law, Franchisee **[Related Party]** and Guarantors irrevocably submit to the jurisdiction of the courts of the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed for the adjudication of any claims or disputes arising under this Termination Agreement and they waive any objection to either the jurisdiction or venue of such forums. Franchisee, Guarantors **[and Related Party]** have each had an opportunity to have this Termination Agreement reviewed by counsel representing their respective interests. Accordingly, any ambiguities contained herein shall not be construed against any particular party, notwithstanding it's drafting of this Termination Agreement. The rights and remedies of the Company accruing under this Termination Agreement and the surviving provisions of the Franchise Agreement shall be cumulative and any conflict between the terms of any such documents shall be resolved by construing the Company's rights and remedies with the most liberal scope possible.

h. Severability; Reformation. If any provision of this Termination Agreement, or the application thereof to any person, entity or circumstances, shall be deemed to be invalid or unenforceable to any extent by a court of competent jurisdiction, then the remainder of this Termination Agreement, and the application of such provision to other persons, entities or circumstances, shall not be affected thereby and shall be enforced to the greatest extent permitted by law. If any court in a final decision to which the Company is a party holds any provision of

this Termination Agreement or portion hereof to be unenforceable or reduces the scope or direction of any covenant or provision herein, then the parties shall petition the court to reform or reduce such covenant or provision such that it shall be legally enforceable to the greatest possible extent consistent with the parties' original intent. The parties shall be bound to the fullest extent by such covenant or provision as reformed or reduced consistent with such decision, and as if such reformed or reduced provision were separately set forth in and made a part of this Termination Agreement.

i. Execution in Counterparts; Delivery. This Termination Agreement may be executed in any number of counterparts and all such counterparts shall, for all purposes, constitute one agreement, binding upon the parties hereto, notwithstanding that all parties are not signatory to the same counterpart. The failure of any individual signatory to this Termination Agreement to execute and deliver this Termination Agreement shall in no way affect the obligations of any other signatories hereto. Facsimile signatures of the parties to this Termination Agreement shall be deemed to be original signatures.

j. Binding Agreement. Except as otherwise herein provided, this Termination Agreement shall be binding upon, and inure to the benefit of, the parties hereto, their respective heirs, successors, assigns, Affiliates and Related Party. As used herein, "affiliates" shall have the meaning as defined in Rule 405 promulgated under the Securities Act of 1933, 17 C.F.R. §230.405.

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the date first above written.

FRANCHISEE:

By: _____

Name: _____

Title: _____

RELATED PARTY
LLC

Member

By: _____

Name: _____

Title: _____

GUARANTORS:

FRANCHISOR:

FAZOLI'S FRANCHISING SYSTEMS,

By: Fazoli's Restaurant Group, Inc., Sole

By: _____

Name: _____

Title: _____

SCHEDULE ONE

Fazoli's Restaurant De-Identification Resource Guide

RELEASE

This RELEASE ("Release") is made and shall be effective as of _____, by _____, a _____ corporation, ("Franchisee") in favor of FAZOLI'S FRANCHISING SYSTEMS, LLC, a Delaware limited liability company (the "Company"). _____, _____ and _____ join in this Release as guarantors of Franchisee (individually and collectively, the "Guarantors").

RECITALS:

- A. Franchisee and the Company are parties to that certain Franchise Agreement dated _____ (the "Franchise Agreement"), pursuant to which Franchisee franchised Fazoli's® Restaurant No. _____ located at _____, (the "Restaurant").
- B. Franchisee has requested the Company to terminate the Franchise Agreement, effective _____, which termination will relieve Franchisee of its obligation to continue to operate the Restaurant through _____.
- C. The Company has agreed to the early termination of the Franchise Agreement pursuant to the terms of a Termination Agreement dated as of _____ (the "Termination Agreement"). This Release is delivered pursuant to Section 3 of the Termination Agreement as partial consideration of the Company's consent to the Termination Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants set forth herein and in the Termination Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows, intending to be legally bound:

- Release.** Franchisee, Guarantors (and each of them), for themselves and their respective successors, assigns and representatives (collectively, the "Releasors"), do hereby release, acquit and forever discharge the Company, its affiliates and associates and their respective shareholders, officers, directors, employees, agents, attorneys, successors and assigns (collectively, the "Releasees"), from and against any and all claims, liabilities, obligations, promises, agreements, controversies, demands, actions, causes of action, suits, rights, damages, costs, losses, debts and expenses (including without limitation attorneys' fees and court costs) of whatever kind or nature, in law or in equity, whether known or unknown (hereinafter referred to singularly as a "Claim" and in the plural as "Claims"), which the Releasors now have or have had against each or any of the Releasees by reason of any matter, act, omission, cause or event whatever that has occurred prior to the date of this Release.
- Scope of Release.** The foregoing releases specifically include, without limiting their general terms, all Claims arising from or relating in any way to the Franchise Agreement together with any and all Claims for or on account of any matter or thing whatsoever that has occurred up to and including the date of this Release. For the purpose of implementing a full and complete release and discharge of the respective Releasees, the respective Releasors expressly acknowledge that this Release is intended to include in its effect, without limitation, all Claims of which such

Releasors do not know or suspect to exist in their favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such Claim or Claims.

3. Covenant Not to Sue. Releasors covenant and agree never to commence, prosecute, or assist in the commencement or prosecution of, or in any way to cause, permit, or advise to be commenced or prosecuted, against Releasees any Claim which Releasors ever had, now have, or hereafter may have against Releasees, by reason of any act, transaction, practice, conduct or omission of the Company that occurred prior to the date of this Release. Releasors further covenant and agree that they shall not hereafter, in any action at law, in equity, or in any other proceeding, subject Releasees to any discovery request or demand, including, but not limited to, any depositions, interrogatories, or requests to produce or inspect documents or things, pertaining to any matter released by this Release.

4. Indemnity. Releasors shall indemnify Releasees against and hold them harmless from: (a) all costs, expenses, losses and damages incurred by Releasees resulting from or arising out of any Claim asserted against Releasees in conflict with the releases herein granted; and (b) any and all costs and expenses (including legal and accounting fees) incurred in connection therewith.

5. Representations. Franchisee, Guarantors, and each of them, represent and warrant to the Company as follows: (a) they have not sold, assigned, transferred, conveyed or otherwise disposed of any claim, demand, or cause of action relating to any matter or thing covered by this Release; and (b) this Release is not subject to any condition precedent, it has not been orally altered or modified in any respect whatsoever, and they agree not to assert any such claim.

6. Miscellaneous.

a. Entire Agreement. Except as otherwise provided herein with reference to other written agreements, this Release contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements and discussions regarding the subject matter hereof. This Release may not be altered, amended, modified, or otherwise changed in any respect or particular whatsoever, except by a writing fully executed by all parties hereto.

b. No Assignment. The rights and/or obligations of any party to this Release shall not be assigned to any person (whether or not a party hereto) without the prior written consent of all other parties and any purported assignment without such consent shall be void *ab initio*.

c. No Admission. This Release shall not be construed as an admission of liability on the part of any party hereto nor the validity or existence of any of the disputed claims of the parties hereto.

d. Defined Terms. All capitalized terms used in this Release but not defined herein shall have the meaning ascribed to such term in the Franchise Agreement.

e. Titles and Captions. Section titles, captions and exhibits contained in this Release are inserted only as a matter of convenient reference, and in no way define, limit, extend or describe the scope of this Release, or the intent of any provision hereof.

f. Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

g. Choice of Law; Construction. This Release has been accepted by the Company at Lexington, Kentucky, and shall be governed by, and construed in accordance with the laws of, the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed, which law shall prevail in the event of any conflict of law. To the fullest extent permitted by law, Franchisee and Guarantors irrevocably submit to the jurisdiction of the courts of the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed for the adjudication of any claims or disputes arising under this Release and they waive any objection to either the jurisdiction or venue of such forums. Each party has had an opportunity to have this Release reviewed by counsel representing their respective interests. Accordingly, any ambiguities contained herein shall not be construed against any particular party, notwithstanding its drafting of this Release.

h. Severability; Reformation. If any provision of this Release, or the application thereof to any person, entity or circumstances, shall be deemed to be invalid or unenforceable to any extent by a court of competent jurisdiction, then the remainder of this Release, and the application of such provision to other persons, entities or circumstances, shall not be affected thereby and shall be enforced to the greatest extent permitted by law. If any court in a final decision to which the Company is a party holds any provision of this Release or portion hereof to be unenforceable or reduces the scope or direction of any covenant or provision herein, then the parties shall petition the court to reform or reduce such covenant or provision such that it shall be legally enforceable to the greatest possible extent consistent with the parties' original intent. Franchisee and Guarantors shall be bound to the fullest extent by such covenant or provision as reformed or reduced consistent with such decision, and as if such reformed or reduced provision were separately set forth in and made a part of this Release.

i. Execution in Counterparts; Delivery. This Release may be executed in any number of counterparts and all such counterparts shall, for all purposes, constitute one agreement, binding upon the parties hereto, notwithstanding that all parties are not signatory to the same counterpart. The failure of any individual signatory to this Release to execute and deliver this Release shall in no way affect the obligations of any other signatories hereto. Facsimile signatures of the parties to this Release shall be deemed to be original signatures.

j. Binding Agreement. Except as otherwise herein provided, this Release shall be binding upon, and inure to the benefit of, the parties hereto, their respective heirs, successors, assigns, Affiliates and Related Party. As used herein, "affiliates" shall have the meaning as defined in Rule 405 promulgated under the Securities Act of 1933, 17 C.F.R. §230.405.

IN WITNESS WHEREOF, the parties have executed this Release as of the date first above written.

