

## FRANCHISE DISCLOSURE DOCUMENT

Galardi Group Franchise Corp., a California Corporation  
7700 Irvine Center Drive, Suite 550  
Irvine, California 92618

(800) 764-9339; franchise@wienerschnitzel.com; www.wienerschnitzel.com



(Full Franchise)

The franchise is a quick service restaurant featuring hamburgers, hot dogs, fries, soft serve desserts, and drinks. The total investment necessary to begin operation of a new Wiener Schnitzel® is \$299,100 to \$1,462,100. This includes \$5,000 - \$39,500 that must be paid to us or our affiliate, and if we provide development services for construction, 5% of construction costs. If you buy an operating restaurant your investment may exceed these ranges because you may also buy the restaurant assets and provide us a \$10,000 deposit with your purchase offer. We also offer an agreement in which you commit and we grant you a right to develop multiple restaurants. The total investment for this agreement is \$358,100 to \$1,766,100., also including \$64,000 - \$336,000 that must be paid to us.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ted Milburn at Galardi Group Franchise Corp., 7700 Irvine Center Drive, Suite 550, Irvine, CA 92618, and 949-892-2652.

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

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

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

Issued: April 4, 2023, as amended May 3, 2023

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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 agreements require you to resolve disputes with us by litigation only in California. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to sue us in California than your home state.
2. **Publicity.** Your business may decline when there is bad publicity about the types of food we serve, another restaurant in our system, or even about a competing quick service restaurant or system, such as publicity about a crime, injury, illness or other misfortune at any such restaurants.
3. **Changes to your business.** Your business will be affected by changes in consumer tastes, demographic patterns, character of the area where your restaurant is located, weather, competition, inflation, food costs, cost of motor fuels, government regulations like required disclosure of nutritional information, public attention to ingredients, health and nutrition concerns, health codes, zoning, environment concerns, wage and price controls, employment and wage levels, energy usage, and other operating costs
4. **Personal guarantee.** If you are married, we'll require you and your spouse to sign a personal guarantee making him/her jointly and severally liable for all obligations of the franchise, whether or not your spouse is involved in the operation of the franchise business. This requirement places the personal assets of the franchise owner(s) and spouse(s) at risk.
5. **Term loans.** We and one of our affiliates guaranteed fourteenterm loans for another of our affiliates. At December 31, 2022, the amounts were \$22,415; \$51,575; \$51,188; \$158,214; \$85,356; \$187,955; \$578,104; \$536,993; \$1,295,712; \$168,377; \$344,501; \$924,135; \$600,646, \$465,650 (totaling \$ (totaling \$5,470,821).
6. **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.

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

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## **ITEM 1: The Franchisor and any Parents, Predecessors and Affiliates**

We are Galardi Group Franchise Corp. We incorporated in 1982. To simplify language in this disclosure document, “we,” “us,” or “our” means Galardi Group Franchise Corp. and may include one or more of our affiliates. “You,” or “your” means the franchisee or person or entity (corporation, partnership, LLC, and its owners, managers, officers and directors) that buys the franchise.

Some affiliates control or are under common control with us. Our parent (majority owner) is Galardi Group, Inc. (“GGI”), incorporated in 1964. Galardi Group Franchising & Leasing, Inc., formed in 1998, owns certain operating assets related to our business. Galardi Group Franchise & Leasing, LLC, a limited liability company, formed in 2002, conducts restaurant related business after the sale of the franchise to you, and may provide services to you. Galardi Group Realty Corp. (“GGRC”) formed in 1986, may lease or sublease real property to you. We don’t have a predecessor in the sense of someone who we acquired most of our assets from.

The above companies are formed in California. All are located at 7700 Irvine Center Drive #550, Irvine, California 92618. The phone number is 949-892-2699. See Exhibit V for our agents for service of process.

We franchise quick service restaurants, called Wienerschnitzel®. Your Wienerschnitzel® restaurant will feature burgers, hot dogs, fries, drinks, and related menu items. We may allow or require you to offer Tastee-Freez® desserts.

We or our parent and affiliates operated Wienerschnitzel® restaurants since 1961 and offered franchises since 1965. We do not currently own or operate any Wienerschnitzel® restaurants. Since 1982 we or affiliates offered franchises for Hamburger Stand restaurants, offering burgers, fries, and soft drinks. There are currently 13 Hamburger Stand franchises. Since 2003, our affiliate Tastee Freez, LLC offered franchises for Tastee-Freez® restaurants selling desserts, or desserts and foods. Tastee-Freez® started in the 1950s. A predecessor offered Tastee-Freez® franchises since at least 1982. Tastee Freez, LLC currently has 4 franchises. Counting subfranchisees, and Wienerschnitzel® locations that offer Tastee-Freez®, about 333 locations offer Tastee-Freez® products.

We offer four types of Wienerschnitzel® franchises: (1) full, (2) business and facility; (3) limited; and (4) express. This Franchise Disclosure Document (FDD) is for the full franchise. In the full franchise you obtain and build-out premises, obtain equipment, hire staff and do everything to develop and operate your restaurant. We also offer, and this FDD describes, an agreement in which you commit and we grant you a right to develop multiple Wienerschnitzel restaurants. Sometimes we sell an already existing, operating Wienerschnitzel® restaurant as a franchise.

Separate FDDs describe the business and facility and limited franchises. In another separate FDD we offer area representative franchises, to engage in the business of recruiting and providing support services to operators of Wienerschnitzel® restaurant franchises in an agreed area. The area representative does not have any management responsibility in the sale or operation of the franchises listed above.

The market for quick service restaurants and foods we offer is well-developed. Your customers will be all types of consumers who want a good meal served quickly at a reasonable price. You will compete with restaurants and quick service restaurants including franchises, chains and individually-owned restaurants and other meal options, like food trucks, dining at home and grocery store deli counters. Your competitive advantage will be based on following our standards and guidelines, your

entrepreneurial and managerial abilities and focus on customer service in your Wienerschnitzel® franchise.

You must comply with laws and rules on operating a restaurant, health, safety and sanitation, health department inspections, menu and menu board labeling, providing calorie and nutrition information, smoking, restrictions, posting notices of chemicals and health hazards, fire safety and emergency preparedness, use, storage and disposal of containers and materials that may harm the environment or affect food or health, and on waste, insecticides and other hazardous materials, food labeling, minimum wages, overtime, working hours and conditions, breaks, unlawful discrimination, disability discrimination and compliance, anti-terrorism, employing children and with the FDA Hazard Analysis and Critical Control Point (HACCP) food safety program. Some states require you to employ a person certified in food safety. In several states, (for example, California, Illinois, and Washington) county health departments inspect restaurants and other retail food facilities for such matters as sanitation, compliance with safe food handling practices and adequacy of kitchen facilities. In a public health threat or other emergency, government at the local, state and federal level may require closure or other operating restrictions. You must investigate and comply with these laws and regulations; despite any advice or information we may give you.

## **ITEM 2: Business Experience**

### Executive Chairperson: Cynthia Galardi Culpepper

Ms. Culpepper has been our Executive Chairperson since February 2022. Ms. Culpepper was our Chairman and Chief Executive Officer from 2013 to January 2022.

### President, Chief Executive Officer and Chief Operating Officer: J.R. Galardi

Mr. Galardi has been our President, Chief Executive Officer and Chief Operating Officer since February 2022. Mr. Galardi has been our President since December 2017. He was our Executive Vice President from August 2016 to December 2017; Director of Administration from March 2016 to August 2016; Manager of Hamburger Stand from January 2016 to March 2016; and Marketing Manager from June 2012 to January 2016.

### Vice President and Chief Financial Officer: Michael Nishi

Mr. Nishi has been GGI's and our Vice President, Chief Financial Officer since February 2022. Previously Mr. Nishi was Chief Financial Officer of Tartine Bakery from January 2019 to January 2022; Chief Financial Officer of Lemonade Restaurants from August 2017 to May 2018 and Chief Financial Officer of Wetzels Pretzels from June 2014 to August 2017.

### General Counsel: Thomas J. Haldorsen

Mr. Haldorsen has been our General Counsel since March 13, 2023. Previously Mr. Haldorsen was Associate General Counsel of Lennar Corporation from 2019 to 2023; and Counsel of Lennar Corporation from 2014 to 2019.

### Chief Operating Officer: Rusty Bills

Mr. Bills has been GGI's Chief Operating Officer since October 2022. He was our Vice President of Operations from October 2017 to September 2022. He was our Senior Director of Operations from November 2016 to October 2017; Director of Operations from September 2014 to November 2016;

Manager of Tastee Freez and Special Projects from September 2011 to September 2014; and Franchise Area Director from March 2007 to September 2011.

International Franchise Development Director: Werner Glass

Mr. Glass has been our International Franchise Development Director since January 2021. From September 2014 to February 2020 Mr. Glass was Vice President, International Franchise Development and/or Senior Vice President, Global Franchise Development, with Sbarro, a quick service restaurant featuring pizza and Italian foods.

Director of U.S Franchise Development: Ted Milburn

Mr. Milburn has been our Director of Franchise Development since January 2015.

Chief Marketing Officer: Doug Koegeboehn

Mr. Koegeboehn has been our Chief Marketing Officer since January 2015. He was our Director of Marketing from November 2014 through December 2014.

### **ITEM 3: Litigation**

Maher Abdeljawad v. Galardi Group, Inc. (U.S. District Court for Central District of Illinois, No. 2:15-cv-02265-HAB, filed November 5, 2015.) Mr. Abdeljawad claimed advertising and marketing Wienerschnitzel® all-beef hot dogs with chili or chili-cheese misled consumers to believe the chili was all beef but the chili had some pork. On May 4, 2016, the parties signed a settlement agreement.

Galardi Group Franchise & Leasing, Inc.; Galardi Group Franchise Corp. v. Colorado Mountain Family LLP; GSF Family LLP; et al. (Superior Court of California for Orange County, No. 30-2017-00948754-CU-BC-CJC, filed October 10, 2017). Our affiliates brought this claim against a supplier and the supplier cross-complained against our affiliates for breach of contract. The parties had entered into a Deposit Agreement. Defendants did not pay the balance due for a deposit under the agreement. The matter settled in November 2020 with an agreement that our affiliates will continue to be supplied by the supplier or will pay an agreed amount to them if we terminate the arrangement before expiration of an agreed time period.

Hooman Nissani; Playa Vista Wienerschnitzel, Inc. v. Galardi Group Franchise Corp., Galardi Group Franchise & Leasing, LLC, et al. (Superior Court of California for Orange County, No. 30-2019-01115068-CU-CO-CJC, filed November 27, 2019). This action concerns alleged breach of contract and fraud by a former franchisee. Plaintiffs and Defendants entered into contracts related to a Wienerschnitzel franchise. There was a disagreement regarding honoring each party's obligations under the contracts. Plaintiffs seek monetary damages. As of the amended issuance date of this Disclosure Document the case is current.

Other than these actions no litigation is required to be disclosed in this Item.

### **ITEM 4: Bankruptcy**

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



## ITEM 5: Initial Fees

You pay an initial franchise fee. The amount fee is \$32,000. For a second or subsequent franchise agreement, the initial franchise fee is reduced by 50% (thus \$16,000). For a renewal, the initial fee is \$1,600 for each year of the renewal term under the Franchise Agreement. You pay the total in a lump sum on signing the franchise agreement. This initial franchise fee is not refundable, except in specific instances. If (a) you diligently identified and proposed three locations to us but after a year from signing the Franchise Agreement we did not find any of them to be acceptable, and we did not identify any location acceptable to you, or (b) you do not obtain and provide us with proof of real estate rights to develop and operate a Wienerschnitzel restaurant at your real estate site approved by us, then at your or our written request, the Franchise Agreement can be terminated. Your written request to terminate the Agreement must be made to us before the end of the thirteenth (13<sup>th</sup>) month after entering into the Agreement, and our written request to terminate this Agreement may be made at any time after twelve (12) months from entering into this Agreement. At the end of the 13<sup>th</sup> month, the full franchise fees are not refundable without a written request. If so terminated, we'll retain \$5,000 and return the rest of the initial franchise fee you paid.

For a non-traditional location, like an in-line storefront, kiosk, convenience store, gas station, food court, or casino the initial franchise fee is \$10,000. For a second or subsequent franchise agreement you enter into with us for a non-traditional location, the initial fees are reduced by 50% (thus \$5,000). For a renewal for a non-traditional location, the initial fee is \$500 for each year of the renewal term. You pay the total in a lump sum on signing the Franchise Agreement. This initial franchise fee is not refundable. However, if you diligently identified and proposed three locations to us but after a year from signing the Franchise Agreement we did not find any of them to be acceptable, and we did not identify any location acceptable to you, then at your or our written request, we can cancel the Franchise Agreement. If so cancelled, we'll retain \$5,000 and return the rest of the initial franchise fee you paid.