FRANCHISEE

GUARANTORS:

By: _____

Name: _____

Title: _____

FAZOLI'S FRANCHISING SYSTEMS, LLC

By: Fazoli's Restaurant Group, Inc.
Its Sole Member

By: _____

Name: _____

Title: _____

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This CONFIDENTIALITY AND NON-COMPETITION AGREEMENT (this "Agreement") is made and entered into on _____ (the "Effective Date"), by (i) _____, a _____ corporation ("Franchisee"), (ii) _____; _____; and _____; (individually and collectively, "Interested Parties"); and (iii) FAZOLI'S FRANCHISING SYSTEMS, LLC, a Delaware limited liability company with principal offices at 2470 Palumbo Drive, Lexington, KY 40509-1117 (the "Company").

RECITALS:

A. Franchisee and the Company are parties to that certain Franchise Agreement dated _____ (the "Franchise Agreement"), pursuant to which Franchisee developed Fazoli's® Restaurant No. _____ located at _____ (the "Restaurant"). In connection with the issuance of the Franchise Agreement, each of the Interested Parties executed and delivered a Confidentiality and Other Business Interests Agreement (individually and collectively, the "Confidentiality Agreements") whereby each of them personally agreed to abide by certain provisions of the Franchise Agreement, including Sections 10.05 (Nondisclosure of Trade Secrets and Confidential Information), 10.07 (Plans and Specifications; Confidential) and 12.02 (Competing Business).

B. Franchisee has requested the Company to terminate the Franchise Agreement, effective _____, 201__, which termination will relieve Franchisee of its obligation to continue to operate the Restaurant through _____.

C. The Company has agreed to the early termination of the Franchise Agreement pursuant to the terms of a Termination Agreement dated as of _____, 201__ (the "Termination Agreement"). This Non-competition Agreement is delivered pursuant to Section 3 of the Termination Agreement to serve as partial consideration of the Company's consent to the Termination Agreement and in order to acknowledge and confirm Interested Parties' continuing obligations to the Company in regards to the confidentiality and non-competition covenants in the Confidentiality Agreements.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals, the covenants and agreements hereinafter set forth, and the mutual benefits to be derived therefrom, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows, intending to be legally bound:

1. Competing Business – Interested Parties hereby acknowledge that, pursuant to the Franchise Agreement, they have received valuable training and confidential and trade secret information, including, without limitation, information regarding the designs, systems, promotional, operational, sales and marketing methods and techniques of the Company and the Fazoli's® Restaurants System. Accordingly, Interested Parties, and each of them, hereby agree that:

a. For a period of two (2) years from the date of this Agreement, they shall not, except as otherwise approved in advance in writing by the Company, either directly or indirectly, for himself, or through, on behalf of, or in conjunction with, any person or business entity, own, maintain, engage in, or have any interest in any Italian Restaurant, which is located within a five (5) mile radius of any Fazoli's® Restaurant (whether franchised or owned by the Company or any Affiliate of the Company) located within the United States.

b. The Company shall have the right, in its sole discretion and without consent of Interested Parties, to reduce the scope of any covenant of this Agreement which shall be binding upon, and fully enforceable against, Interested Parties. The reduction shall be effective immediately upon receipt by Interested Parties of written notice thereof, and they shall comply immediately with the covenant as so reduced.

c. Any claim any of them may have against the Company, whether or not arising from the Franchise Agreement, shall not constitute a defense to the Company's enforcement of the covenants of this Agreement or of Sections 10.05 (Nondisclosure of Trade Secrets and Confidential Information), 10.07 (Plans and Specifications; Confidential) or 12.02 (Competing Business) of the Franchise Agreement, each of which shall survive the termination of the Franchise Agreement.

d. Their failure to comply with the requirements of this Agreement or Sections 10.05 (Nondisclosure of Trade Secrets and Confidential Information), 10.07 (Plans and Specifications; Confidential) and 12.02 (Competing Business) of the Franchise Agreement will cause the Company irreparable injury, and Interested Parties hereby accordingly agree that, in addition to all other legal or equitable rights and remedies which the Company may have under this Agreement, the Franchise Agreement, or otherwise, the Company shall be entitled, and Interested Parties hereby consent, to the entry of an order by any court of competent jurisdiction for specific performance of, or for an injunction against violation thereof.

2. Confidential Information – Franchisee and Interested Parties, and each of them, represent and warrant to the Company that (a) they have not retained any copies in any form of any Proprietary Information, including without limitation, the Online Information Center, the Training Manual, the standard plans, drawings and specifications or any other document containing confidential information, recipes, construction plans or trade secrets of the Company or the Fazoli's® Restaurant System; and (b) that they will not disclose to any person for any purpose any such Proprietary Information in any form without the Company's prior written consent.

3. Indemnity. Interested Parties shall indemnify the Company and its affiliates and their respective officers, directors, shareholders and employees, agents and representatives against and hold it harmless from and against all costs, expenses, losses and damages (including legal and accounting fees) incurred by the Company resulting from or arising out any breach by Interested Parties of the covenants set forth in this Agreement or the Confidentiality Agreements.

4. Miscellaneous.

a. No Amendment. This Agreement may not be altered, amended, modified, or otherwise changed in any respect or particular whatsoever, except by a writing fully executed by all parties hereto.

b. No Assignment. The rights and/or obligations of any party to this Agreement shall not be assigned to any person (whether or not a party hereto) without the prior written consent of all other parties and any purported assignment without such consent shall be void *ab initio*.

c. Defined Terms. All capitalized terms used in this Agreement but not defined herein shall have the meaning ascribed to such term in the Franchise Agreement.

d. Titles and Captions. Section titles, captions and exhibits contained in this Agreement are inserted only as a matter of convenient reference, and in no way define, limit, extend or describe the scope of this Agreement, or the intent of any provision hereof.

e. Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

f. Choice of Law; Construction. This Agreement has been accepted by the Company at Lexington, Kentucky, and shall be governed by, and construed in accordance with the laws of the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed, which law shall prevail in the event of any conflict of law. To the fullest extent permitted by law, Interested Parties irrevocably submit to the jurisdiction of the courts of the Commonwealth of Kentucky or such other State where the Company has its principal place of business at the time the proceeding is filed for the adjudication of any claims or disputes arising under this Agreement and they waive any objection to either the jurisdiction or venue of such forums. Each party has had an opportunity to have this Agreement reviewed by counsel representing their respective interests. Accordingly, any ambiguities contained herein shall not be construed against any particular party, notwithstanding its drafting of this Agreement. The rights and remedies of the Company accruing under this Agreement, the surviving sections of the Franchise Agreement and the Confidentiality Agreements shall be cumulative and any conflict between the terms of any such documents shall be resolved by construing the Company's rights and remedies with the most liberal scope possible.

g. Severability; Reformation. If any provision of this Agreement, or the application thereof to any person, entity or circumstances, shall be deemed to be invalid or unenforceable to any extent by a court of competent jurisdiction, then the remainder of this Agreement, and the application of such provision to other persons, entities or circumstances, shall not be affected thereby and shall be enforced to the greatest extent permitted by law. If any court in a final decision to which the Company is a party holds any provision of this Agreement or portion hereof to be unenforceable or reduces the scope or direction of any covenant or provision herein, then the parties shall petition the court to reform or reduce such covenant or provision such that it shall be

legally enforceable to the greatest possible extent consistent with the parties' original intent. Interested Parties shall be bound to the fullest extent by such covenant or provision as reformed or reduced consistent with such decision, and as if such reformed or reduced provision were separately set forth in and made a part of this Agreement.

h. Execution in Counterparts; Delivery. This Agreement may be executed in any number of counterparts and all such counterparts shall, for all purposes, constitute one agreement, binding upon the parties hereto, notwithstanding that all parties are not signatory to the same counterpart. The failure of any individual signatory to this Agreement to execute and deliver this Agreement shall in no way affect the obligations of any other signatories hereto. Facsimile signatures of the parties to this Agreement shall be deemed to be original signatures.

i. Binding Agreement. Except as otherwise herein provided, this Agreement shall be binding upon, and inure to the benefit of, the parties hereto, their respective heirs, successors, assigns, Affiliates and Related Party. As used herein, "affiliates" shall have the meaning as defined in Rule 405 promulgated under the Securities Act of 1933, 17 C.F.R. §230.405.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

(Printed name)

(Printed name)

("Interested Parties")

FAZOLI'S FRANCHISING SYSTEMS, LLC

By: Fazoli's Restaurant Group, Inc.

Its Sole Member

By: _____

Name: _____

Title: _____

EXHIBIT G

List of Current Franchisees

The following table lists franchisees that were open as of December 31, 2023.

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
AL	5294	7123 Eastchase Pkwy Montgomery, AL 36117	Kaiya 001, LLC	(334) 239-9109
AL	5299	3417 Ross Clark Circle Dothan, AL 36303	Gratzie, Inc.	(334) 446-4239
AL	5334	2609 Gault Ave N Fort Payne, AL 35967	City Wide Foods	(256) 979-1998
AR	5287	1730 E. Highland Dr. Jonesboro, AR 72401	AIE III, LLC	(870) 275-6242
AR	5302	1515 West Kings Hwy Paragould, AR 31909	AIE 4, LLC	(870) 236-2668
AR	5342	11410 W. Markham Street Little Rock, AR 72212	Pasta Again	(501) 414-8697
AR	5332	3701 Warden Rd. North Little Rock, AR 72116	Pasta Joint	(501) 414-8697
AZ	7505 *	3400 E Sky Harbor Blvd Phoenix, AZ 85034	Kind Hospitality	(480) 351-4907
AZ	5340	953 N. Dobson Road Mesa, AZ 85201	Kind Hospitality	(480) 906-2001
CA	5276	13015 Peyton Ave Chino Hills, CA 91709	Nandwani's Restaurant Corp.	(909) 364-2444
CA	5300	1255 Hamner Ave Norco, CA 92860	Nandwani's Restaurant Corp.	(951) 736-5272
CO	5925	1012 S. Abilene St Aurora, CO 80012	UP Properties II, LLC	(303) 745-6336
CO	5932	3607 Austin Bluffs Pkwy Colorado Springs, CO 80918	UP Properties II, LLC	(719) 535-0369

Outlet Open as of December 31, 2023

State	Store Number	Address	Franchisee	Phone Number
CO	5938	1631 W US Hwy 50 Pueblo, CO 81008	UP Properties II, LLC	(719) 545-1123
CO	5945	1790 E. Cheyenne Mt. Blvd Colorado Springs, CO 80906	UP Properties II, LLC	(719) 579-7522
CO	5965	460 E. 120th Ave Northglenn, CO 80221	UP Properties II, LLC	(303) 452-9221
FL	5317	1913 South Hwy 27 Clermont, FL 34711	CLIFCLEM HOLDINGS, LLC	(352) 989-4907
FL	7018 *	180 Mary Esther Blvd. Unit B Mary Esther, FL 32569	Rasoi, L.L.C.	(850) 374-3222
FL	5337	238 West Alexander Street Plant City, FL 33563	Keys Restaurants, INC	(813) 441-4260
FL	7017 *	2219 Martin Luther King Jr Blvd, Panama City, FL 32404	SHIV10 Investment of Panama City	(850) 252-6134
FL	5338	4201 E. Colonial Orlando, FL 32803	Keys Restaurants, INC	(407) 717-4449
GA	5067	3016 Battlefield Pkwy Ft. Oglethorpe, GA 30742	K & R Italian, Inc.	(706) 861-7989
GA	5073	1307 North St. Augustine Rd Valdosta, GA 31601	Gratzie, Inc.	(229) 241-7780
GA	5293	6237 Zebulon Rd Macon, GA 31210	C & P Italian Company, LLC	(478) 238-4377
GA	5297	792 Hwy 96 Bonaire, GA 31005	C & P Italian Company, LLC	(478) 287-2943
GA	5306	6589 Whittlesey Blvd. Columbus, GA 31909	C & P Italian Company, LLC	(706) 507-2655

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
GA	5311	21 S. Dixie Ave Cartersville, GA 30120	Faz of Cartersville LLC	(770) 334-2221
GA	5312	42 Hicks Dr Rome, GA 30161	Faz of Rome, LLC	(706) 584-7798
GA	7503 *	3781 Presidential Pkwy, Suite FP301 Atlanta, GA 30340	Impact Hospitality GK1, LLC	(678) 691-9210
IA	5325	3327 Singing Hills Blvd Sioux City, IA 51106	FAZ SIOUX CITY, LLC	(712) 454-7505
IA	5912	3600 Merle Hay Rd Des Moines, IA 50310	UP Properties II, LLC	(515) 251-7767
IA	5913	930 1st St Ankeny, IA 50021	UP Properties II, LLC	(515) 965-9802
IA	5921	4800 SE 14th St Des Moines, IA 50320	UP Properties II, LLC	(515) 285-6755
IA	5940	3134 Dial Dr Council Bluffs, IA 51503	UP Properties II, LLC	(712) 366-0860
IL	5037	4900 Broadway Quincy, IL 62305	C & M Pasta Company	(217) 228-9873
IL	5903	210 E. Homer Adams Pkwy Alton, IL 62002	UP Properties II, LLC	(618) 465-4731
IL	5907	5811 North Illinois St Fairview Heights, IL 62208	UP Properties II, LLC	(618) 233-4041
IL	5947	721 41st Ave Dr Moline, IL 61265	UP Properties II, LLC	(309) 797-1303
IL	5959	2029 N. Prospect Ave Champaign, IL 61821	UP Properties II, LLC	(217) 356-4820

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
IN	5048	913 East Hwy 131 Clarksville, IN 47129	UP Properties, LLC	(812) 282-1234
IN	5901	317 West McKinley Mishawaka, IN 46545	UP Properties II, LLC	(574) 255-2551
IN	5908	439 W. Coliseum Blvd. Fort Wayne, IN 46805	UP Properties II, LLC	(260) 471-3144
IN	5909	6525 Stellhorn Dr Fort Wayne IN 46815	UP Properties II, LLC	(260) 486-9081
IN	5911	3457 State Rd 26 East Lafayette, IN 47905	UP Properties II, LLC	(765) 449-1725
IN	5924	2809 Calumet Ave Valparaiso, IN 46383	UP Properties II, LLC	(219) 531-0001
IN	5949	1248 Nappanee St Elkhart, IN 46514	UP Properties II, LLC	(574) 262-9873
KS	5939	3553 N. Rock Rd Wichita, KS 67226	UP Properties II, LLC	(316) 634-1855
KS	5946	8520 West Central Ave. Wichita, KS 67212	UP Properties II, LLC	(316) 721-1011
KS	5948	6345 Quivira Rd Shawnee, KS 66216	UP Properties II, LLC	(913) 962-5814
KS	5951	12045 Metcalf Ave Overland Park, KS 66209	UP Properties II, LLC	(913) 663-3738
KY	5001	499 Winchester Ave Ashland, KY 41101	McKenzie Enterprises, Inc.	(606) 324-9908
KY	5008	337 North Mayo Trail US 23 Paintsville, KY 41240	McKenzie Enterprises, Inc.	(606) 789-6708

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
KY	5009	6011 Preston Hwy Louisville, KY 40219	UP Properties, LLC	(502) 969-4532
KY	5010	1702 North Dixie Ave Elizabethtown, KY 42702	UP Properties, LLC	(270) 737-2993
KY	5027	10307 Dixie Hwy Louisville, KY 40272	UP Properties, LLC	(502) 933-5212
KY	5081	210 Paroquet Springs Dr Shepherdsville, KY 40165	UP Properties, LLC	(502) 543-4058
KY	5256	337 Whittington Pkwy Louisville, KY 40222	UP Properties, LLC	(502) 423-1777
KY	5257	11806 Standiford Plaza Dr Louisville, KY 40229	UP Properties, LLC	(502) 969-4442
KY	5286	3796 East John Rowan Blvd Bardstown, KY 40004	UP Properties, LLC	(502) 348-0004
KY	5289	507 Rushing Way Murray, KY 42071	Impact Hospitality Murray, LLC	(270) 761-5555
KY	5290	180 Newtowne Square Morehead, KY 40351	Morgan Servings, LLC	(606) 784-2063
KY	5291	192 Garden Mile Rd Henderson, KY 42420	Summit Food Services, INC.	(270) 228-4444
KY	5292	132 Ruby Dr Madisonville, KY 42431	Summit Food Services, Inc.	(270) 844-2338
KY	5296	416 Market Square Dr Maysville, KY 41056	Morgan Servings, LLC	(606) 956-0267
KY	5301	47 Commodore St Hazard, KY 41701	Griffin James & CO, LLC	(606) 551-1053

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
KY	5321	1302 S. Mayo Trail Pikeville, KY 41501	Blackstone Entertainment, LLC	(606) 653-9900
KY	5956	5990 Fuller St Florence, KY 41042	UP Properties II, LLC	(859) 371-4880
MI	5044	1500 North West Ave Jackson, MI 49202	Chepy LLC	(517) 796-1974
MI	5057	5705 South Cedar St Lansing, MI 48911	Chepy LLC	(517) 394-0539
MI	7016 *	1255 North Dixie Hwy Monroe, MI 48162	TA Operating, LLC	(734) 384-7952
MO	5050	2055 East Independence Ave Springfield, MO 65804	FazWest, LLC	(417) 882-0073
MO	5077	2137 North Glenstone Ave Springfield, MO 65803	FazWest of Springfield, L.L.C.	(417) 832-8711
MO	5142	4027 Richard Joseph Blvd Joplin, MO 64804	FazWest of Joplin, L.L.C.	(417) 206-9220
MO	5288	2501 N. Westwood Blvd Poplar Bluff, MO 63901	Duckett Brothers, Inc.	(573) 609-2797
MO	5295	3161 Phoenix Center Dr Washington, MO 63090	Washington FAZ Development, LLC	(636) 283-5299
MO	5315	2720 W. Broadway Blvd. Sedalia, MO 65301	Kroeger Enterprises, LLC	(660) 951-1083
MO	5326	335 E. Russell Ave Warrensburg, MO 64093	Kroeger Enterprises II, LLC	(660) 362-1313
MO	5904	807 Lee Ave Festus, MO 63028	UP Properties II, LLC	(636) 931-6681

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
MO	5905	12341 St. Charles Rock Rd Bridgeton, MO 63044	UP Properties II, LLC	(314) 298-0919
MO	5906	123 Arnold Crossroads Center Arnold, MO 63010	UP Properties II, LLC	(636) 282-9033
MO	5910	1698 Country Club Plaza St. Charles, MO 63303	UP Properties II, LLC	(636) 940-8515
MO	5915	1108 Hwy K O'Fallon, MO 63366	UP Properties II, LLC	(636) 240-7442
MO	5916	1114 I-70 Dr. SW Columbia, MO 65203	UP Properties II, LLC	(573) 815-9922
MO	5927	498 SE Hwy 291 Lees Summit, MO 64063	UP Properties II, LLC	(816) 246-8742
MO	5928	810 US Hwy 40 West Blue Springs, MO 64015	UP Properties II, LLC	(816) 220-1680
MO	5931	19008 E. 39th St Independence, MO 64057	UP Properties II, LLC	(816) 795-0063
MO	5934	504 N. Belt Hwy St. Joseph, MO 64506	UP Properties II, LLC	(816) 387-9539
MO	5963	624 E. Markey Pkwy Belton, MO 64012	UP Properties II, LLC	(816) 425-2424
MS	5141	215 East Goodman Rd Southaven, MS 38671	AIE, LLC	(662) 536-2426
NC	5043	538 North McPherson Church Rd Fayetteville, NC 28303	RFD, Inc.	(910) 860-3636
NC	5336	513 Curtis Bridge Rd Wilkesboro, NC 28697	Impact Hospitality	(336) 818-0935