For a location that was previously a Wienerschnitzel restaurant, and its franchise term ended, and has not been occupied by another party, the initial franchise fee will be subject to the franchise term we decide to grant you. Each year of the term will be \$1,600 if this is your first Wienerschnitzel, and \$800 a year if you already own 1 or more Wienerschnitzels. You pay the total in a lump sum on signing the franchise agreement, and such initial franchise fee is not refundable.

To buy an operating restaurant from us, you deposit \$10,000 with your purchase offer and upon the purchase pay us the full purchase price in cash or cash and a promissory note. Some of the price may be used to make changes to the restaurant we deem necessary. If the sale isn't completed, we keep \$1,000 of your deposit and refund the rest. We may negotiate the \$32,000 initial fee based on factors like restaurant operating history, remaining lease term, duration of the franchise agreement, number of restaurants involved, and possibly other factors.

For the agreement granting you a right and obligating you to develop multiple Wienerschnitzel restaurants (the "Development Agreement"), you pay us an initial fee, calculated as the sum of (a) the initial franchise fee for the first Franchise Agreement to be entered into, and (b) one-half ( $\frac{1}{2}$ ) of the standard initial fee x the number of additional Franchise Agreements to be entered into. By way of example, for a commitment to develop three Wienerschnitzel restaurants the initial fee under this formula is the sum of (a) \$32,000 on account of first restaurant, and (b) [ $\frac{1}{2}$  x standard initial fee of \$32,000 x 2 additional restaurants], which totals \$64,000.

If an existing contract between you and us says we will sell you a franchise for a different fee than stated above, then the initial fee will be as stated in your contract.

If we provide development services for constructing a new restaurant, you pay us a fee equal to 5% of construction costs. If you develop an end-cap drive-thru location, you may pay us a \$3,000 deposit for producing site & floor plans. We reimburse any unused portion of the \$3,000.

You pay us \$5,000 for training the first individual and \$2,500 for each additional trainee. You pay this before starting training or on the first day of training. Under our current limited time incentive, the \$5,000 for the first individual is waived, conditioned on compliance with the Franchise Agreement, including opening the restaurant for business within 18 months of signing the Franchise Agreement.

## ITEM 6: Other Fees

Type of Fee	Amount	Due Date	Remarks (Note 1)
Service Fee	<p>Generally, 5% of Net Sales</p> <p>For limited time:</p> <p>If adding a Wienerschnitzel restaurant to an existing market this fee is reduced to 1% in year 1; 2% in year 2; then 5% in year 3 and after.</p> <p>For commitment to 3 or more new restaurants in a new market for Wienerschnitzel, this fee is reduced for first 3 restaurants to 1% in year 1; 2% in year 2; 3% in year 3; 4% in year 4, then 5% in year 5 and after.</p>	7 <sup>th</sup> day of month	<p>Net Sales is total sales of all food and other items, not counting sales taxes, over rings, refunds and tips.</p> <p>To qualify for reduced rate in years 1 and 2, the franchise must be in an already existing Wienerschnitzel market and open within 18 months of signing Franchise Agreement.</p> <p>To qualify for reduced rate in years 1 through 4, the franchise must be pursuant to a commitment to develop 3 or more restaurants in a new market for Wienerschnitzel, pursuant to the Exclusive Right to Develop Agreement, and restaurants must open according to schedule. Only first 3 restaurants are eligible for reduction.</p>
National or Regional Advertising	1% of Net Sales	7 <sup>th</sup> day of month	You pay us this for national and/or regional advertising.
Advertising Contribution	3% of Net Sales. Your advertising association can increase this rate.	As set by your advertising association	If your association charges under 3% or no association is in your area, you must spend the difference on your own advertising. We can make you pay us the difference between your advertising expenditures and the 3% rate. Association members vote on association ad campaigns. In a tie, we can cast deciding vote.
Rent; Additional Rent	10% of net sales, subject to minimum stated in lease or sublease; also, Landlord may bill for CAM, Utilities, Insurance, Real Property Taxes and Personal Taxes.	20 <sup>th</sup> day of each month; 30 days from notice by Landlord	If you lease premises from us, you pay us monthly rent. This may exceed how much we pay if we lease the premises. Also, Landlord may bill and you may pay for such items as CAM, utilities, insurance, real property taxes, personal taxes, etc.
New Restaurant Employee Training	<p>\$5,000 for first person, \$2,500 for each additional person.</p> <p>For a limited time, we'll waive the \$5,000 for the first person.</p>	When you request this training	This fee is if we train employees of a new restaurant opened by a new or existing franchisee. For a new franchisee we will almost certainly require this training. For an existing franchisee we may require this training at our option. The waiver is conditioned on compliance with the Franchise Agreement, including opening within 18 months.

Additional Training	Recertification Renewal \$100 per person	Varies	Renewal of Certification fee
Promotional Allowances	Amount of Allowance	On receipt	You assign to us any right to get promotional allowances from suppliers.
Permits, Licenses, Sales and Other Taxes	Costs we incur for permits, licenses or taxes and amount of taxes	On demand	You reimburse us for any permits or licenses we get for you. You reimburse us for any sales tax, trademarks license taxes or fees we pay on your behalf. If a government agency charges us tax for granting you a license or franchise, or for your sales, you pay the tax. If you don't then we pay the tax and you reimburse us.
Equipment Lease	Varies from \$1 per year, to 3% or 4% of monthly Net Sales, or a fixed monthly amount ranging from \$1 to \$900; costs of insurance and taxes; costs for loss or damage of equipment	First day of each month; other costs on demand	If you lease equipment from us, you pay us monthly rent. You keep leased equipment insured free of liens and pay taxes and other charges. If you do not, you pay us cost of insurance/amount of taxes and interest at lower of 1% per month or highest legal rate. If equipment is damaged or lost, you pay us original cost of item less depreciation (straight line over seven years) plus 10%. Expenses we incur in exercising rights under the equipment lease will be paid by you.
Transfer Fee	\$500 - \$3,000	On request of our consent	We charge \$500 for you to transfer franchise to an entity you control. Otherwise will charge you our then-current transfer fee (currently \$3,000 which could go up).
Service Fee	\$500 monthly	On demand	If you fail to complete your resale or renewal requirements by the agreed upon date, you will be subject to this service fee each month until the requirements are satisfied.
Insurance	Amount of premium	On demand	If you don't show us proof you have all required insurance we have the right (but no obligation) to get it at your cost.
Indemnity	Amount of loss; attorney's fees	On demand	You protect us from loss or damage occurring at your premises. If we are sued, you defend us. If you don't we can defend ourselves at your expense. You pay any judgment against us.
Audit	\$100 to \$1,000	On demand	If you underreported net sales by 2% or more, you pay the underreported amount and also pay our audit costs.
Product Testing	\$1,000	On demand	If you want to get items, meeting our standards, from someone we haven't approved, you give us information we want about the proposed source. We may require them or you to pay for testing items.
Attorney's Fees and Court Costs	Amount of fees and costs	On demand	In an action relating to franchise agreement or your advertising association you reimburse our (or, if applicable, advertising association's) attorney's fees, court costs, and other costs if you are unsuccessful.
Late Charge	10% of delinquency	On demand	If you do not pay us or your advertising association on time, you pay an additional 10% of the amount overdue plus interest, noted below.
Interest	Lower of 18% per year or highest rate allowed by law for non-personal loan	On demand	If you do not pay us on time, you pay interest in addition to 10% late charge noted above.

Failure to Complete Purchase of Assets	\$1,000	Immediate	If we accept your offer to buy assets of an existing restaurant and your purchase is not completed, we keep \$1,000 of your deposit.
Real Estate Assignment Fee	\$15,000 for each location	Close of purchase or lease transaction	You pay us if you assume a purchase or lease contract for a property we have under contract.
Breach service charge/costs of remedial action	\$250 or other reimbursement of expenses to cure (varies)	On demand	For breach or default we can charge you \$250 and require you to pay our costs/expenses for remedial or cure actions we take re-maintenance, design, décor, appearance, obsolescence or any aspect of the restaurant.
Reimbursement for Employer Related Costs	Varies	On demand	You pay us for any costs/expenses like wages, salaries, taxes and/or other payroll-related costs/expenses for any of your employees or independent contractor if we are deemed to be the employer.
Point of Sale System	\$720 per year for Galardi Group Help Desk.	On demand	This fee is for access to the Galardi Group Help Desk.

1. All fees are imposed by and collected by us or our affiliate and are paid to us, except that contributions to an advertising association are paid to the association. None of these fees are refundable, except that if an insurance policy is cancelled before it expires, a portion of the premium may be refundable from the insurance company. All fees are uniformly imposed.

## ITEM 7: Estimated Initial Investment

### Individual Restaurant Franchise Agreement

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$5,000 - \$32,000 (Note 2)	Lump Sum	On signing Franchise Agreement	Us
Net Rent (Note 3)	\$7,500 - \$36,000	Check or Automated Payment	Typically Monthly	Us or landlord/property owner directly
Equipment Furniture, Furnishings, Fixtures	\$7,700 - \$300,000 (Note 4)	Varies	Before opening	Us or Vendors
Small wares (Note 5)	\$4,400 - \$6,500	Check or Credit Card	Before opening	Approved distributor/vendor
Opening inventory	\$5,000 - \$8,000	Lump Sum	Before opening	Approved distributor & local vendor
Training (Note 6)	\$0 - \$11,600	Lump Sum	Before opening	Us; travel and lodging providers
Local Marketing at Opening (Note 7)	\$0 - \$5,000	Varies	Before/at opening	Advertising Suppliers
Insurance	\$3,000 - \$21,000	Check or credit card	Before opening	Insurance company
Uniforms	\$1,500	Lump Sum	Before opening	Uniform suppliers
Security Deposits (Note 8)	\$3,500 - \$13,000	Lump Sum	(Note 6)	Us or Landlord; Utilities
Real Estate Improvements	\$250,000 - \$1,000,000 (Note 9)	(Note 9)	(Note 9)	(Note 9)
CPA/Lawyer (Note 10)	\$1,500 - \$7,500	Varies	Before opening	CPA/Lawyer

Additional Funds- Three months (Note 11)	\$10,000 - \$20,000	Varies	Varies	Miscellaneous suppliers/trade persons & others for incidental and other costs
Additional investment for purchase of operating restaurant	(Note 11)	Varies	Before opening	Us
Total (Notes 1,12, & 13)	\$299,100 - \$1,462,100 (Notes 1,12, & 14)			

### Exclusive Right to Develop Agreement

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Fee	\$64,000 - \$336,000 (Note 13)	Lump Sum	On signing Franchise Agreement	Us
First Franchise	\$294,100 - \$1,430,100 (Note 13)	Varies – See Applicable Methods of Payment in Preceding Table	Varies – See Applicable “When Due” Descriptions in Preceding Table	Varies – See Applicable Payee Descriptions in Preceding Table
Total	\$358,100 - \$1,766,100 (Note 14)			

#### Notes:

1. This table estimates your anticipated initial investment for the period before opening your franchise until about three months after opening. These are only estimates.
2. For a traditional full location, the initial franchise fee is \$32,000. For a second or subsequent franchise agreement you enter into with us, the initial franchise fees are reduced by 50% (thus \$16,000). For a non-traditional location like an in-line storefront, kiosk, convenience store, gas station, food court, casino, or inside a department store, the initial franchise fee is \$10,000. For a second or subsequent franchise agreement you enter into with us, the initial franchise fees are reduced by 50% (thus \$16,000, or for a non-traditional location, \$5,000). You pay the total in a lump sum on signing the franchising agreement. It is non-refundable, except in specific instances.
3. Estimated rent for three months. Rent will depend on market conditions, location, size, condition of premises, and a wide range of other factors. The low estimate assumes monthly rent of \$2,500. The high estimate assumes monthly rent of \$12,000. Rent at the low end of the range, while possible, is rare. It is possible your rent could exceed the high estimate if you choose a location at a higher monthly rental. If you sublease from us, your rent may exceed the rent we pay under our lease.
4. You provide furniture, fixtures and equipment (“FF&E”). We estimate your cost will range from \$117,000 to \$300,000 depending on restaurant design and equipment you may be required to purchase. This estimate also includes approximately \$8,000 to \$13,000 for the Oracle POS system we require you to purchase. The low estimate assumes your cost for signage will be about \$35,000 and about \$5,000 for exterior seats. The Galardi Group help desk cost is \$720 per year. On occasion, we may lease restaurant equipment. If so, the estimated low range for three months would be \$7,700 (monthly rent of \$900 plus \$5,000 security deposit).