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
NE	5930	2434 S. 132nd St Omaha, NE 68144	UP Properties II, LLC	(402) 330-9236
NE	5935	8017 S. 84th St Omaha, NE 68128	UP Properties II, LLC	(402) 597-3360
NE	5941	8002 Cass St La Vista, NE 68114	UP Properties II, LLC	(402) 343-0918
NE	5942	4603 Vine St Lincoln, NE 68503	UP Properties II, LLC	(402) 466-4045
NE	5955	2012 Pratt Ave Bellevue, NE 68123	UP Properties II, LLC	(402) 293-8044
OH	5049	1048 N. Lexington-Springmill Rd Mansfield, OH 44906	Buckeye Pasta, Inc.	(419) 747-7844
OH	5052	2096 Stringtown Rd Grove City, OH 43123	Colfazco, Ltd.	(614) 539-5562
OH	5058	1520 Hilliard-Rome Rd Hilliard, OH 43026	Colfazco, Ltd.	(614) 771-7507
OH	5097	3929 Everhard Rd, NW North Canton, OH 44709	Buckeye Pasta of Canton, Inc.	(330) 966-9351
OH	5109	6830 East Main St Reynoldsburg, OH 43068	Colfazco, Ltd.	(614) 856-9750
OH	5115	5018 1/2 Milan Rd Sandusky, OH 44870	Buckeye Pasta of Sandusky, Inc.	(419) 624-9848
OH	5135	539 Hebron Rd Heath, OH 43056	Colfazco, Ltd.	(740) 788-9170
OH	5137	807 South State St Westerville, OH 43081	Colfazco, Ltd.	(614) 794-3612

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
OK	5937	6821 NW Expressway Oklahoma City, OK 73132	UP Properties II, LLC	(405) 720-1343
OK	7014 *	501 South Morgan Rd Oklahoma City, OK 73127	TA Operating, LLC	(405) 324-5376
SC	5029	139 Columbiana Dr Columbia, SC 29212	Impact Hospitality Columbiana LLC	(803) 781-3149
SC	5096	7621 Two Notch Rd Columbia, SC 29223	Impact Hospitality Two Notch LLC	(803) 401-5540
SD	5303	4224 W. Empire Place Sioux Falls, SD 57106	SD FAZ I, LLC	(605) 681-8160
SD	5333	5120 E. Arrowhead Parkway Sioux Falls, SD 57110	SD FAZ I, LLC	(605) 681-8160
TN	5018	1916 North Roan St Johnson City, TN 37601	K & R Italian, Inc.	(423) 339-2822
TN	5019	4550 North Lee Hwy Cleveland, TN 37312	K & R Italian, Inc.	(423) 339-2822
TN	5059	2009 North Eastman Rd Kingsport, TN 37660	K & R Italian, Inc.	(423) 339-2822
TN	5063	1847 Gallatin Pike North Madison, TN 37115	UP Properties, LLC	(615) 559-4046
TN	5076	1969 North Jackson St Tullahoma, TN 37388	UP Properties, LLC	(931) 455-8979
TN	5087	9515 Kingston Pike Knoxville, TN 37922	Fast, Fresh Italian, LLC	(865) 694-1162
TN	5089	835 Old Fort Pkwy Murfreesboro, TN 37129	UP Properties, LLC	(615) 867-4067

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
TN	5091	1063 South Walnut Cookeville, TN 38501	UP Properties, LLC	(931) 528-5500
TN	5106	1914 Emporium Dr Jackson, TN 38305	UP Properties, LLC	(731) 660-0830
TN	5116	2332 Shallowford Village Dr Chattanooga, TN 37421	K & R Italian, Inc.	(423) 499-5155
TN	5123	2143 Lowes Dr Clarksville, TN 37040	UP Properties, LLC	(931) 552-2151
TN	5130	3587 Riverdale Rd Memphis, TN 38115	AIE, LLC	(901) 794-9121
TN	5143	450 Enon Springs Rd Smyrna, TN 37167	UP Properties, LLC	(615) 220-0850
TN	5298	4362 Erica Greene Circle Morristown, TN 37814	K & R Italian, Inc.	(423) 616-0512
TN	5330	814 Smithville Hwy McMinnville, TN 37110	Townsend Hospitality Group	(931) 414-4911
TX	5103	4008 82nd St Lubbock, TX 79423	PastaQuik, Inc.	(806) 785-4554
TX	5144	4505 West Loop 250 North Midland, TX 79707	PastaQuik, Inc.	(432) 520-4260
TX	5195	4241 John Ben Shepperd Pkwy Odessa, TX 79762	PastaQuik, Inc.	(432) 550-3600
TX	5202	5201 West Waco Dr Waco, TX 76710	FazTex Restaurants, Inc.	(254) 776-1324
TX	5215	1902 West Loop 289 Lubbock, TX 79407	PastaQuik, Inc.	(806) 791-4400

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
TX	5227	400 Harvey Rd College Station, TX 77840	FazTex Restaurants, Inc.	(979) 694-5199
TX	5242	4066 South Danville St Abilene, TX 79605	PastaQuik, LP	(325) 692-3804
TX	5250	2512 Soncy Rd Amarillo, TX 79121	PastaQuik, LP	(806) 457-9996
TX	5309	1943 West Interstate 2 Pharr, TX 78577	KennMadd Restaurant Group, L.L.C.	(956) 787-5109
TX	7015 *	6170 I.H.-10 East San Antonio, TX 78219	TA Operating, LLC	(210) 310-0145
TX	7501 *	3009 Main Street Lubbock, TX 79409	Texas Tech Univ.	(806) 742-1231
TX	7504 *	1300 East Anderson Lane, Building D, Suite 1202 Austin, TX 78752	Impact Hospitality GK2, LLC	(512) 276-2267
TX	5170	919 S. 6th Street Waco, TX 76706	FaxTex	(254) 752-2929
VA	5078	1204 Greenbrier Pkwy Chesapeake, VA 23320	Greenbrier Pasta, LLC	(757) 548-0441
VA	5331	4416 Cleburne Blvd Dublin, VA 24084	CCCKY, LLC	(540) 307-5079
WI	5247	10833 West Greenfield Ave West Allis, WI 53214	UP Properties, LLC	(414) 258-3411
WI	5918	1875 S. Koeller St Oshkosh, WI 54901	UP Properties II, LLC	(920) 232-9752
WI	5920	2494 W. Mason St Green Bay, WI 54303	UP Properties II, LLC	(920) 592-0808

Outlet Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
WI	5926	4687 W. College Ave Grand Chute, WI 54911	UP Properties II, LLC	(920) 830-6411
WI	5929	2720 N. Richmond St Appleton, WI 54911	UP Properties II, LLC	(920) 993-1370
WI	5936	3730 Gateway Dr [3/30] Eau Claire, WI 54701	UP Properties II, LLC	(715) 830-1039
WI	5943	9370 Hwy 16 Onalaska, WI 54650	UP Properties II, LLC	(608) 781-5818
WI	5944	226422 Rib Mountain Dr Wausau, WI 54401	UP Properties II, LLC	(715) 355-0801
WI	5953	5665 Hwy 10 East Stevens Point, WI 54481	UP Properties II, LLC	(715) 344-8739
WV	5005	1310 Third Ave Huntington, WV 25701	McKenzie Enterprises, Inc.	(304) 697-9908
WV	5072	5120 U.S. 60 East Huntington, WV 25705	McKenzie Enterprises, Inc.	(304) 733-6600

* This is a non-traditional outlet.

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2023.

Outlet Not Open as of December 31, 2023				
State	Store Number	Address	Franchisee	Phone Number
SC	5335	3091 Liberty Hwy Anderson, SC 29621	Impact Hospitality	(859) 825-6200

EXHIBIT H

Franchisees Who Left the System

The following chart lists franchisees who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the most recent fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

State	Store Number	Address	Franchisee	Phone Number
CO	5964	5480 Wadsworth Bypass Arvada, CO 8002	UP Properties II, LLC	(303) 432-8189
FL	5305	4011 E Busch Blvd Tampa, FL 33617	SCS Hospitality Group	(813) 644-4789
FL*	5338	13150 W Colonial Drive Winter Garden, FL 34787	Matt Clift	(352) 989-4907
OR	5308	105 N Arney Rd Woodburn, OR 97071	Jim Pavelek PAV CO, Inc.	(503) 902-4220
TN	5025	10 Harding Mall Dr Nashville, TN 37211	UP Properties, LLC	(615) 832-5200
TN	5131	5002 Old Hickory Blvd Hermitage, TN 37076	UP Properties, LLC	(615) 872-0105
TN	5018**	1916 North Roan St Johnson City, TN 37601	Jackpot Corporation	(423) 283-4394
TN	5059**	2009 North Eastman Rd Kingsport, TN 37660	Jackpot Corporation	(423) 246-8221
TX	5269	927 TX-80 San Marcos, TX 78666	Austin Italian, LLC	(512) 392-2884
WI	5919	2105 Humes Rd Janesville, WI 53545	UP Properties II, LLC	(608) 758-9636

* The Franchise Agreement for this outlet was terminated prior to opening

** These outlets were transferred to an existing franchisee

EXHIBIT I
State Required Addenda

STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES

BACKGROUND AND PURPOSE

The following modifications are made to the Fazoli's Franchise Disclosure Document ("FDD" or "Disclosure Document") issued by Fazoli's Franchising, LLC ("we" or "us" or "franchisor") to franchisee ("you" or "franchisee") and may supersede, to the extent required by applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 202__ (the "Franchise Agreement"). When the term "Supplemental Agreements" is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum ("State Addendum") will modify these agreements to comply with the applicable state's laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

CALIFORNIA

1. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**
2. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document 14 days prior to execution of agreement.
3. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
4. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
5. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.
6. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement or Supplemental Agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement and Supplemental Agreements require application of the laws of Kentucky. This provision may not be enforceable under California law.
8. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
9. The Franchise Agreement and Supplemental Agreements may contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
10. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
11. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
12. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

13. Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
 - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
 - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
 - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
 - (d) Violations of any provision of this division
14. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.
15. 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.
16. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

HAWAII

1. The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

2. Our registered agent in the state authorized to receive service of process:

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

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".
4. The states in which this filing is or will be shortly on file include the following:

5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following: _____
6. The states, if any, which have revoked or suspended the right to offer these franchises include the following: _____
7. The states, if any, in which the filing of these franchises has been withdrawn include the following:

ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The Franchise Agreement and Supplemental Agreements are amended to state the following:

To the extent that any provision in the Illinois State Addendum is inconsistent with any provision in this Agreement, the provision in the Illinois State Addendum shall control.

INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

6. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Disclosure Document is amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:
 - a. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply any liability under the Maryland Franchise Registration and Disclosure Law.
 - b. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
 - c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
 - d. In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
 - e. The Franchise Agreement and Supplemental Agreements provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
2. The Franchise Disclosure Questionnaire, which is attached as an Exhibit to the Disclosure Document, is amended as follows:

All representations requiring prospective franchisees to assent to the release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

In recognition of the requirements of the Maryland Franchise Law, the Franchise Agreement and Supplemental Agreements are amended to add the following:

3. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
4. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.
5. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
6. The Franchise Questionnaire that you completed in connection with your application for the franchise requires you, as a prospective franchisee, to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law as a condition to your purchase of the franchise. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.
7. Any acknowledgements or representations by you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.
8. Nothing in the Franchise Agreement, Supplemental Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any document relating to a franchise:

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

- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
2. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Supplemental Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J), which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.
4. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g), which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.

NEW YORK

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. The following information is added to the cover page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3 of the Disclosure Document:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4 of the Disclosure Document:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5 of the Disclosure Document:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c) of the Disclosure Document, titled “**Requirements for franchisee to renew or extend,**” and Item 17(m) of the Disclosure Document, entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d) of the Disclosure Document, titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j) of the Disclosure Document, titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v) of the Disclosure Document, titled “Choice of forum”, and Item 17(w) of the Disclosure Document, titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. We will not require that you prospectively assent to a release, assignment, novation, waiver, or estoppel that purports to relieve any person from liability imposed by the New York Franchise Law.
10. We will not place any condition, stipulation, or provision in the Franchise Agreement that requires you to waive compliance with any provision of the New York Franchise Law.
11. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the New York Franchise Law is amended to provide for a three (3) year statute of limitations for purposes of bringing a claim arising under the New York Franchise Law.

12. Notwithstanding the transfer provision in the Franchise Agreement, we will not assign the Franchise Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law (the “North Dakota Franchise Law”), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17(r) of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.
2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee’s business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.
3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.
8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.
10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act (the “Rhode Island Franchise Law”), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.
2. Section 19-28.1-14 of the Rhode Island Franchise Law provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.
3. We will not prohibit you from joining a trade association or association of franchisees. We will not retaliate against you for engaging in these activities.
4. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Item 17 of the Disclosure Document is amended to add the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

2. If any provision of the Franchise Agreement or any Supplemental Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.
3. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Virginia Retail Franchising Act. This provision does not prohibit you and us from entering into binding arbitration consistent with the Virginia Retail Franchising Act.
4. Any provision in the Franchise Agreement or Supplemental Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Retail Franchising Act is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Retail Franchising Act.
5. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or Supplemental 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.
6. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and development agreement.

WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement, Multi-Unit Restaurant Agreement and Supplemental Agreements are amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, will prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
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.

9. All fees payable to us under the terms of the Franchise Agreement and Multi-Unit Restaurant Agreement are subject to deferral pursuant to order of the State of Washington. Accordingly, you shall pay no fees to us until we have completed all of our material pre-opening responsibilities to you and commence operating the franchised business under the Franchise Agreement or commence operating the first franchised business established under the Multi-Unit Restaurant Agreement. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Unit Restaurant Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Michigan | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii | <input type="checkbox"/> Minnesota | <input type="checkbox"/> Virginia |
| <input type="checkbox"/> Illinois | <input type="checkbox"/> New York | <input type="checkbox"/> Washington |
| <input type="checkbox"/> Indiana | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Wisconsin |
| <input type="checkbox"/> Maryland | <input type="checkbox"/> Rhode Island | |

Dated: _____, 202__

FRANCHISOR:

Fazoli’s Franchising, LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

EXHIBIT J
Multi-Unit Restaurant Agreement

MULTI-UNIT RESTAURANT AGREEMENT

between

FAZOLI'S FRANCHISING SYSTEMS, LLC

and

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Schedule One - Payment and Performance Guarantee

Schedule Two – Development Area and Development Schedule

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FAZOLI'S FRANCHISING SYSTEMS, LLC
MULTI-UNIT RESTAURANT AGREEMENT

This **MULTI-UNIT RESTAURANT AGREEMENT** ("MURA") is made and entered into as of _____ by and between **FAZOLI'S FRANCHISING SYSTEMS, LLC**, a Delaware limited liability company ("Franchisor") with a principal office address at 2470 Palumbo Drive, Lexington, KY 40509, and _____ ("Franchisee") with a principal office address at _____.

WHEREAS, Franchisor desires to grant to Franchisee the right to establish and operate a specified number of Fazoli's franchises ("Franchises") within a specified geographical area; and

WHEREAS, Franchisee desires to establish and operate additional Franchises upon the terms and conditions contained in Franchisor's standard franchise agreement (a "Franchise Agreement");

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

1. Grant of Development Rights.

Subject to the terms and conditions herein contained, Franchisor hereby grants to Franchisee the right to establish and operate Franchises in the area (the "Development Area") designated on Schedule Two (the "Schedule") attached hereto and incorporated herein by reference and as shown on the Development Map at Schedule Two-A (the "Development Map"), attached hereto and incorporated herein by reference.

2. Franchise Fees.

This MURA is for two (2) or more Fazoli's Franchises as identified on Schedule Two. Contemporaneously with the execution and delivery of this MURA, Franchisee shall pay (or shall have paid) to Franchisor one hundred percent (100%) of the total Franchise Fees based on the number of Fazoli's Franchises to be opened by Franchisee pursuant to this Agreement and as set forth on Schedule Two. The total Franchise Fees is calculated as the sum of \$50,000 multiplied by the number of Fazoli's Franchises you commit to develop under this MURA. By way of example, if Schedule Two obligates you to develop 3 Fazoli's Franchises, the total Franchise Fees shall be \$150,000.

THE SUM CONTEMPORANEOUSLY PAID BY FRANCHISEE TO FRANCHISOR PURSUANT TO THIS SECTION 2 SHALL IN NO EVENT BE REFUNDABLE, NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY FRANCHISE AGREEMENT TO THE CONTRARY. NEITHER INTEREST NOR ANY OTHER CONSIDERATION SHALL ACCRUE FOR THE ACCOUNT OF OR BE PAID TO FRANCHISEE BY REASON OF ANY AMOUNTS PAID UNDER THIS AGREEMENT.

3. Development Schedule.

(a) Franchisee shall develop and open Franchises in accordance with the Schedule, TIME BEING OF THE ESSENCE. Prior to the execution of any letter of intent, lease, purchase agreement or other document by which Franchisee would commit to occupy or acquire a location for any Franchise to be established hereunder, Franchisee shall execute Franchisor's then-current standard Franchise Agreement with respect to each such Franchise. The Franchise Fee payable thereunder shall be paid in accordance with the terms thereof, subject to the provisions of Section 2 above.

(a) Franchisee acknowledges and agrees that its strict compliance with the Schedule is the essence of this Agreement. Franchisee further acknowledges and agrees that the Schedule requires compliance with not only deadlines for opening Franchises but also includes, and is not limited to, execution of Franchise Agreements and commencement of construction of the Franchise premises. Franchisee shall provide Franchisor, at Franchisee's expense and within 10 days following any request by Franchisor, documentation, pictures or other evidence of Franchisee's compliance with the Schedule.

(b) Franchisee acknowledges and agrees that if at any time Franchisee, or Franchisee's Related Party, owns or operates three (3) or more Fazoli's Franchises, Franchisor shall have the right to require Franchisee to recruit, hire and employ a Key Operator. The Key Operator will devote full time and best efforts exclusively to the supervision and conduct of the Franchise restaurants and business. Among other things, the Key Operator shall have prior multi-unit restaurant supervisory experience, must assume a supervisory role, and may not have daily shift management responsibilities for a Franchise Restaurant. The Key Operator shall be approved by Franchisor in accordance with the Online Information Center.