5. This estimate is for a range of cooking and related utensils.
6. You pay us a training fee of \$5,000 for the first individual trained and \$2,500 for each additional person trained. For a limited time we waive the \$5,000 for the first person. The high estimate of \$11,600 assumes three people are trained (wherein you pay \$2,500 each for the second and third persons), and assumes you have \$6,600 of travel, lodging and living expenses for the classroom portion of training in Irvine, and for training at a training restaurant closer to you. (\$1,000 for travel, \$100 lodging, and \$40 food per day x approximately 40 days). It is possible for your expenses to be higher if you train at a more distant restaurant or select higher priced lodging or food. Under our limited time incentive, royalties are lowered for the first two years and we waive the \$5,000 charge for training one person. The low estimate of 0 assumes you participate in this incentive, have only one person trained and you are close enough to where training occurs to not have travel, food and lodging expense. Otherwise, you pay \$5,000 per individual trained. To participate in the incentive, the franchise must be in an existing Wienerschnitzel market and must open within 18 months of signing the Franchise Agreement, or the franchisee must commit to establish at least three new Wienerschnitzel restaurants in a new market for Wienerschnitzel and must open the restaurants according to the agreed schedule.
7. In our current incentive, if you comply with the requirements for the incentive, we will spend \$5,000 for advertising and marketing your new restaurant. For the first Wienerschnitzel restaurant you establish pursuant to an Exclusive Right to Develop Agreement, the amount we'll spend will be \$20,000. We do not make any expenditure for subsequent restaurants under such agreement. The high estimate of \$5,000 assumes you elect to also invest this amount (\$5,000) to advertise and market your new restaurant. The low estimate of zero assumes you do not make an additional initial advertising and marketing investment associated with opening your restaurant.
8. Estimated security deposits consist of one month's rent to lessor and security deposits to water, electricity, gas, telephone, and other utilities. The low amount assumes rent/security deposit is \$2,500. The high amount assumes rent/security deposit is \$12,000. The estimates assume about \$1,000 of utility security deposits. Deposits are normally held for the term of the agreements.
9. You provide real estate and improvements, typically leasing or possibly buying these. If we provide development services for constructing the restaurant, we charge you a fee equal to 5% of construction costs. This is optional to you. We do not offer this service in all areas. If you develop an end-cap drive-thru location, you may pay us a \$2,000 deposit for producing site and floor plans. We reimburse any unused part of the deposit. Total costs for improvements (excluding equipment) is typically \$250,000 to \$1,000,000, but can vary widely, even outside this range, based on costs of property, design of restaurant and many other factors. Non-traditional franchise costs are sometimes lower due to use of an existing facility. Lessors sometimes contribute to development costs; sometimes these costs are more than the lessor is willing to contribute. Typical excess costs are in the \$3,000 to \$20,000 range, which you pay before opening. Sometimes we may allow these costs to be added to rent a rate equal to the rate of return paid to a primary lessor for improvements. The low estimate of \$250,000 is for an existing facility converting to Wienerschnitzel®.
10. Estimated professional fees for you to consult an advisor like a lawyer or CPA regarding the investment and agreement(s).
11. Minimum, ongoing estimated working capital requirement. You should have additional working capital in the range indicated, or possibly more, to be able to pay your expenses until your revenues provide you money to do so. This could take more than the first 3 months of operating, but the working capital estimate is only for three months.

12. If you buy an operating Wienerschnitzel® restaurant from us, you will have an additional investment cost equal to the amount we charge to sell you the assets of the operating restaurant (including a \$10,000 deposit with your offer). Cost can vary widely depending on location, equipment at the restaurant, its operating history, lease terms, negotiations, and other factors.
13. The low estimate of \$64,000 is for an Exclusive Right to Develop Agreement with a commitment to develop three (3) restaurants, which is the minimum number of restaurants for which we will enter into such agreement. The high estimate of \$336,000 is for an agreement to develop 20 restaurants. For an agreement for more than 20 restaurants the high estimate would be higher in the amount of an additional \$16,000 for each additional restaurant. The estimate in the First Franchise row is the total from the table for an individual franchise less the initial franchise fee which has been paid in entering into the Exclusive Right to Develop Agreement.
14. Amounts on each row are only estimates and may vary for many reasons. The total is a sum of many estimates and thus has greater potential to differ from your actual investment. You are unlikely to achieve the low amount for every item; therefore, the total low estimate is unlikely to be achieved. Generally, none of the expenses in the tables are refundable, except that security deposits may be refundable and some of the premium may be refunded when an insurance policy is cancelled before its term ends. The initial franchise fee is not refundable. However, if you diligently identified and proposed locations to us but after a year from signing the Franchise Agreement we did not find any of them to be acceptable, and we did not identify any location acceptable to you, then at your or our written request, we can cancel the Franchise Agreement. We'll retain \$5,000 and return the rest of the initial franchise fee you paid. In some instances, we may finance part of the initial investment. See Item 10.

## **ITEM 8: Restrictions on Sources of Products and Services**

You must get our approval for your location. We mutually agree to the location when the Franchise Agreement is signed (and state it in the agreement) or you propose a location for our approval; and after we approve, the location will be inserted in Section 3(A) or stated otherwise in writing. We provide you our location criteria in our site selection handbook.

You may be able to buy an operating Wienerschnitzel® restaurant (and its inventory) from us. You also buy from us the signs, equipment and other property of the restaurant. Or we or our affiliates may lease the equipment to you.

You must install and use signs, furniture, furnishings and equipment that we require. We tell you in writing what we require. The required point-of-sale system and computer hardware and software are described in Item 11. We can require you to get additional equipment or replace equipment.

You can get supplies from who you want that meet our specifications and have our approval for quality control, uniformity and protecting our trademarks. On request we'll give you names and addresses of suppliers we approve to sell you equipment, supplies, trademarked paper goods and other products. We can add or remove approved suppliers. We are an approved supplier for any items we choose to supply, but currently we do not supply any items.

On request we tell you our standards for items you must use in operating your restaurant. If you want to get these from someone we haven't approved, then give us all the information we want about the proposed source. We may require them to give us samples, pay for testing the items you want them to supply and sign our License Agreement. Then we'll tell you if we approve the proposed source. If we don't approve we'll tell you why. This can take 90 days. We can revoke any approval by telling you in writing. Our criteria for approving suppliers is available on request.

Our menu includes Tastee-Freez® desserts; Tastee Freez, LLC is our affiliate. Our menu includes products of the Pepsi-Cola and Dr. Pepper companies, which are publicly traded. Any of our officers or personnel could own stock in those companies. Otherwise, Galardi Group officers do not own an interest in our suppliers.

We and our affiliates derive revenue from real property and equipment we lease to franchisees. We do not derive revenue from other items you buy or lease. GGI and GGRC's total revenues for 2022 from Wienerschnitzel full franchised restaurants were approximately \$25,085,620 and from real property and leased equipment for 2022 were approximately \$9,449,946. Thus, about 38% of the revenues for these affiliates were from required leases of real property and equipment. We ("GGFC") do not derive revenues from required purchases or leases.

We estimate that all your purchases and leases from us are approximately .5% to 17% of all purchases and leases of goods and services in establishing the franchise and approximately 9% to 25% of all your purchases and leases of goods and services in operating the franchise.

We obtain monies from the companies who supply your soft drinks. The payments they make to us is based on the syrup you buy. Soft drink syrup manufacturer payments for 2022 totaled \$3,190,170. \$3,190,170 of this revenue goes in our National Advertising Funds for advertising and marketing. We may also derive payment on a similar basis from other suppliers.

We negotiate purchase arrangements with suppliers. We require product suppliers to agree to maintain quality and adhere to our specifications and other provisions. We do not offer benefits like granting additional franchises or other benefits based on purchases of particular products or services or use of particular suppliers, but the Franchise Agreement requires you to comply with our requirements for buying from approved suppliers. Some franchisees are members of advertising associations comprised of Wienerschnitzel® franchisees in geographic regions we designate. Otherwise, we do not know of purchasing or distribution cooperative associated with us or our franchisees.

## ITEM 9: Franchisee's Obligations

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

Obligation	Sections in Agreement	Items in Disclosure Document
A. Site selection, Acquisition/Lease	Fr. Agmt. § 3; Excl. Rt. to Dev. §§1.2, 1.5, 1.6, 1.7, 1.8, 4	6, 7, & 11
B. Pre-opening purchase/leases	Fr. Agmt. §§ 3, 7, 10, & 11; Offer to Purchase, Equipment Lease	7 & 8
C. Site development & other pre-opening requirements	Fr. Agmt. §§ 7 & 10; Equipment Lease; Excl. Rt. to Dev. §§3,4	6, 7, 8, & 11
D. Initial & on-going training	Fr. Agmt. §§ 7 & 8; Excl. Rt. to Dev. §6	6, 7, & 11
E. Opening	Fr. Agmt. §§ 8 & 10	7 & 11
F. Fees	Fr. Agmt. §§ 3, 5, 6, 9, 10, 13(a), (7), 14(b), 18(f), 18(i)-(j), 20; Direct Debit Agmt; Offer to Purchase § II; Guaranty; Prom. Note; Ad. Assoc. Agmt. §§ 12, 17;	5, 6, 7, 10, & 17



	Promo. Allowance Assignment; Consent to Transfer § 18; Right to Cure Default §§ 4 & 7; Consent to Assignment Agreement (Landlord); Equipment Lease Excl. Rt. to Dev. §§1.3, 1.4, 1.5	
G. Compliance with Standards & Policies/Operations Manual	Fr. Agmt. §§ 7, 10(b), 10(q), & 11(b)	11, 16, & 17
H. Trademarks & Proprietary Information	Fr. Agmt. §§ 10(n), 11, 12, & 16; Excl. Rt. to Dev. §5	13 & 14
I. Restrictions on products/services offered	Fr. Agmt. §§ 11 & 12	11 & 16
J. Warranty & Customer Service Requirements	Fr. Agmt. §§ 11 & 12, Equipment Lease § 15	11, 16, & 17
K. Territorial Development & Sales Quotas	Fr. Agmt. § 3; Excl. Rt. to Dev. §§3, 7	12
L. On-going Product & Service Purchases	Fr. Agmt. § 11	6, 8, & 16
M. Maintenance, Appearance & Remodeling Requirements	Fr. Agmt. §§ 7, 10, 11, 12; Equipment Lease §§ 6-9	6, 7, & 17
N. Insurance	Fr. Agmt. § 17(c); Equipment Lease §§ 12 & 14	6 & 7
O. Advertising	Fr. Agmt. § 3(c), 9 & 10; Advertising Assoc. Agmt., Promotional Allowance Assignment Agmt. Excl. Rt. to Dev. §1.7.2	6, 7, & 11
P. Indemnification	Fr. Agmt. § 17; Offer to Purchase § IX; Continuing Gty; Consent to Transfer Agmt. § 8; Equipment Lease § 16; Excl. Rt. to Dev. §9.3	6, 14, & 17
Q. Owner's Participation/Management/Staffing	Fr. Agmt. §§ 2 & 10(q)	11 & 15
R. Records & Reports	Fr. Agmt. §§ 6, 14(a)(3) & 16; Equipment Lease § 2	6 & 11
S. Inspections & Audits	Fr. Agmt. §§ 6, 10(c) & 16; Equipment Lease §§ 6 & 7	1 & 17
T. Transfer	Fr. Agmt. § 13; Consent to Transfer Agmt.; Right to Cure Default and Consent to Assignment Agmt. (Landlord); Offer to Purchase Secs. VII & XV; Equipment Lease §§ 21 & 23; Excl. Rt. to Dev. §§8-8.0	6 & 17
U. Renewal	Excl. Rt. to Dev. §2.2	17
V. Post-termination Obligations	Fr. Agmt. §§ 12(a), 12(c), 13(f), 14 & 15; Excl. Rt. to Dev. §7.2	17
W. Non-competition Covenants	Fr. Agmt. §§ 12 & 14(a)	17
X. Dispute Resolution	Fr. Agmt. 14(a) (8); Offer to Purchase, § XIII; Gty § 3; Prom. Note Last Par; Advertising Assoc. Agmt. § 17; Excl. Rt. to Dev. §10	17

**ITEM 10: Financing**  
**Summary of Financing Offered (Note 1)**

Item Financed	Amount Financed	Down Payment	Term (MOS)	APR %	Monthly Payment	Prepay Penalty	Security Required	Liability on Default	Loss of Legal Right on Default
Purchase of operating restaurant from us	\$2,500 - \$100,000	\$2,500 - \$25,000	24 – 120 months (Note 2)	9% - 11%	\$300 to \$750	None	None (Note 4)	Individual liability & default of franchise agreement	Acceleration of debt, termination of franchise, attorney's fees. costs (Note 5)
Renewal of Franchise	\$5,000 (Note 3)	\$5,000	24 months	N/A	\$333.34	None	None (Note 4)	Individual liability & default of franchise agreement	Acceleration of debt, termination of franchise, attorney's fees. costs (Note 5)

**Notes:**

1. Financing listed in this table is provided by us or our affiliate. We will comply with applicable laws governing direct financing offered by us to you including, if applicable, the California Finance Lenders Law.
2. Term depends on amount paid per month, total borrowed and rate.
3. For a traditional location, the fee for a renewal is \$1,600 per year renewed; the usual term is 10 years. For example, a \$16,000 renewal fee may be paid all cash or one installment of \$8,000 and 24 monthly installments of \$384.10, (which amount includes processing fees) at your option. For a non-traditional location, the fee for a renewal is \$500 per year renewed.
4. The promissory note is signed by you, the franchisee. If the franchisee is an entity, we require a personal guaranty to be signed by the individual owner(s) and spouse(s). The form of guaranty is Exhibit G to this Disclosure Document.
5. In the promissory note you waive the legal defenses of presentment for payment, notice of dishonor, protest and notice of protest. You do not waive other defenses or other legal rights and you are not barred from asserting other defenses. We do not have a practice or intent to sell, assign or discount all or part of any financing to any third party. We do not place financing with a lender or receive consideration for doing so.