4. Franchisee's Rights in Development Area.

4.1 **Development Area.** Except as provided in this Section 4, prior to the expiration or any earlier termination of this Agreement, so long as Franchisee shall develop, open and thereafter continuously operate Franchises in accordance with the Schedule and provided that the number of Franchises open and operating within the Development Area is not less than the minimum number to be developed within the Development Area at any given time, then Franchisor shall not operate, or permit any other person to operate, a Franchise under Franchisor's Proprietary Marks (as defined in the Franchise Agreement) within the Development Area.

4.2 **Exclusions.** The Fazoli's franchise system (the "System") has been developed and designed to operate in a wide variety of environments, many of which are not practically available to Developer. Therefore, the Company or its Affiliate may own or operate, or franchise or license others to own or operate a Restaurant (whether traditional or nontraditional), at any location within the Development Area that is located in airports, train or bus stations, convention centers, military installations, schools, colleges, universities, hospitals, theme parks, casinos, expositions, fairs or similar events, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, or any similar captive market location.

5. Term.

This Agreement expires at midnight on the date set forth opposite the last Franchise to be opened pursuant to Schedule Two, unless earlier terminated as hereinafter provided, and subject to the continuation of Franchisee's rights in the Development Area as set forth in Section 4(b) above.

6. Termination.

6.1 Event of Default. Any one or more of the following constitutes an Event of Default hereunder:

(a) Franchisee fails to establish and/or operate any or all Franchises in accordance with the Schedule, including without limitation the failure to execute a Franchise Agreement for any such Franchise or timely commence construction of any Franchise premises;

(b) An event of default occurs under any Franchise Agreement;

(c) Franchisee or any Related Party (as defined in the Franchise Agreement): (i) breaches, violates or commits an event of default under any agreement with Franchisor or any of its Affiliates, or (ii) fails to pay any sum of money due and owing to Franchisor or any of its Affiliates; or

(d) Franchisee breaches or otherwise fails to comply fully with any provision contained in Section 8 of this Agreement.

6.2 Franchisor's Remedies. If any Event of Default occurs under Section 6.1, Franchisor may declare this Agreement and any and all other rights granted to Franchisee hereunder to be immediately terminated and of no further force or effect, as follows:

(a) Upon termination due solely to Franchisee's failure to open and operate Franchises in accordance with the Schedule, Franchisor's sole remedy hereunder resulting from such failure shall be termination of this Agreement and retention of the amounts paid by Franchisee to Franchisor upon execution of this Agreement. Failure of Franchisee to open a Franchise in accordance with the Schedule shall not, in itself, constitute cause for Franchisor to terminate any previously executed Franchise Agreement;

(b) Upon termination of this Agreement for any other reason whatsoever, Franchisee will not be relieved of any of its obligations, debts or liabilities hereunder, including without limitation any debts, obligations or liabilities which have accrued prior to such termination. The right of termination granted by this Section 6.2(b) is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity or otherwise, including without limitation the right to an injunction as set forth in Section 8.5, all of which are cumulative.

7. Assignment.

7.1 By Franchisor. This Agreement is fully assignable by Franchisor and shall inure to the benefit of any assignee or other legal successor to the interest of Franchisor.

7.2 By Franchisee.

(a) This Agreement or the rights granted to Franchisee hereunder are personal to Franchisee and neither this Agreement, nor any of the rights granted to Franchisee hereunder nor any controlling equity interest in Franchisee may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred or encumbered by Franchisee, without first obtaining Franchisor's express written consent. Without limiting the foregoing, Franchisor shall have no obligation to approve any assignment unless Franchisee has assigned all of its rights in all Franchise Agreements relating to Franchises within the Development Area to the proposed assignee in accordance with the provisions of the applicable Franchise Agreements.

(b) If Franchisee desires to accept a bona fide offer from a third party to purchase Franchisee's interest in this Agreement, Franchisor shall have and be entitled to exercise such rights of first refusal and options to purchase such interest upon the same terms and conditions as are applicable to Franchisee and its Franchise Agreement as set forth in the Franchise Agreement.

8. Franchisee's Covenant Not to Compete.

8.1 In-Term Covenants. During the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee, its Related Party and, if this Agreement is entered into by an entity, the persons who have executed this Agreement under the caption "Payment and Performance Guarantee", attached hereto as Schedule One and incorporated herein by reference, shall not, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person or entity:

(a) divert or attempt to divert any business or franchisee of any Franchise within the Development Area to any competitor, by direct or indirect inducement or otherwise, or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and Franchisor's franchise system;

(b) directly or indirectly solicit for employment any person who is at that time or was at any time within the immediate past twelve (12) months employed by Franchisor, or its Affiliates, or by any other franchisee of Franchisor; or

(c) own, manage, engage in, have any ownership interest in, participate in or act as an agent for any "Italian Restaurant" as defined in the Franchise Agreement.

8.2 Post-Term Covenants. Except as otherwise approved in writing in advance by Franchisor, Franchisee, its Related Party and, if this Agreement is entered into by an entity, the persons who have executed this Agreement under the caption "Payment and Performance Guarantee" shall not, for a continuous uninterrupted period beginning on the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly engage in or have any interest in any Italian Restaurant as defined in the Franchise Agreement and located within a five (5) mile radius of the Development Area or a five (5) mile radius of any other Franchise (or company-owned or company operated

Fazoli's restaurant) open or under construction at the time of termination; nor shall Franchisee or any persons who have executed this Agreement under the caption "Payment and Performance Guarantee" directly or indirectly during such two (2) year period, solicit for employment any person who is at that time or was at any time within the immediate past twelve (12) months employed by Franchisor or its Affiliates or by any other franchisee of Franchisor.

8.3 Reasonableness of Covenants. Franchisee acknowledges and agrees that the time, territory and scope of the covenants provided in this Section 8 are reasonable and necessary for the protection of Franchisor's legitimate business interests, that Franchisee has received sufficient and valid consideration in exchange for those covenants; that enforcement of the same would not impose undue hardship; and that the period of protection provided by these covenants shall not be reduced by any period of time during which Franchisee is in violation of the provisions of those covenants or any period of time required for enforcement of those covenants.

8.4 No Defenses. Franchisee acknowledges that the existence of any claim it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants contained in this Section 8.

8.5 Irreparable Injury. Franchisee acknowledges that any breach or threatened breach of this Section 8 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee consents to the issuance of an injunction prohibiting any conduct violating the terms of this Section 8. This remedy is not exclusive, and Franchisor may also avail itself of any other legal or equitable rights and remedies it has under this Agreement or otherwise.

8.6 Modification of Covenants. To the extent that this Section 8 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same shall be enforced to the fullest extent permissible.

8.7 Stock Ownership Exemption. Ownership of less than five percent (5%) of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 8.

8.8 Survival. This Section 8 shall survive the expiration or termination of this Agreement.

9. Arbitration.

9.1 Disputes to be Arbitrated. Except as set forth in this Section 9, any controversy, claim or dispute arising out of or relating to this Agreement or its breach, including without limitation any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration before and, unless otherwise provided herein, in accordance with the arbitration rules of the American Arbitration Association (the "AAA"). Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the federal common law of arbitration.

9.2 Entry of Judgment. Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be final, binding and non-appealable. Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of only the actual damages sustained.

9.3 Procedures. The arbitration provisions of this Section 9 are self-executing and shall remain in full force and effect after the 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 such failure to appear. Unless otherwise agreed to in writing by Franchisor and Franchisee, (i) so long as Franchisor's principal office is located in metropolitan Lexington, Kentucky at the time any arbitration proceeding commences, such proceeding shall take place in metropolitan Lexington, Kentucky, and (ii) if Franchisor's principal office is not located in metropolitan Lexington, Kentucky at the time any arbitration proceeding commences, such proceeding shall be held at the AAA office located nearest to Franchisor's then principal office. With respect to any dispute involving \$100,000 or more, arbitration proceedings shall be conducted before three (3) arbitrators, one of which shall be chosen by Franchisor and one by Franchisee, and the third of which shall be selected by the two (2) chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either Franchisor or Franchisee may petition the AAA to appoint the third arbitrator. With respect to any dispute involving less than \$100,000, arbitration proceedings shall be conducted by a single arbitrator. Any arbitration proceeding pursuant to this Section 9 must be commenced within two years from the expiration or termination of this Agreement, or from the act or omission complained of.

9.4 Excepted Disputes. The obligation herein to arbitrate shall not be binding upon either party with respect to claims relating to Franchisor's Proprietary Marks, Franchisee's noncompetition covenants, or requests by Franchisor or Franchisee for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute.

10. Miscellaneous.

10.1 Survival of Representations. All statements herein or in any certificate, agreement, instrument or other document delivered by or on behalf of any party pursuant hereto or in connection with the transactions contemplated hereby constitute representations, warranties, stipulations, covenants and agreements made by such party and shall survive the execution of this Agreement and the consummation of the transactions contemplated hereby.

10.2 Entire Agreement. This Agreement supersedes all prior discussions, understandings and agreements between the parties with respect to the matters contained herein, and contains the sole and entire agreement between the parties hereto with respect to the transactions contemplated hereby. PROVIDED, HOWEVER, that this provision shall not disclaim or require waiver of reliance upon any representation made in the Franchisor's Franchise Disclosure Document delivered to Franchisee. Nothing in this Agreement is intended to disclaim the express

representations made in this Franchise Disclosure Document. 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.

10.3 Notices. All notices, requests, demands, tenders and other communications required or permitted hereunder shall be in writing and shall be duly given (i) if delivered, mailed (certified or registered mail, postage prepaid) or sent by overnight courier service to the other party at its address set forth below its signature, or (ii) if transmitted by facsimile to the facsimile number of the other party set forth below its signature with written confirmation being mailed to the other parties on the same day. Any party may change its mailing address or facsimile number by giving notice to the other party in the manner provided herein.