**ITEM 11: Franchisor's Assistance, Advertising, Computer Systems, & Training**

**A. Services We Provide**

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

Before you open we will:

1. State the location for your restaurant. (Fran. Agmt. Sec. 3)
2. Offer you our standard sublease for the location, or provide you plans so you can have a restaurant built at the location. (Fran. Agmt. Sec. 7(a))
3. State the term of your franchise (Fran. Agmt. Sec. 4)

4. If you buy assets of an operating restaurant from us, we'll transfer those assets to you. (Terms of Purchase Offer)
5. We could lease certain equipment to you. (See Equipment Lease)
6. Provide you initial training in operating a Wienerschnitzel® restaurant. (Fran. Agmt. Sec. 7(b))
7. Loan you our confidential operations manual. (Fran. Agmt. Sec 7(c))
8. We are not obligated to but we could possibly obtain and/or pay for license or permits you need. If so, you must reimburse our expenses and costs. (Fran. Agmt. Sec 3(e)).
9. If you qualify for our limited time incentive and comply with the requirements, we'll spend \$5,000 to advertise and market your Wienerschnitzel restaurant either before or at the time of and after its opening. For the first Wienerschnitzel restaurant is established pursuant to an Exclusive Right to Develop Agreement, the amount we'll spend will be \$20,000. (New Market Addendum to Development Agmt. Sec. 2).

Most of these services are provided by Galardi Group Franchising & Leasing, LLC. In addition, to the extent we deem necessary, we'll provide you specifications for products and designated suppliers from which you agree to purchase inventory, goods, and supplies necessary for the start-up and ongoing operation of the restaurant.

You choose the location. Usually, you lease or buy the location from someone other than us. You must get our approval for your proposed location. This usually takes thirty (30) days from when we have all necessary information on the proposed location. In choosing a location, or approving one you propose, we consider many factors, among them traffic count, how many people live and work in the area, visibility, our own comparison of rent to our estimate of sales, family income in the area retail business climate in the area, and how close the location is to other restaurants affiliated and not affiliated with us, as examples.

None of the agreements relating to the franchise states a time limit for us to choose a location, or tell you if we approve a location you propose.

You must make sure the location meets all local ordinances, building codes, zoning and obtain any required permits. You are responsible to construct and decorate the premises, and obtain and provide equipment, fixtures, signs, inventory, and supplies, according to our standards.

The length of time between you signing a Franchise Agreement and opening the restaurant for business depends on factors like availability of locations, time taken to choose a location and negotiate a lease, time taken for construction and getting government approvals. These can be affected by other factors like weather, the contractor meeting a build-out schedule, time needed to get building permits, and time needed to get equipment delivered and results of local government inspections of the location. The length of time typically ranges from nine months to two years.

During the operation of your full franchise, we will:

1. Provide opening supervision and help at your location from our employees. (Fran. Agmt. Sec. 8(a))
2. Provide opening promotion programs directed by our Marketing Department. (Fran. Agmt. Sec 8 (b))
3. Maintain online learning and provide training in operating a Wienerschnitzel® restaurant. (Fran. Agmt. Sec.8(c))
4. Evaluate and test food and beverage items and operational methods for possible use in our system. (Fran. Agmt. Sec. 8(d))
5. Provide merchandising and marketing and advertising research data and advice we develop and think will be helpful to you. (Fran. Agmt. Sec. 8(e))

6. Provide techniques and instructions that we develop and think will help you. (Fran. Agmt. Sec. 8(f))
7. Provide an accounting, cost control, and portion control system. (Fran. Agmt. Sec. 8(g))
8. Review advertising you submit for our approval. (Fran. Agmt. Sec. 9)
9. Evaluate suppliers you want to use and tell you if we approve them. If we don't approve we'll tell you why. (Fran. Agmt. Sec. 11(e))
10. We are not obligated to but we could possibly obtain and/or pay for license or permits you need. If so, you must reimburse our expenses and costs. (Fran. Agmt. Sec. 3(d))

Many of these services are provided by Galardi Group Franchising & Leasing, LLC.

## B. Advertising Program

You must join an advertising association formed for the marketing area of your location and recognized by us. We define your marketing area using a geographic "Designated Market Area" ("DMA") or "Area of Dominant Influence" ("ADI") which are geographic marketing areas determined by Nielsen or Arbitron. They are not affiliated with us. We could define your marketing area some other way. Other Wienerschnitzel® restaurants in the marketing area we define are also members.

You must sign agreements required by the advertising association. If you are one of the first two Wienerschnitzel® owners in your area, we may require you and the other owner to form the association. If you cannot agree on terms, you both must submit the matter to us to decide the terms of your association. However, we do not have express power under the agreement to form, alter or dissolve your advertising association.

One of the requirements for us to recognize your participation in your association is that you and your association sign an advertising association agreement with us. The association's members vote on advertising programs. If there is a tie, we can break the tie. We can also veto any decision or action. There are not a significant number of company-owned locations, so typically, advertising associations do not include company-owned locations as a member.

Your association must have officers (President, Treasurer, etc.). The officers are a committee that coordinates meetings, recommends advertising programs to the association members, approves media schedules, and makes budgets. The association must meet at least four times per year. The association must choose an advertising agency to carry out advertising programs. The agency must meet our approval and comply with our advertising guidelines. The association must provide members at least quarterly financial statements, including a statement of receipts and disbursements, and list of accounts receivable and accounts payable.

All advertising by you or your association must first get our written approval. After you submit proposed advertising, we have 15 days to respond or it is deemed to be approved. You can't use any trade name other than Wienerschnitzel® or other trade names owned by us, or approved by us in writing in your advertising.

As a franchisee you must contribute at least 3% of your net sales to the association. Your association can decide to require more money from you. You must pay what they require. If your contribution is under 3%, we can require you to pay us the difference between 3% and your actual contribution. If there is no association in your area, you must spend at least 3% of your net sales on your own advertising each month. There are not a significant number of limited franchises, therefore advertising associations may not receive contributions from limited franchises. For a limited franchisee we pay the advertising association contributions.

We can require you to pay us 1% of net sales for a national or regional advertising program. We debit this from your account each month. Your 1% contribution will be directed to a National Advertising Fund. We contribute the same 1% for limited franchises in the DMA.

We formulate and implement marketing plans, supervise preparation of advertising and promotion materials and provide layouts, window cards and other materials for local promotions. We do not have an obligation to advertise in particular media, in any particular geographic area, or at all, nor any obligation to spend any particular amount(s) on advertising. We provide unaudited financial statements for the National Advertising Fund on your request.

You must assign to us all marketing or promotion allowances you may get or become entitled to from suppliers. The assignment form directs them to pay the allowances directly to us. We'll use these funds for public relations, promotion, creating advertising and to reimburse our administrative costs and agency fees and related overhead.

In a brand crisis that brings media attention, you must direct all inquiries to us.

Apart from the advertising associations, discussed above, there is no franchisee advertising council that advises us on advertising.

#### C. Website and Internet

We can, but we are not obligated to, establish and maintain one or more websites promoting the trademarks and system. We have sole control over the website and social media. We can stop its operation at any time without notice. Unless you get our prior written consent, you are not allowed to establish or maintain a separate website, or a splash page or other presence on the Internet or through any social networking site relating to the operation of the business. If we grant you a right to operate a separate website or Internet presence, you must do so according to our standards and policies in the Manual or otherwise in writing from time to time. We can modify or supplement our policies regarding social media and internet use at any time in writing, whether as part of the Manual or otherwise.

#### D. Point of Sale System

We require you to buy or use the Oracle point of sale system ("POS"). At the Effective Date of this Disclosure Document, we require Symphony POS 19.4. (This could change.) The system we require is a minimum of 2 workstations (registers) and 3 kitchen display systems. You buy this from the manufacturer, Oracle America, Inc. They are not affiliated with us. Or this may be part of the equipment we lease to you. The cost, including order entry work stations, video monitors, receipt printers, back-office computer/printer and cabling, is approximately \$8,000 to \$20,000. This includes only hardware, software license will be billed from Oracle yearly and is approximately \$1,000 to \$2,300. Currently, Galardi Group Help Desk will cost \$720 per year. You obtain hardware maintenance service from the manufacturer. A hardware warranty after the first year is available at additional cost. We can require you to upgrade, replace or make other changes to the POS System; there is no restriction on how much this may cost you or how often we can require this. We have independent access to any and all information generated or stored in the POS System. There are no contractual limits on our right to access that information.

You must participate in any computer network, intranet system or extranet system we implement and do so in compliance with standards, protocols, and restrictions we specify. As examples, we could require participation to submit reports, receive updates to Manual(s), or for other communications.

#### E. Operations Manual

Access to the electronic Operations Manual is available through our Franchisee Portal. Its table of contents is attached as Exhibit Q to this Disclosure Document. As of the date of this Disclosure Document it consists of approximately 700 pages. By looking at the table of contents you can see the number of pages devoted to each subject.

#### F. Online Training

We provide portions of initial training and on-going training online. You and your General Manager must complete initial training.

Our training includes the required use of our online Learning Management System (LMS) which is required for Team member through Operator Training and includes ongoing education for Team member through Operator certification.

We require that you and your General Manager be recertified every five years.

#### G. Initial Training – Operator-in-Training

We provide initial training and on-going training. You (51% or more owner if ) you are an entity or your General Manager, must complete initial training. This occurs after you sign the Franchise Agreement and must be completed before you open your restaurant. We may require that such training be completed at least thirty (30) days before opening your Wienerschnitzel.

You pay us \$5,000.00 for initial training for each individual trained. If you participate in our limited time incentive for a new or additional franchise in an existing market, we waive this fee for one person. You pay before starting training. Classroom training is at our headquarters in Irvine, California. We have the right to also choose another location. Training restaurants are located in the Los Angeles Metro Area, Fresno, San Diego, San Jose, California; El Paso and Amarillo, Texas; Phoenix, Arizona; and Albuquerque, New Mexico. You pay your own transportation and living expenses. We provide all training materials and manuals, which consist of our Operations Manual, training videos and our Operator Training Notebook. These are confidential. We offer initial training eight times per year.

Our Operator-in-Training Program is an intense eight-week program that acquaints you with day-to-day requirements of operating a restaurant. The program involves a six-day workweek, averaging ten or more hours per day. You will need to devote additional time for reading and homework. This program is self-paced designed to effectively prepare you to operate as an independent businessperson.

Our instructors are experienced in operating and instructing others in skills needed to operate, quick service restaurants. Our Training Department has no operational responsibility for the restaurant where you will train, therefore, our efforts focus on providing you a complete training experience. David Kreitlow has 47 years training experience in quick service restaurants, including 41 years with Galardi Group. Matt Steele has over 16 years in restaurant training including 8 years with GGI.

Our training program is divided into four modules (see chart below); consisting of 7 weeks in an approved training restaurant and one week in a classroom environment, which is a total of 8 weeks. An additional 1 week may be spent at a new restaurant opening.

## OPERATOR-IN-TRAINING TRAINING PROGRAM CHART

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Instructor
Module One - Basic Restaurant Operations	None in this module	10 hours a day for 6 days a week for 3 weeks	Training Restaurant Trainer & David Kreitlow/Matt Steele
Module Two –Guest Service	None in this module	10 hours a day for 6 days a week for 2 weeks	Training Restaurant Trainer & David Kreitlow/Matt Steele
Module Three – Administration/Coaching/Leadership – General Manager/Franchisee Administration	8 hours a day for 6 days for 1 week	10 hours a day for 6 days a week for 2 weeks	Training Restaurant Trainer & David Kreitlow/Matt Steele
Module Four – Restaurant Opening (required when opening a new restaurant)	None in this module	10 hours a day for 6 days a week for 1 week	Training Restaurant Trainer & David Kreitlow/Matt Steele
Total Training Hours (Estimated)	48 hours	480 hours (530 hours if there will be a new restaurant opening)	See above

### Module One – Basic Restaurant Operations

In the first Module you will learn in the same manner as an employee. This portion of training will be in an approved certified training restaurant. You will work in the kitchen preparing all menu items and perform cleanup and restocking. You will prepare condiments, and perform tasks to open and close the restaurant – including janitorial. Your performance will be evaluated through written evaluations, compliance with station standards and written testing. You must achieve a score of 90% or better to advance to Module Two.

### Module Two – Guest Service - Front Counter and Drive through and Tastee Freez

In the second Module you will learn in the same manner as an employee. This portion of training will continue in an approved certified training restaurant. You will work in the service system serving guests, and serving soft serve desserts. You will also get to learn the basics in the daily paperwork of the restaurant. Your performance will be evaluated through written evaluations, compliance with station standards and written testing. You must achieve a score of 90% or better to advance to Module Three.

### Module Three – Administration/Coaching/Leadership – General Manager/Franchisee Administration

This Module is a blend of classroom and certified training restaurant level learning. You will improve on your operations skills and learn about the administration side of the business. You must achieve a score of 90% or better.

## Module Four – New Restaurant Opening

Module Four consists of attending a new restaurant opening. This module is required if you will open a new restaurant. This training is for one week at a new restaurant opening. You will attend a restaurant opening, other than your own, to help prepare you for your restaurant opening.

You are not compensated for your activities during training, even though they may also benefit us or the operator of a Wienerschnitzel® restaurant.

### On-Going Training

#### Operator and General Manager Certifications must be renewed every 5 years.

Every six months, after you start operating your restaurant, you must attend on-going regional training. This may be in-person at a meeting place in your restaurant's marketing area or by other means, such as a web meeting. This is to help you further develop your restaurant and management skills. A session lasts about four hours. You may attend as many sessions as you wish, and you must attend at least one session per six-month period based on a calendar year.

We offer other online training programs to you or your employees. The cost and subjects vary.

### H. Initial Training – Apprenticeship Training

Before the opening of your first restaurant, individuals with a 25% or more stake in the business and who are not attending the Operator-in-Training Program may at the discretion of Galardi Group be required to attend an "Apprenticeship Program" consisting of 10 days, 5 days of training which will be training at a Certified Training Restaurant of our choosing and 5 days at our Support Center in California or at a venue of our choosing. We will deem such persons' training complete upon the successful passing of the Apprenticeship Exam and the completion of the "Extended Education" modules within the Apprenticeship Training Program on our "EDU" system. This Apprenticeship Program does not come with a certification to operate a restaurant as a General Manager or Operator.

### I. Replacement Training

If one of your Certified Managers, whom has completed the General Manager Training Program, ceases active employment, you must enroll a qualified replacement to complete the General Manager Training Program within 30 days after the former manager's last day of employment. The replacement manager must attend and complete, to our satisfaction, the next regularly scheduled General Manager Training Program. We may require employees that join your Restaurant from other franchised Restaurants to successfully complete the Management Training Program again. We reserve the right to require additional Managers of your Restaurant to attend the Management Training Program, and, if we do, you will be responsible for all expenses we incur in providing the training to these additional Managers. All training attendees must be over the age of 18.



## **ITEM 12: Territory**

The franchise is for a specific location, to be stated in the franchise agreement. You must conduct only the business of the restaurant there, and can't change the location without our consent. You can do business with customers at your location regardless of where they are from.

We won't grant a Wienerschnitzel® franchise or own or operate a Wienerschnitzel® restaurant within ½ mile from your franchise or one mile on the same street (the street your address is on). These restrictions don't apply in a stadium, shopping mall, hotel, office building or other institutional location we determine won't materially compete with you, or a temporary cart, booth, mobile vehicle or the like, at a fair, trade show, concert or similar event. These restrictions also don't apply to sales of Wienerschnitzel® branded products in grocery stores, food retail stores or other channels of distribution. Thus, you do not receive a territory. You may face competition from other franchisees, outlets we own, or other distribution channels or competitive brands we control. The Franchise Agreement does not state other grounds for us to modify the ½ mile exclusivity.

There is no restriction on us soliciting or accepting orders from your territory. We could conduct sales by internet or other distribution channels or means or other trademarks. You are not compensated for us soliciting or accepting orders in territory you serve. You are not restricted from advertising in any geographic area. We do not permit you to sell off the premises of your restaurant.

We granted franchises under other trademarks and may continue to do so. These include Hamburger Stand®, which offers the same kinds of goods and services as Wienerschnitzel®, and Tastee-Freez®, which emphasizes desserts and offers many of the same items as Wienerschnitzel®. There could be other trademarks in the future. We can operate or grant franchises for these restaurants in your area. We operate Wienerschnitzel® and the other brands from the same location. We have the right to co-brand other concepts with the Wienerschnitzel® brand. We do not have separate offices or separate training facilities for different brands.



We do not have a specific plan for solving conflicts between franchisees of our different systems as to territory, customers or support; we expect we would consider the matter and act based on our determination of parties' rights and obligations; and/or seek to make adjustments in good faith; however, the specific course of action would depend on the circumstances.

We aren't required to grant you an additional franchise. We don't grant you a first refusal right to buy other franchises. We do not know the conditions in which we would approve your relocation request but we expect it would depend on the circumstances and require you to secure a satisfactory new location, evaluated in relation to your existing location and other criteria we use to evaluate proposed locations at the time, as well as possibly other factors we consider appropriate at the time. We are not required to consent to your request to relocate the franchise.

## **ITEM 13: Trademarks**

The main trademarks you are licensed to use are the word "Wienerschnitzel®" and our logo, shown on the cover of this Disclosure Document and shown below. The registrations are in the US Trademark Office on the Principal Register. All required Affidavits were filed for the marks including continued use and renewals. The registered owner is Galardi Group Franchise & Leasing, Inc. We have not registered these marks with the trademark administrator of any state.

We have the following registrations on the principal register in the U.S. Patent and Trademark Office:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
Wienerschnitzel®	859072	October 22, 1968
	1823395	February 22, 1994
	4875886	Registered December 22, 2015

There are no material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board or any state trademark administrator or court; and no pending infringement, opposition or cancellation proceeding involving these trademarks, except as follows: We may on occasion bring an action for trademark infringement against a terminated franchisee who continues to use our trademarks without authorization. There aren't any agreements in effect that significantly limit our rights to license the use of the marks to you. We don't know of any superior rights or infringing uses of the marks that could materially affect your use of them.

We do not have to defend you against any infringement, unfair competition or other claim regarding your use of our marks. You must stop using any mark when the franchise ends. We can require you to change marks. We don't have to compensate you for making you change marks.

The Franchise Agreement does not state a requirement for you to notify us of the use of or claim of rights to an identical or confusingly similar trademark. We are not required to take action if notified of such uses or claims. We claim the right to control administrative proceedings or litigation involving a trademark licensed by us to you, though the Franchise Agreement is silent on this.

We own the domain [www.wienerschnitzel.com](http://www.wienerschnitzel.com). You cannot register as a domain name any of our Marks or similar words. We have the sole right to advertise on the Internet and create, use, or stop using a website containing the Marks. Unless we consent in writing, you must not link or frame our website, conduct any business or offer to sell or advertise any products or services on the web, or create or register any Internet domain name connected with your franchise.

#### **ITEM 14: Patents, Copyrights and Proprietary Information**

We registered the copyright of an earlier version of our Operations Manual in the Copyright Office of the Library of Congress in 1976 (no. 801001). The duration of that copyright is believed to be 95 years. The current version is two (2) volumes. It has instructions, techniques and specifications required in operating a Wienerschnitzel® restaurant. The table of contents is Exhibit Q to this Disclosure Document.

We claim copyright ownership in advertising we develop, advertising we provide you, our website ([www.wienerschnitzel.com](http://www.wienerschnitzel.com)), the Tastee-Freez® website ([www.tasteefreez.com](http://www.tasteefreez.com)), our restaurant décor, packaging and other materials we create. Otherwise, there aren't any copyrights material to the franchise but this is not a waiver of our other copyright rights.

We don't have a contractual obligation to protect copyrights or defend you against claims from your use of the copyrighted Operations Manual. We are not obligated to take affirmative action if notified of infringement, or indemnify you for expenses or damages in proceedings involving the Operations Manual.

You must keep the contents of your franchise agreement confidential. We also consider other information we provide you to be trade secrets and you must keep this information confidential. This includes ingredients, business methods, contents of the Operation Manual, and other information, and if we ask, require them to sign confidentiality agreements.

We may modify the Operations Manual under any conditions and to any extent we decide, such as to meet or anticipate competition, protect trademarks or trade names, or improve products and services. The Franchise Agreement does not grant you rights if we modify or require you to stop using the Operations Manual.

We do not own or license rights in any patents that are material to the franchise. We do not have any patent application pending.

#### **ITEM 15: Obligation to Participate in the Actual Operation of the Franchise Business**

You, or a person you appoint, must be designated as General Manager and have full operational control of your Wienerschnitzel. We recommend, but don't require, that you operate the Wienerschnitzel personally on the premises. You and your General Manager must complete our training program as further described in Item 11.

You, your Managers and other key personnel in your franchise, during the term of the Franchise Agreement and for two years after it ends, must not sell similar food products or have any interest in a competing business within 25 miles of any of our restaurants or franchises (including those in development during the year prior to the Franchise Agreement's end) and you and they must not ever use any of our packaging techniques, processes, food preparation methods or formulas.

We may require you and your spouse, if any, to sign a personal guaranty.

As stated in Item 11, you and your General Manager must have completed our training program within 6 months prior to opening your Wienerschnitzel. These certifications must be renewed every 5 years.

#### **ITEM 16: Restrictions on What the Franchisee May Sell**

You must sell all the items we designate and you can't sell anything else without our approval. Everything you sell must be high quality and prepared according to our specifications. You can sell only at retail (not at wholesale) and only at the restaurant location.

You can't have any vending machine, video or pinball game, and coin or token operated machine at the restaurant. Liquor, drugs, and illegal substances aren't allowed on the premises.

There is no restriction on the customers you may sell to.

We can change or discontinue any products or services authorized for Wienerschnitzel® restaurants. There is no restriction on our right to do so. You must change or stop offering any product or service within the time we state.

Subject to our consent, you may utilize a third-party delivery service to facilitate sales to your customers.

## ITEM 17: Renewal, Termination, Transfer, and Dispute Resolution

### THE FRANCHISE RELATIONSHIP

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

#### Franchise Agreement

(Please also see Notes 1 through 8 following the tables in this Item 17)

Provision	Section in Agreement	Summary
A. Length of the franchise term	Sec. 4	Length of franchise term is negotiable. Usually it is 20 years. If you buy an existing Wienerschnitzel® restaurant, the term may be less, but usually not less than five (5) years.
B. Renewal or extension of the term	Sec. 4	You don't have a right to renew. We'll discuss renewal with you 9 – 14 months before franchise expires. If you meet our criteria, and agree to additions and upgrades, we may be willing to grant a renewal. We are not required to renew.
C. Requirements for franchisee to renew or extend	None	This is at our discretion. If we are willing, we'll require you to make corrections, additions and upgrades to the restaurant. Funds to do this must be available 3 months before expiration. If requirements are not done before expiration, you must place the funds in an attorney's trust account and release only on our approval. We'll require you to sign general release of claims. A \$1,500 document preparation is charged to you if you fail to meet criteria requirements and documents must be extended. We may require you to sign an agreement with materially different terms and conditions then the agreement it replaces or extends. You will pay a new initial franchise fee.
D. Termination by franchisee	None	If you diligently proposed locations to us but after one year we did not approve any location you proposed and we did not identify any proposed location satisfactory to you, then at your or our written request the Franchise Agreement will be cancelled. We'll retain \$5,000 and return the rest of the initial franchise fee you paid. Otherwise, you may not terminate without our consent. If you sublease from us, and your franchise term goes beyond sublease term, but we have the option to extend, then some later sublease rent/other terms to be set by our landlord, may not be known yet. When set by our landlord, you or we may want to end the franchise and we may mutually agree to terminate early.
E. Termination by franchisor without cause	None	We don't have the right to terminate without cause. However, if you diligently proposed locations to us but after one year we did not approve any location you proposed and we did not identify any proposed location satisfactory to you, then at your or our written request the Franchise Agreement will be cancelled. We will retain \$5,000 and return the rest of the initial franchise fee you paid.