10.4 Waiver. Any term or condition of this Agreement may be waived at any time by the party hereto which is entitled to the benefit thereof, but such waiver is effective only if evidenced by a written document signed by such party. A waiver on one occasion shall not be a waiver of the same or any other breach on any other occasion. No course of dealing or performance by any party, and no failure, omission, delay or forbearance by any party, in whole or in part, in exercising any right, power, benefit or remedy, shall constitute a waiver of such right, power, benefit or remedy. Franchisor shall have the right to waive or otherwise fail or elect not to enforce provisions comparable to those contained herein in other agreements between Franchisor and one or more other franchisees, and such waivers or failures to enforce shall in no way limit or prevent the exercise of any rights hereunder. Franchisor shall have no obligation to deal with similarly situated franchisees in the same manner.

10.5 Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party hereto.

10.6 Cumulative Remedies. No remedy conferred upon Franchisor is intended to be exclusive of any other remedy, and each and every such remedy shall be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

10.7 Independent Contractor Relationship. The parties hereto agree that nothing contained herein or in any instrument, agreement or other document delivered pursuant hereto or in connection herewith shall create a fiduciary relationship between them or shall operate to make either party hereto the partner, joint venturer, agent or employee of the other. It is intended that Franchisee is and shall continue to be an independent contractor responsible for all of Franchisee's obligations and liabilities with respect to the establishment and operation of the Franchise. Franchisee shall have no authority, express, implied or apparent, to act on behalf of or to bind Franchisor, and Franchisee shall take no action to create any such authority or the appearance of an employer-employee relationship between the parties.

10.8 Cost of Enforcement. In any action to enforce the rights of either party hereunder, the prevailing party, as determined by the arbitrators, court or other tribunal before which such action

is brought, shall be entitled to recover the costs and expenses of such party, plus reasonable attorneys' fees, incurred in investigating, prosecuting or defending such action.

10.9 Singulars and Plurals; Pronouns. Where the context so requires, the use of the singular form herein shall include the plural, and the use of the plural form the singular, and the use of any gender shall include any and all genders.

10.10 Execution in Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and both of which shall constitute one and the same agreement. The counterparts of this Agreement may be executed and delivered by facsimile or other electronic signature (including portable document format) by either of the parties and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received.

10.11 Headings. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and shall not affect the meaning or construction of any of its provisions.

10.12 Construction; Certain Definitions. To the extent that the provisions of this Agreement are in direct conflict with the provisions of any Exhibit hereto, the provisions of such Exhibit shall control. To the extent that the provisions of this Agreement are in direct conflict with the provisions of any Franchise Agreement between the parties, the provisions of such Franchise Agreement shall control. Capitalized terms used in this Agreement without definition shall have the meanings ascribed them in the Franchise Agreement.

10.13 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and shall inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors and permitted assigns.

10.14 Severability. If any provision of this Agreement or any instrument or other document delivered pursuant hereto or in connection herewith is for any reason held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other instrument or document, and this Agreement and such other instruments and documents shall be interpreted and construed as if such invalid, illegal or unenforceable provision had not been contained therein.

10.15 Governing Law and Choice of Forum. This Agreement has been executed and delivered in, and shall be governed by, construed and enforced in accordance with the laws of, the Commonwealth of Kentucky, without regard to its conflicts of law rules, except for the provisions of Section 8, which shall be governed by the laws of the state in which Franchisee's principal place of business is located. Any litigation relating to matters not required to be arbitrated by Section 9 shall be brought by Franchisor or any of its Affiliates or Franchisee or any of its Related Party in a court for the county of the state in which Franchisor's principal place of business is located at the time the action is brought or in the federal district court for the district where such principal place of business is located in that state at the time the action is brought. Franchisee and Franchisor hereby consent to the jurisdiction of such courts and waive any defense that such courts lack venue with respect to such proceeding.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the date first above written.

FRANCHISOR:

FAZOLI'S FRANCHISING SYSTEMS, LLC

**By: Fazoli's Restaurant Group, Inc.
Sole Member**

By: _____

Print Name: _____

Title: _____

[signatures continued on following page]

[signatures continued from previous page]

FRANCHISEE (Corporation):

By: _____

Print Name: _____

Title: _____

FRANCHISEE (Partnership):

By: _____

Print Name: _____

Title: _____

FRANCHISEE (Limited Liability Company):

By: _____

Print Name: _____

Title: _____

[signatures continued from previous page]

FRANCHISEE (Individual):

Print Name: _____

SCHEDULE ONE

FAZOLI'S FRANCHISING SYSTEMS, LLC PAYMENT AND PERFORMANCE GUARANTEE

In order to induce Fazoli's Franchising Systems, LLC. ("Franchisor") to enter into a certain Multi-Unit Restaurant Agreement (the "MURA") by and between Franchisor and the Franchisee named in the MURA to which this Payment and Performance Guarantee (the "Guarantee") is attached, the undersigned (collectively referred to as the "Guarantors" and individually referred to as a "Guarantor") hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its Affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the MURA or otherwise, together with any extension, renewal or modification thereof in whole or in part (the "Guaranteed Liabilities"), and agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities.
2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes or controversies between Franchisor and Franchisee and of the settlement, compromise or adjustment thereof. This Guarantee is primary and not secondary and shall be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guaranty shall be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger or consolidation of Franchisee, or any change in the ownership of Franchisee.
3. Term; No Waiver. This Guaranty shall be irrevocable, absolute and unconditional and shall remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Franchisee to Franchisor and its Affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy shall preclude other further exercise of such right or any other right or remedy.
4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of Section 8 of the MURA as though he or she were the "Franchisee" named therein and agrees that he or she shall take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the MURA and shall not take any action that would cause Franchisee to be in breach of the MURA.

5. Arbitration. Section 9 of the MURA is hereby incorporated herein by reference and shall be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the “Franchisee” referred to therein. With respect to the appointment of any arbitrators pursuant to such provision, it is understood and agreed that the arbitrator selected by Franchisee, if Franchisee is also a party to such proceeding, shall be the arbitrator selected by each of the Guarantors, and each of the Guarantors hereby consents to such appointment. This consent, being coupled with an interest, shall survive the death, dissolution or any other incapacity of each of the Guarantors.

6. Governing Law; Choice of Forum. This Agreement has been executed and delivered in, and shall be governed by, construed and enforced in accordance with the laws of, the Commonwealth of Kentucky, without regard to its conflicts of law rules, except for the provisions of Section 8 of the MURA as they relate to the Guarantors, which shall be governed by the law of the state in which Franchisee’s initial franchise is located. Any litigation relating to matters not required to be arbitrated as provided in Section 5 above, shall be brought in the state in which Franchisor’s principal place of business is located at the time the action is brought, or in the federal district court for the district where such principal place of business is located at the time the action is brought. Each Guarantor hereby consents to the jurisdiction of such courts and waives any defense that such court lacks jurisdiction or venue with respect to such proceeding.

7. Miscellaneous. This Agreement shall be binding upon the Guarantors and their respective heirs, executors, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

Print Name: _____

Address: _____

Print Name: _____

Address: _____

**SCHEDULE TWO
TO THE
MULTI-UNIT RESTAURANT AGREEMENT**

1. Development Area:

2. Development Schedule:

Number of
Franchises in Area

Last Day for Opening

1	_____, 20__
1	_____, 20__
1	_____, 20__
1	_____, 20__
1	_____, 20__
1	_____, 20__
1	_____, 20__
1	_____, 20__

SCHEDULE TWO-A
TO THE
MULTI-UNIT RESTAURANT AGREEMENT

DEVELOPMENT MAP

EXHIBIT K

FAZOLI'S ADDENDUM TO FRANCHISE AGREEMENT

[Nontraditional Locations]

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum"), dated for reference purposes as of _____, is entered into by and between **FAZOLI'S FRANCHISING SYSTEMS, LLC**, a Delaware limited liability company with its principal office at 2470 Palumbo Drive, Lexington, Kentucky 40509-1117 (the "Company"), its successors and assigns; and _____, a _____, with its principal office at _____ ("Franchisee").

Recitals:

A. Franchisee has requested that the Company grant Franchisee the right to construct and operate a Fazoli's restaurant in and from dedicated space within an airport, college/university, truck stop or similar nontraditional location as defined in Section 1.01(a)(i) of and identified on Schedule One attached to the Franchise Agreement referenced in Recital B below ("Nontraditional Location" or "Location").

B. The parties have entered into a Franchise Agreement for the establishment of Fazoli's restaurant. The parties recognize that specialized provisions are required to adapt the Franchise Agreement to govern the operations of a Fazoli's restaurant within or from a Nontraditional Location, and the parties desire to execute this Addendum to amend the Franchise Agreement and set forth such specialized terms and conditions, as well as to confirm agreements between the parties related to the Restaurant to be operated from the Location.

ACCORDINGLY, Company and Franchisee hereby agree and amend and supplement the Franchise Agreement as follows:

1. Construction and Definitions. (a) The foregoing recitals are incorporated into this Addendum as substantive provisions hereof. Capitalized and defined terms used in this Addendum and not otherwise defined herein shall have the same meanings attributed to them in the Franchise Agreement unless the context of this Addendum requires otherwise. In the event that the terms of this Addendum conflict with the terms of the Franchise Agreement, the terms of this Addendum shall control.

(b) The following definition shall apply to the terms set forth below:

(i) “Franchise Restaurant” and “Franchise Restaurant Premises” shall have the meanings given those phrases in the Franchise Agreement except that they shall be deemed to include only the portion of the Ancillary Business Premises that contains or is necessarily utilized in the operation of the Franchise Restaurant, including common seating areas, common restrooms, parking areas and ways of ingress and egress.