## Renewal, Termination, Transfer, and Dispute Resolution cont.

Provision	Section in Agreement	Summary
F. Termination by franchisor with cause	Sec. 14(a)	We can terminate if you commit a listed default and do not cure within 5 days after receipt of notification of the default.
G. "Cause" defined – curable defaults	Sec. 14(a)	Unless state law gives you more time, we give you 5 days after notification. Listed defaults are: bankruptcy, insolvency, appointment of receiver, assignment for benefit of creditors, unsatisfied judgment, levy or foreclosure against you, default of any term of Franchise Agreement, default in paying us, failure to maintain our standards, failure to make routine repairs or alterations, failure to maintain insurance, repeated breach, violation of law or regulation, for example health, safety or sanitation laws, you operate unsafely you stop doing business at the premises, breach of lease, loss of right to be at the premises.
H. "Cause" defined – non-curable defaults	Sec. 14	Franchise Agreement does not specify defaults that are not curable, but some, by nature, may not be curable, for example, repeated breach. The Franchise Agreement does not say the listed defaults are exclusive grounds for termination. In some states, court decisions may let us terminate for breaches a court considers incurable, such as fraud against us.
I. Franchisee's obligations on termination/non-renewal	Sec. 15	You must stop using our system, marks, trade secrets, colors, symbols and anything that identifies you as our franchisee or former franchisee; pay any damages you caused us to incur, also including future profits; sell us supplies & all insignia bearing our trade name or marks we choose. You must return all materials loaned to you. You must abide by all provisions not to compete.
J. Assignment of contract by franchisor	None	There is no restriction against us assigning the Franchise Agreement.
K. "Transfer" by franchisee – defined	Sec. 13	Includes transfer of control or ownership change.
L. Franchisor approval of transfer by franchisee	Sec. 13	You must get our written approval before you sell, assign, transfer or encumber the agreement or any right or interest in it, even by operation of law.
M. Conditions for franchisor approval of transfer	Sec. 13	You must offer us right of first refusal. We must approve your proposed buyer. You must be in good standing, not be in default; pay transfer fee and sign a general release. Transfer must be on terms you offered us. We can impose other conditions. You, your officers and principals must not compete within 25 miles with us or any of our franchisees for a period of 2 years after termination.
N. Franchisor's right of first refusal to acquire franchisee's business	None	You must first offer to sell to us on the same terms you offer to other prospective buyers.
O. Franchisor's option to purchase franchisee's business	Sec. 13(b)	You grant us the option to purchase your supplies & all insignia with our trade name or marks at lower of cost or fair market value at time of termination.
P. Death or disability of franchisee	Sec. 13(d)	The person obtaining your franchise must satisfy our then current requirements.
Q. Non-competition covenants during the term of the franchise	Sec. 12	You, your officers or principals must not compete within 25 miles of any restaurant operated by a franchisee or us.
R. Non-competition covenants after the franchise is terminated or expires	Sec. 12	You, your officers or principals must not compete within 25 miles with us or any of our franchisees for a period of 2 years after termination of agreement.

## Renewal, Termination, Transfer, and Dispute Resolution cont.

Provision	Section in Agreement	Summary
S. Modification of the agreement	None	Agreement may be modified only by mutual agreement between us. We can modify the Operations Manual as we decide. Modification of the Operations Manual is not a modification of the Franchise Agreement.
T. Integration/merger clause	Sec. 18(o)	Only terms of the Franchise Agreement are binding (subject to state law). Nothing in Franchise Agreement is intended to disclaim representations in this Disclosure Document. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
U. Dispute resolution by arbitration or mediation	None	Not Applicable
V. Choice of forum	Sec. 18(m)	Legal actions must be brought in Orange County, California, subject to state law.
W. Choice of law	Sec. 18(m)	California law applies, subject to state law.

## Exclusive Right to Develop Agreement

Provision	Section in Agreement	Summary
A. Length of the development term	Sec. 2	Length of development term is negotiable and will be agreed upon and stated in the Development Agreement.
B. Renewal or extension of the term	Sec. 2	You will have an option to extend the term. The length of the extension is negotiable and will be agreed upon and stated in the Development Agreement.
C. Requirements for developer to renew or extend	Sec. 2	You must have met the development quota, be in full compliance with the Agreement, tell us in writing 60 – 180 days before agreement expires, and sign new agreement with agreed number of restaurants to be developed and time schedule.
D. Termination by developer	None	You have no right to terminate the Development Agreement.
E. Termination by franchisor without cause	None	We don't have the right to terminate the Development Agreement without cause.
F. Termination by franchisor with cause	Sec. 7.1	We can terminate if you commit a listed default.
G. "Cause" defined – curable defaults	Sec. 7.1	Default in paying us not cured within 10 days of written notice; assignment for benefit of creditors unless dismissed within 60 days, appointment of receiver unless assets restored within 30 days; fail to correct a default within 10 days from written notice.
H. "Cause" defined – non-curable defaults	Sec. 7.1, 8.2.4	Assignment for benefit of creditors not dismissed within 60 days, appointment of receiver with assets not restored within 30 days; attachment order; breach of transfer restrictions in the agreement, winding up or dissolution or liquidation, material misrepresentation/omission, you or partners are convicted or plead no contest to a felony; conduct that reflects badly or is hurts our name, reputation; you do not meet development quota; any other agreement (like franchise agreement) is terminated; repeating a default 3 or more defaults in 12 months; default that is not corrected within 10 days after notice; purported transfer not in compliance with the Agreement. The Agreement does

		not say the listed defaults are exclusive grounds for termination. In some states, court decisions may let us terminate for breaches a court considers incurable.
I. Developer's obligations on termination/non-renewal	Sec. 7.2.2	You have no further right to develop restaurants; we have right to own, operate, develop franchises in the territory, except territorial rights in existing Franchise Agreement(s).
J. Assignment of contract by franchisor	Sec. 8	There is no restriction against us assigning the Agreement. It is fully assignable by us.
K. "Transfer" by developer – defined	Sec. 8.2; 8.2.1; 8.2.2; 8.2.3	Also includes transfer of control or ownership change, consolidation or merger, issuance of additional securities, dissolution of marriage, death of Developer or person owning controlling interest in Developer, creation of a trust.
L. Franchisor approval of transfer by developer	Sec. 8.2.1, 8.2.2, 8.2.4	You must get our written consent before you sell, assign, transfer, pledge, donate, encumber or otherwise deal with the Agreement or any right or interest in it, even by operation of law. Any purported transfer without our approval is void and is a breach of the agreement.
M. Conditions for franchisor approval of transfer	Sec. 8.4 – 8.4.7	You pay a transfer fee of \$3,000, provide us the written offer; transferee must meet our qualifications; you must sign a general release acceptable to us; proposed transferee sign documents and agreements we require, 30% or more owner of entity assignee must sign personal guaranty; your right to receive sale proceeds is subordinate to assignee duties to us
N. Franchisor's right of first refusal to acquire developer's business	Sec. 8.3 – 8.3.3	You must provide the written offer for the types of assignment covered in this section (third party offer) together with detailed information on the proposed transferee's experience and qualifications, their financial statement and other information we may require. We will notify you within 30 days after receiving all the information if we will make the purchase.
O. Franchisor's option to purchase developer's business	None	The Agreement does not give us a right to purchase your business, other than the right of first refusal in the preceding row.
P. Death or disability of developer	Sec. 8.8	Spouse, heirs or personal representative of deceased or incapacitated person or remaining shareholders, members, partners or owners will have 180 days to purchase the interest of the deceased or incapacitated person or complete a sale or assignment of that interest that must comply with the terms and conditions for assignment.
Q. Non-competition covenants during the term of the agreement	None	Not Applicable
R. Non-competition covenants after the franchise is terminated or expires	None	Not Applicable
S. Modification of the agreement	Sec. 11.9	Must be in writing between developer and Franchisor to be binding.
T. Integration/merger clause	Sec. 11.10	Agreement is the entire agreement on its subject. Nothing in Agreement is intended to disclaim representations in this Disclosure Document. Any representations, warranties, promises or inducements outside the Franchise Disclosure Document and other agreements may not be enforceable.
U. Dispute resolution by arbitration or mediation	None	Not Applicable
V. Choice of forum	Sec. 10.2	Legal actions must be brought in Orange County, California, subject to state law.
W. Choice of law	Sec. 10.1	California law applies, subject to state law.

## ITEM 18: Public Figures

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

## ITEM 19: Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in this Item 19 may be given only if: (1) a franchisor provides the actual records or 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.

### Wienerschnitzel® 2022 Sales

1	2	3	4
Top 25% (Top Quartile)	Second 25% (Second Quartile)	Third 25% (Third Quartile)	Fourth 25% (Fourth Quartile)
\$1,572,851	\$1,195,946	\$1,002,131	\$758,627

#### Notes:

1. Column 1 shows the average of net sales for the top 25% of Wienerschnitzel® restaurants that operated for the entire calendar year 2022. This is 1/4<sup>th</sup> of the number of Wienerschnitzel® restaurants that operated for the full year. Column 2 shows the average for the second 25%, Column 3 shows the average for the third 25% and Column 4 shows the average of net sales for the fourth 25% of Wienerschnitzel® restaurants that operated for the entire calendar year 2022.
2. These are historic, unaudited financial performance representations regarding all Wienerschnitzel® restaurants open and operating for the full calendar year 2022. Wienerschnitzel® restaurants described in this table in the States of Arizona, California, Colorado, Illinois, Louisiana, New Mexico, Nevada, Texas, Utah, and Washington State. This information is based on information reported to us by our franchisees. 2 Wienerschnitzel® restaurants operated for only part of calendar year 2022. Results for restaurants that operated less than the full calendar year are not included in the above table. Restaurants considered to be operating for less than the full calendar year were the restaurants that were not already open and operating as of January 1, 2022 or that did not operate as of December 31, 2022.
3. These restaurants had characteristics that may differ from your franchise. Some differences are as follows. The locations are different than your location. Your restaurant may be in a location with different characteristics. Many of these restaurants have been operating several years, and thus have been operating longer than your restaurant. They had more time to develop a reputation in the community and relations with customers and others. Their operations of 2020 and earlier preceded and were not impacted by the occurrence of Covid-19. Their operations in 2022 may have benefitted from the pandemic, wherein many dine-in restaurants were required by government authorities to close and this may have encouraged the public to visit take-out restaurants like Wienerschnitzel. Some restaurants operate under our full franchise, some under our business and facility franchise and some under our limited franchise program. Each has different characteristics. You will operate under one of these programs.
4. The revenue figures do not reflect costs and expenses, such as food and labor costs, rent and other operating costs, which must be deducted from revenue or sales to obtain your net income



or profit. Costs and expenses may vary. Franchisees or former franchisees, listed in the disclosure document, may be once source of this information.

5. **Some franchises have sold the amounts reflected above. Your individual results may differ. There is no assurance that you will sell as much.** Your sales may be lower. Your expenses may be higher. A new franchisee's individual financial results may differ from the results stated above.
6. Written substantiation for the above statements will be made available to the prospective franchisee on reasonable request.

Wienerschnitzel® Year By Year Change in Sales Volume

2018	2019	2020	2021	2022
5.23%	4.53%	16.83%	11.90%	-2.00%

Notes:

1. Each column shows the percentage change in system wide restaurant sales in the calendar year, compared to the prior calendar year. For example, the dollar amount of system wide restaurant sales in calendar year 2022 was -2%% less than the dollar amount of system wide restaurant sales in calendar year 2021 from originally reported sales.
2. These are historic, unaudited financial performance representations regarding all Wienerschnitzel® restaurants open and operating for the full calendar year indicated, and for the prior calendar year. For example, the data for 2022 is for all Wienerschnitzel® restaurants open and operating for the full calendar year 2021 and 2022. Wienerschnitzel® restaurants described in the above table are in Arizona, California, Colorado, Illinois, Louisiana, New Mexico, Nevada, Texas, Utah, and Washington State. The information is based on information reported to us by franchisees. For each year indicated, some restaurants did not operate for the entire year and entire prior year. Data for restaurants that did not operate for the entire year identified in a column, and entire prior year, are not included in the data for a column.
3. These restaurants had characteristics that may differ from your franchise. Some differences are as follows. The locations of these restaurants are different than your location. Your restaurant may be in a location with different characteristics. Many of these restaurants have been operating several years and thus have been operating longer than your restaurant. They had more time to develop a reputation in the community and relations with customers and others. Their operations of 2021 and earlier preceded and were not impacted by the occurrence of Covid-19. Their operations in 2022 may have benefitted from the pandemic, wherein many dine-in restaurants were required by government authorities to close and this may have encouraged the public to visit take-out restaurants like Wienerschnitzel. Some restaurants operate under our full franchise, some under our business and facility franchise and some under our limited franchise program. Each has different characteristics. You will operate under one of these programs.
4. In the first year your restaurant operates, there will not be a prior year of operation to compare to. Probably your first year of operation will not be a full calendar year. Therefore, in the second year your restaurant operates, there also will not be a full prior year to compare to. You cannot achieve these results before the third year that you operate, and this does not mean you will achieve these results in that year, or ever.
5. These figures are only estimates of what we think you may sell. Your individual results may differ. There is no assurance that you'll [sell] [earn] as much.

6. Written substantiation for the above statements will be made available to the prospective franchisee on reasonable request.

## ITEM 20: Outlets & Franchisee Information

Table No. 1  
For Years 2020 to 2022  
Wienerschnitzel® Full

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Full Franchise	2020	253	253	0
	2021	251	246	-5
	2022	246	243	-3
Total Outlets	2020	253	253	0
	2021	251	246	-5
	2022	246	243	-3

Table No. 1  
Systemwide Outlet Summary  
For Years 2020 to 2022  
Wienerschnitzel®

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Full Franchise	2020	253	253	0
	2021	251	246	-5
	2022	246	243	-3
Business & Facility Franchise	2020	5	4	-1
	2021	4	4	0
	2022	4	4	0
Limited Franchise	2020	61	63	+2
	2021	63	66	+3
	2022	66	65	-1
Express	2020	7	7	0
	2021	7	7	0
	2022	7	1	-6

Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	326	327	+1
	2021	325	323	-2
	2022	323	313	-10

Table No. 2 Transfers of Outlets from Franchisees to New Owners  
(Other than the Franchisor)  
For Years 2020 to 2022  
Wienerschnitzel® Full

State	Year	Number of Transfers
Arizona	2020	0
	2021	2
	2022	0
California	2020	5
	2021	10
	2022	11
Colorado	2020	0
	2021	0
	2022	1
Nevada	2020	1
	2021	0
	2022	2
Texas	2020	0
	2021	1
	2022	0
All Other States	2020	0
	2021	1
	2022	3

Total	2020	6
	2021	14
	2022	17

Table No. 2  
Transfers of Outlets from Franchisees to New Owners  
(Other than the Franchisor)  
For Years 2020 to 2022  
Wienerschnitzel® Systemwide

State	Year	Number of Transfers
Arizona	2020	0
	2021	2
	2022	0
California	2020	5
	2021	10
	2022	11
Colorado	2020	0
	2021	5
	2022	1
Nevada	2020	1
	2021	0
	2022	2
Texas	2020	0
	2021	1
	2022	0
All Other States	2020	0
	2021	1
	2022	3
Total	2020	6
	2021	19
	2022	17

Table No. 3  
Status of Franchise Outlets for Years 2020 to 2022  
Wienerschnitzel® Full

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Arizona								
	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	2	7
	2022	7	0	0	0	0	0	7
California								
	2020	186	4	0	0	0	7	183
	2021	183	2	0	0	0	4	181
	2022	181	1	0	0	0	-6	176
Colorado								
	2020	6	0	0	0	0	0	6
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Illinois								
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Louisiana								
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Mexico								
	2020	4	1	0	0	0	0	5
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Nevada								
	2020	11	0	0	0	0	0	11
	2021	11	0	0	0	0	1	10
	2022	10	0	0	0	0	0	10

Texas	2020	30	0	0	0	0	0	30
	2021	30	1	0	0	0	1	30
	2022	30	2	0	0	0	0	32
Utah	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	1	6
	2022	6	0	0	0	0	0	6
Washington	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Total	2020	248	8	0	0	0	5	251
	2021	251	4	0	0	0	9	246
	2022	246	3	0	0	0	6	243

Table No. 3  
Status of Franchise Outlets for Years 2020 to 2022  
Wienerschnitzel® Full, Limited, Business & Facility and Express

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Arizona	2020	14	1	0	0	0	0	15
	2021	15	2	0	0	0	2	15
	2022	15	0	0	0	0	0	15
California	2020	228	6	0	0	0	8	226
	2021	226	4	0	0	0	4	226
	2022	226	2	0	0	0	7	221
Colorado	2020	7	0	0	0	0	0	7
	2021	7	1	0	0	0	1	7
	2022	7	0	0	0	0	5	2

Illinois	2019							
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Louisiana	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Mexico	2020	12	1	0	0	0	0	13
	2021	13	0	0	0	0	0	13
	2022	13	0	0	0	0	0	13
Nevada	2020	11	0	0	0	0	0	11
	2021	11	0	0	0	0	1	10
	2022	10	0	0	0	0	0	10
Texas	2020	45	0	0	0	0	1	44
	2021	44	1	0	0	0	1	44
	2022	44	2	0	0	0	1	45
Utah	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	1	6
	2022	6	0	0	0	0	0	6
Washington	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Total	2020	326	9	0	0	0	9	327
	2021	327	8	0	0	0	10	325
	2022	325	4	0	0	0	13	316

Attached as Exhibit S is a list of names, addresses and phone numbers of Wienerschnitzel® franchisees and Wienerschnitzel® franchisees who were terminated, cancelled or not renewed in our last fiscal year.

It is possible that in some instances, current and former franchisees could sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but not all franchisees will be able to communicate with you. In the last three fiscal years, all franchise agreements include confidentiality clauses to not share the contents of the franchise agreement with third parties.

Table No. 4  
Status of Company Owned Outlets for Years 2020 to 2022  
Wienerschnitzel® Full

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table No. 4  
Status of Company Owned Outlets for Years 2020 to 2022  
Wienerschnitzel® Systemwide

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table No. 5  
Projected Openings as of December 31, 2022  
Wienerschnitzel® Full

State	Franchise Agreements Signed but Outlet Not Opened	Projected Franchised New Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Arizona	1	0	0
Arkansas	4	3	0
California	8	4	0
Colorado	2	1	0
Idaho	3	1	0
Louisiana	1	0	0
Nebraska	1	0	0
Nevada	0	0	0



New Mexico	0	0	0
Texas	3	2	0
Utah	0	0	0
Washington	1	1	0
Total	24	12	0

Table No. 5  
Projected Openings as of December 31, 2022  
Wienerschnitzel® Systemwide

State	Franchise Agreements Signed but Outlet Not Opened	Projected Franchised New Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Arizona	1	0	0
Arkansas	4	3	0
California	8	4	0
Colorado	2	1	0
Idaho	3	1	0
Louisiana	1	0	0
Nebraska	1	0	0
Nevada	0	0	0
New Mexico	0	0	0
Texas	3	2	0
Utah	0	0	0
Washington	1	1	0
Total	24	12	0

1. This reflects anticipated sales collectively of all new Wienerschnitzel franchises including the type described in this Franchise Disclosure Document and also described in our other Franchise Disclosure Documents.

If you buy this franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

Attached as Exhibit R is a list of names and contact information for each franchisee advertising association associated with Wienerschnitzel®.

## ITEM 21: Financial Statements

Attached as Exhibit A are the audited financial statements of GGFC for the last three fiscal years ending December 31, 2022, December 31, 2021 and December 31, 2020.

## ITEM 22: Contracts

We've attached the following agreements as Exhibits:

- B Franchise Agreement
- C Offer to Purchase
- D Sublease
- E Promissory Note

- F Equipment Lease
- G Guaranty
- H Advertising Association Agreement
- I Promotional Allowance Assignment
- J Consent to Transfer Agreement
- K Franchisor's Right to Cure Default (Lender)
- L Franchisor's Right to Cure Default & Consent to Assignment Agreement (Landlord)
- M Direct Debit Agreement
- N Exclusive Right to Develop Agreement
- O Addendum to Franchise Agreement (Single-Restaurant Incentive)
- P Addendum to Franchise Agreement (Multi-Restaurant Incentive)
- Q Operations Manual Table of Contents
- W SBA Addendum

### **ITEM 23: Receipts**

The last two pages, Exhibit Y, are Receipts acknowledging receipt of the disclosure document by you (one copy for you and one to be signed and returned to us).

EXHIBIT A  
FINANCIALS

**Galardi Group Franchise Corp.  
(A Subsidiary of Galardi Group, Inc.)**

Financial Statements

December 31, 2022

# **Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.)**

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December 31, 2022

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## **Independent Auditors' Report**

To the Board of Directors of  
Galardi Group Franchise Corp.,

### **Opinion**

We have audited the financial statements of Galardi Group Franchise Corp. (the Company), which comprise the balance sheet as of December 31, 2022, and the related statements of operations and accumulated deficit, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 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 of 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 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 years ended December 31, 2021 and 2020 were audited by another auditor, who expressed unmodified opinions on those statements on March 28, 2022 and March 31, 2021, respectively.

### **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, misinterpretations, 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 of 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 judgement, 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.

*Baker Tilly US, LLP*

Los Angeles, California  
April 3, 2023

**Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.)**

## Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<u>\$ 727,369</u>	<u>\$ 723,978</u>
<b>Noncurrent Assets</b>		
Due from Affiliates and Parent	495,788	418,506
Deferred income taxes	<u>634,143</u>	<u>556,000</u>
Total noncurrent assets	<u>1,129,931</u>	<u>974,506</u>
Total assets	<u><u>\$ 1,857,300</u></u>	<u><u>\$ 1,698,484</u></u>
<b>Liabilities and Stockholder's Deficit</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 14,828	\$ -
Current portion of deferred franchise fees	<u>444,912</u>	<u>487,911</u>
Total current liabilities	459,740	487,911
<b>Long-Term Liabilities</b>		
Deferred franchise fees, net of current portion	<u>2,401,922</u>	<u>2,250,633</u>
Total liabilities	<u>2,861,662</u>	<u>2,738,544</u>
<b>Stockholders' Deficit</b>		
Common stock, no par value, 1,000 shares authorized, issued, and outstanding	150,000	150,000
Accumulated deficit	<u>(1,154,362)</u>	<u>(1,190,060)</u>
Total stockholders' deficit	<u>(1,004,362)</u>	<u>(1,040,060)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 1,857,300</u></u>	<u><u>\$ 1,698,484</u></u>

See notes to financial statements



**Galardi Group Franchise Corp. (A Subsidiary of Galardi Group)**Statements of Operations and Accumulated Deficit  
Years Ended December 31, 2022, 2021, and 2020

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Revenues</b>			
Location fees	\$ -	\$ 9,735	\$ 9,735
Initial franchise fees	80,120	63,563	96,538
Franchise extension fees	374,910	213,671	208,195
Other income	9,747	4,655	-
Total revenues	464,777	291,624	314,468
<b>Cost and Expenses</b>	494,985	511,609	498,808
<b>Interest Income</b>	3,391	972	9,039
Loss before benefit from income taxes	(26,817)	(219,013)	(175,301)
<b>Income Tax Benefit</b>	(62,515)	(99,200)	(98,754)
Net income (loss)	35,698	(119,813)	(76,547)
<b>Accumulated Deficit, Beginning</b>	(1,190,060)	(1,070,247)	(993,700)
<b>Accumulated Deficit, Ending</b>	<u>\$ (1,154,362)</u>	<u>\$ (1,190,060)</u>	<u>\$ (1,070,247)</u>

See notes to financial statements

**Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.)**

## Statements of Cash Flows

Years Ended December 31, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>			
Net income (loss)	\$ 35,698	\$ (119,813)	\$ (76,547)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income tax benefit	(78,143)	(128,000)	(50,000)
Changes in operating assets and liabilities:			
Income taxes receivable	-	28,000	8,100
Accrued expense	14,828	-	-
Franchise deposits	-	51,612	217,564
Deferred franchise fees	108,290	239,316	(49,400)
Net cash provided by operating activities	80,673	71,115	49,717
<b>Cash Flows From Investing Activities</b>			
Due from Affiliates and Parent	(77,282)	137,857	350,793
Net cash (used in) provided by investing activities	(77,282)	137,857	350,793
<b>Cash and Cash Equivalents, Beginning</b>	723,978	515,006	114,496
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 727,369</u>	<u>\$ 723,978</u>	<u>\$ 515,006</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash paid during the year:			
Income taxes	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

# **Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.)**

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Notes to Financial Statements

December 31, 2022

## **1. Organization and Business**

Galardi Group Franchise Corp. (the Company) was incorporated as Wienerschnitzel Franchise Corp. on August 9, 1982 and was formerly a wholly owned subsidiary of Galardi Group, Inc. (the Parent). The Company sells franchises for the operation of retail establishments known as Wienerschnitzel and Hamburger Stand restaurants. In December, 2002 Galardi Group Franchise and Leasing, LLC (the Affiliate), also a subsidiary of the Parent, was formed for the purpose of conducting all fast-food restaurant-related business, subsequent to the initial sales of the franchises to franchisees by the Company.