(iii) “Ancillary Business” and “Ancillary Business Premises” shall mean respectively the college/university, truck stop or airport operations and that portion of the Premises dedicated solely to the operation of the Ancillary Business.

2. The Franchise Agreement is hereby supplemented by adding thereto a third Recital paragraph that reads as follows:

The Company has also developed modifications to the System to facilitate the operation of a Fazoli’s restaurant from a Nontraditional Location. The Franchisee wishes to obtain a license to operate a Fazoli’s restaurant within, and/or as part of, a Nontraditional Location pursuant to the Company’s modified system.

3. The Franchise Agreement is hereby amended so that corresponding provisions of Sections 2.01 and 2.02 shall read as follows:

2.01 **Initial Term** - Unless previously terminated pursuant to the terms of this Agreement, the term of the license granted herein shall be five (5) years commencing on the date the Franchise Restaurant first opens as such to the public for business.

2.02 **Renewal Terms** -- The rights granted pursuant to this Agreement shall not automatically renew upon the expiration of the Initial Term. Franchisee shall, however, have the option to renew the license granted by this Agreement for three (3) additional terms of five (5) years; provided that (i) no renewal period may extend the term beyond the expiration of the lease, and any renewal thereof, on the Franchise Restaurant Premises, and (ii) Franchisee must:

. . .

(e) pay to the Company a renewal fee equal to 50% of our then current initial franchise fee (applicable to the purchase of a first franchise without any discount);

(h) complete, or provide for, such renovation and modernization of the Franchise Restaurant and Franchise Restaurant Premises as the Company may reasonably require, including, without limitation, such remodeling

(including structural modification), redecoration, repair, and replacement of fixtures, furniture, signs and equipment, as may be necessary both to reflect the then current public image required by the Company of new franchisees and to ensure the presentation of the Proprietary Marks consistent with such image.

4. Sections 2.03 (Opening Date) and 3.01(h) (Development, Construction and Conversions of Restaurants) of the Franchise Agreement are hereby amended so as to require that the Franchised Restaurant be opened within **one year** from the date of the Franchise Agreement.

5. Section 3.01(j) of the Franchise Agreement is hereby amended so that such provision shall apply in the event of fire or other casualty to the Business Premises that directly or indirectly affects the operations of the Franchise Restaurant.

6. The Franchise Agreement is hereby amended by adding thereto the following Sections following Section 1.05(i):

(j) Franchisee represents and warrants to and agrees with Company as follows: Franchisee shall utilize the Business Premises for the operation of the Franchise Restaurant and for no other purpose without first obtaining the Company's prior written approval, which approval the Company may withhold in its sole discretion without liability to Franchisee or any other party.

(k) Franchisee represents and warrants to and agrees with Company as follows: (a) Franchisee has the right to operate within the Ancillary Business pursuant to a lease, license, distributor/supply or similar agreement ("Ancillary Business Agreement") with a term that does not expire prior to the expiration of the term of this Agreement, Franchisee is not in default under the Ancillary Business Agreement, and Franchisee shall, upon Company's request, provide Company with a true and accurate copy of the Ancillary Business Agreement, which has not been materially modified or amended; (b) Franchisee shall promptly provide Company with any material modification or amendment to its the Ancillary Business Agreement; (c) Franchisee's Ancillary Business Agreement does not restrict, limit or prohibit the operation of the Franchise Restaurant and Franchisee has received all necessary approvals under such the Ancillary Business Agreement for the operation of the Franchise Restaurant.

7. Section 3.02(b) of the Franchise Agreement is hereby amended so that the right of first refusal granted therein shall apply only in the event the offer includes or materially affects the Franchise Restaurant or the Franchise Restaurant Premises.

8. Sections 3.04 and 3.05 of the Franchise Agreement are hereby amended so that the Franchisee agrees to comply with all maintenance, upgrading and refurbishment requirements under the Ancillary Business Agreement.

9. The Franchise Agreement is hereby amended by deleting Section 6.01 thereof and substituting the following therefor:

- (a) A nonrecurring, nonrefundable franchise fee in the amount of Fifteen Thousand Dollars (\$15,000), of which one-half of the fee, \$7,500, is due initially upon execution of your signed Agreement and the remaining one-half is payable upon the opening date of your restaurant, all of which is fully-earned by the Company upon receipt and not contingent upon the rendering of any further performance by the Company. (b) A royalty fee, a sum equal to six percent (6%) of Franchisee's Gross Receipts (as defined below) from the operation of the Franchise Restaurant.

10. Sections 10.02 and 10.03 of the Franchise Agreement are hereby amended so as to prohibit the Franchisee from using any Proprietary Mark with any words, names, logos or marks describing or associated with the Ancillary Business except as may be authorized by the Company in its sole discretion in writing in advance of each such use.

11. Section 10.05 of the Franchise Agreement is hereby amended so as to prohibit the Franchisee from (a) employing at the Franchise Restaurant any person who is also employed by the Ancillary Business; and (c) failing to keep completely segregated and separate the operations, records, phone and computer systems and management of the Franchise Restaurant and the Ancillary Business.

12. Section 11.01(b) of the Franchise Agreement is hereby amended by adding thereto the following as events of default:

(13) if the quality of the Ancillary Business changes to the extent that the Company reasonably believes that the operation of a Fazoli's restaurant is no longer appropriate at the Business Premises;

(14) if the Company determines as a matter of corporate policy, in its sole discretion, to effect a market withdrawal of Franchise Restaurants from Nontraditional Locations or similar locations and, in conjunction therewith, materially curtails or ceases development of or undertakes to significantly reduce the number of Fazoli's restaurants operated in such venues.

13. Sections 6.02 and 7 of the Franchise Agreement is amended by adding thereto the following:

Franchisee may purchase from time to time, point of purchase promotional items that relate to the promotions initiated or approved by the Company from Company or a vendor approved by Company. Company shall supply such materials at a reasonable cost considering Company's out

of pocket expenses, including, but not limited to, internal and external creative resources, minimum purchase quantities, order processing and shipping.

IN WITNESS WHEREOF, Company and Franchisee have executed or caused the execution of this Addendum effective as of _____.

FAZOLI'S FRANCHISING SYSTEMS, LLC

By: Fazoli's Restaurant Group, Inc., its Sole Member

By:_____

Print Name:_____

Title:_____

FRANCHISEE

By:_____

Print Name:_____

Title:_____

The undersigned GUARANTORS hereby consent to the foregoing Addendum:

EXHIBIT L

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of _____, 202__ (the “Effective Date”) by _____, a(n) _____ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of **FAZOLI'S FRANCHISING SYSTEMS, LLC**, a Delaware limited liability company (“us,” and together with you and Owner, the “Parties”).

Background

- A. We signed a Franchise Agreement with you, dated _____, 202__ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a Fazoli's® Restaurant.
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**].
- C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

Agreement

- 1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
- 2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

3. Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

[Section 3 only applies for Washington franchisees; otherwise it is omitted]

4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.
5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. Miscellaneous.
 - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
 - (b) This Agreement shall be construed and governed by the laws of the Commonwealth of Kentucky.

- (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
- (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
- (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
- (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
- (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
- (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

[]

By: _____

Name: _____

Title: _____

FRANCHISE OWNERS:

Name: _____

Name: _____

Name: _____

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	June 27, 2024
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	July 11, 2024
Wisconsin	

RECEIPT

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Fazoli's Franchising Systems, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to us or an affiliated in connection with the proposed franchise sale or grant.

Several states, including New York, require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Several states, including Michigan, require that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Fazoli's Franchising Systems, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the state agency listed on Exhibit A.

The Franchisor is Fazoli's Franchising Systems, LLC located at 2470 Palumbo Drive, Lexington, Kentucky 40509. It's telephone number is (859) 268-1668.

Issuance Date: April 30, 2024 (amended November 8, 2024).

The following is the name principal address and telephone number of each franchise seller offering this franchise:

- ☐ Taylor Wiederhorn 9720 Wilshire Blvd., Suite 500, Beverly Hills, CA 90212. (310) 402-0606
- ☐ Warren Christiansen 9720 Wilshire Blvd., Suite 500, Beverly Hills, CA 90212. (310) 402-0606
- ☐

Fazoli's Franchising Systems, LLC's authorized the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document that included the following exhibits:

<u>Exhibit A</u> State Administrators and Agents for Service of Process	<u>Exhibit D</u> Right to Cure/Financing Agreement
<u>Exhibit B</u> Audited Balance Sheets	<u>Exhibit E</u> Online Information Center Table of Contents
<u>Exhibit C</u> Franchise Agreement, with the following agreements	<u>Exhibit F</u> Termination, Release & Confidentiality/
attached as Exhibits to the Franchise Agreement:	Noncompetition Agreement
Schedule Two A and B: Form of Attorney Certification Letter	<u>Exhibit G</u> List of Current Franchisees
Schedule Three: Confidentiality and Other Business	<u>Exhibit H</u> Franchisees Who Left The System
Interests Agreement	<u>Exhibit I</u> State Required Addenda
Schedule Four: Guaranty of Franchisee's Undertakings	<u>Exhibit J</u> Multi-Unit Restaurant Agreement
Schedule Six: Bank Authorization Agreement	<u>Exhibit K</u> Addendum to Franchise Agreement
Schedule Seven: Brand Technology System Support Services Agreement	<u>Exhibit L</u> General Release

Date: _____

Prospective Franchisee:

By: _____

Name: _____

Individually and on behalf of the following entity:

Company Name: _____

Title: _____

RECEIPT

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Date: _____

Prospective Franchisee:

By: _____

Name: _____

Individually and on behalf of the following entity:

Company Name: _____

Title: _____