## **2. Summary of Significant Accounting Policies**

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates are used for, but not limited to deferred income taxes. Actual results could differ from such estimates.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2022 and 2021.

### **Revenue Recognition**

The Company recognized revenue in accordance with Accounting Standards Codification (ASC) No. 606, *Revenue from Contracts with Customers* (ASC No. 606). ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. Revenue is recognized when or as the performance obligation has been satisfied and control of the product has transferred to the customer. In evaluating the timing of the transfer of control of products to customers, the Company considers several indicators, including significant risks and rewards of products or services, the right to payment, and the legal title of the products or services. Deferred franchise fees represents billings or payments received in advance of services performed.

The Company derives its revenues primarily from the sale of initial franchise licenses and extensions for its trade name, operating systems, and products. The Company determined that the services provided in exchange for these initial franchise license and extension fees, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise license and extension fees are recognized as revenue over the term of the franchise agreements on a straight-line basis, consistent with the franchisee's right to use and benefit from the tradename, operating systems, and products. The commencement date of the recognition of the initial franchise license and extension fees begin upon the completion of training and installation of equipment, substantially when the retail store opens. Payment for the initial franchise licenses and extension fees consists of a fixed fee that is due at the time the franchise or extension agreement is entered into and is recorded as a franchise or extension deposit. Upon commencement of the store opening, the franchise or extension deposit is reclassified as a contract liability and recognized over time, generally over 20 years or as defined by the franchise agreement. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under ASC 606.

The Company recognizes its location fee revenue from granting exclusive rights to the owner of franchise restaurants in a particular geographic area. The Company's performance obligation is satisfied over the period of time. Revenues are recognized evenly over the life of the location rights generally over 20 years. Payment for the location rights consists of a fixed fee that is due at the time the agreement is entered into and is recorded as a contract liability until earned. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under ASC No. 606.

### **Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes.

Temporary differences arise principally from the use of the allowance method of bad debt recognition for financial reporting purposes and the direct write-off method for income tax purposes; differences in depreciation methods used for book and tax purposes; capitalization of certain handling, storage and administrative expenses for income tax purposes only; differences in required methods for reporting pension expense; timing of deductions of contracts payable to former officers; and recognition of an allowance for obsolete inventory for financial reporting purposes only. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

### **Concentrations of Credit Risk**

The Company maintains its cash and cash equivalents in one bank deposit account which, at times, may exceed federally insured limits. The Company has not experienced any losses in such account and does not believe it is exposed to any significant credit risk from cash and cash equivalents.

The Company's exposure to losses on receivables is principally dependent on the Affiliate's financial condition.

### **Recent Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses*. This guidance requires immediate recognition of management's estimates of current expected credit losses. Under the previous model, losses were recognized only as they were incurred, which FASB noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The ASU also broadens the information that an entity must consider in developing its expected credit loss estimated for all assets. The new model applies to all financial instruments that are not accounted for at fair value through net income. This update is effective for financial statements issued for annual periods beginning after December 15, 2022 including interim periods within those fiscal years. The Company is currently evaluating the effects of this new guidance.

In January 2017, FASB issued ASU No. 2021-02, *Franchisors - Revenue from Contracts with Customers: Subtopic 952-606*. As a practical expedient, Subtopic 952-606 permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. Additionally, an accounting policy election to recognize the pre-opening services as a single performance obligation is provided. Subtopic 952-606 is effective for the Company's year ended December 31, 2021. The Company did not elect to adopt the practical expedient in this ASU and, therefore, the implementation of this ASU has no impact on the financial statements for the year then ended.

**Galardi Group Franchise Corp. (A Subsidiary of Galardi Group, Inc.)**

Notes to Financial Statements

December 31, 2022

**3. Deferred Franchise Fees**

The majority of the Company's franchise agreements contain consideration terms for fees to be paid before the franchise is sold and operational. The fees are reflected as deferred franchise fees on the balance sheets until recognized and classified as current or noncurrent, depending on when the revenue will be recognized. Upon receipt of an initial franchise fees from a franchisee, the Company recognizes it as deferred franchise fees in the amount of the payment for its performance obligation to provide franchise rights in the future. Deferred franchise fees at December 31, 2022 and 2021 were \$2,401,922 and \$2,250,633, respectively.

**4. Due From Affiliates and Parent**

Receivable from Affiliate is mainly comprised of franchise fees and refundable deposits collected by the Affiliate on behalf of the Company, net of related allocated expenses and franchise licenses made by the Affiliate on behalf of the Company. During the years ended December 31, 2022, 2021, and 2020, fees and deposits received by the Affiliate on behalf of the Company, net of refunds, amounted to \$563,246, \$575,395, and \$533,718, respectively. During the years ended December 31, 2022, 2021, and 2020, allocated expenses charged by the Affiliate amounted to \$484,665, \$503,591, and \$482,011, respectively, and other payments made by the Affiliate on behalf of the Company amounted to \$650, \$208,650, and \$400,000, respectively. As of December 31, 2022 and 2021, the net receivable from Affiliate amounted to \$442,042 and \$364,761, respectively. The remaining balance is composed of a net receivable of \$53,745 and \$53,745 due from the Parent and other related parties.

**5. Income Taxes**

The provision (benefit) for the years ended December 31 consists of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current:			
Federal	\$ 14,828	\$ 22,800	\$ (49,554)
State	<u>800</u>	<u>6,000</u>	<u>800</u>
	15,628	28,800	(48,754)
Deferred:			
Federal	(57,757)	(80,000)	(22,000)
State	<u>(20,386)</u>	<u>(48,000)</u>	<u>(28,000)</u>
	(78,143)	(128,000)	(50,000)
Total	<u>\$ (62,515)</u>	<u>\$ (99,200)</u>	<u>\$ (98,754)</u>

The effective tax rate differs from the combined federal and state tax rates primarily due to permanent differences, foreign income tax, and remeasurement of deferred tax assets.

The tax effects of temporary differences that give rise to the deferred tax assets at December 31, 2022 are presented as follows:

Deferred tax assets:	
Deferred revenue	\$ 648,963
Net operating losses	32,133
State tax	<u>(46,953)</u>
Total deferred tax assets	<u>\$ 634,143</u>

The Company establishes a valuation allowance when it is more likely than not that the Company's recorded net deferred tax asset will not be realized. In determining whether a valuation allowance is required, the Company must take into account all positive and negative evidence with regard to the utilization of a deferred tax assets. As of December 31, 2022, there was no valuation allowance for deferred tax assets.

As of December 31, 2022, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$0 for Federal and \$363,499 for California. The utilization of net operating loss carryforwards may be limited under the provisions of Internal Code Section 382 and similar state provisions due to a change in ownership.

The Company has not recognized any liability for unrecognized tax benefits. The Company expects any resolution of unrecognized tax benefits, if created, would occur while the full valuation allowance of deferred tax assets is maintained; therefore, the Company does not expect to have any unrecognized tax benefits that, if recognized, would affect the effective tax rate.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment.

## **6. Commitments and Contingencies**

### **Affiliate Debt Guaranteed by the Company**

The franchise agreements (generally 20 years) issued by the Company require the Company to make available to a purchaser of a franchise, initial training in the operational aspects of Wienerschnitzel or Hamburger Stand Restaurants, which is provided by the Affiliate. In addition, the Affiliate provides continued training, marketing, testing and accounting services for fees paid by the purchaser of a franchise to the Affiliate. The Company guarantees the full performance of these services by the Affiliate. Costs associated with these services relating to initial training are billed to the Company by the Affiliate as allocated expenses, however, the services supplied by the Affiliate may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity since the Company and its Parent and Affiliate have cross guarantees on the respective affiliate's financial obligations.

The long-term debt of the Affiliate in the total amount of \$5,470,821 and \$7,277,401, respectively, as of December 31, 2022 and 2021 has been guaranteed by the Company and the Parent.

### **Litigation**

Periodically, the Company is involved in litigation in the normal course of business. The Company believes that the result of any potential litigation will not have a material adverse effect on the Company's financial condition.

## **7. Subsequent Events**

The Company has performed an evaluation of subsequent events through April 3, 2023, which is the date the financial statements were available for issuance.

**GALARDI GROUP FRANCHISE CORP.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Financial Statements**  
**December 31, 2021**  
**With Independent Auditor's Report**

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
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**December 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Galardi Group Franchise Corp.,  
(A Subsidiary of Galardi Group, Inc.):

### Opinion

We have audited the financial statements of Galardi Group Franchise Corp. (the "Company"), which comprise the balance sheet as of December 31, 2021, and the related statements of operations and accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, 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 of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

*Withum Smith & Brown, PC*

March 28, 2022

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Balance Sheet**  
**December 31, 2021**

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**Assets**

Current assets

Cash	\$ 723,978
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Non-current assets

Receivable from affiliate - net	418,506
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Deferred income taxes	556,000
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Total non-current assets	974,506
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Total assets	\$ 1,698,484
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**Liabilities and Stockholders' Deficit**

Current liabilities

Current portion of contract liabilities	\$ 487,911
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Long term liabilities

Franchise deposits	692,575
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Contract liabilities	1,558,058
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Total liabilities	2,738,544
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Stockholders' deficit

Common stock, no par value, authorized 1,000 shares; issued and outstanding 1,000 shares	150,000
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Accumulated deficit	(1,190,060)
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Total stockholders' deficit	(1,040,060)
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Total liabilities and stockholders' deficit	\$ 1,698,484
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The Notes to Financial Statements are an integral part of this statement.



**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Statement of Operations and Accumulated Deficit**  
**Year Ended December 31, 2021**

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		<b>Percentage of Revenues</b>
<b>Revenues</b>		
Location fees	\$ 9,735	3.4 %
Initial franchise fees	63,563	22.1
Franchise extension fees	<u>213,671</u>	<u>74.5</u>
Total revenues	<u>286,969</u>	<u>100.0</u>
<b>Costs and expenses</b>	511,609	178.3
<b>Other income</b>	<u>5,627</u>	<u>2.0</u>
Loss before benefit from income taxes	(219,013)	(76.3)
<b>Benefit from income taxes</b>	<u>(99,200)</u>	<u>(34.6)</u>
<b>Net loss</b>	(119,813)	<u>(41.7) %</u>
<b>Accumulated deficit</b>		
Beginning of year	<u>(1,070,247)</u>	
End of year	<u>\$ (1,190,060)</u>	

The Notes to Financial Statements are an integral part of this statement.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

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**Operating activities**

Net loss	\$ (119,813)
Adjustments to reconcile net loss to net cash provided by operating activities	
Deferred income tax benefit	(128,000)
Changes in assets and liabilities	
Receivable from affiliate - net	137,857
Income taxes receivable	28,000
Franchise deposits	51,612
Contract liabilities	239,316
Net cash provided by operating activities	<u>208,972</u>

**Cash**

Beginning of year	<u>515,006</u>
End of year	<u>\$ 723,978</u>

**Supplemental disclosure for cash flow information**

Cash paid during the year for	
Income taxes	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

Galardi Group Franchise Corp. (the "Company") was incorporated as Wienerschnitzel Franchise Corp. on August 9, 1982 and was formerly a wholly owned subsidiary of Galardi Group, Inc. (the "Parent"). Effective June 30, 1990, the Parent distributed 25% of the Company's shares to Galardi Group, Inc.'s stockholders. The Company sells franchises for the operation of retail establishments known as Wienerschnitzel and Hamburger Stand restaurants. On December 3, 2002 Galardi Group Franchise and Leasing, LLC (the "Affiliate"), also a subsidiary of the Parent, was formed for the purpose of conducting all fast-food restaurant-related business, subsequent to the initial sales of the franchises to franchisees by the Company.

**Revenue Recognition**

The Company derives its revenues primarily from the sale of initial franchise licenses and extensions for its trade name, operating systems, and products. The Company determined that the services provided in exchange for these initial franchise license and extension fees, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise license and extension fees are recognized as revenue over the term of the franchise agreements on a straight-line basis, consistent with the franchisee's right to use and benefit from the tradename, operating systems, and products. The commencement date of the recognition of the initial franchise license and extension fees begin upon the completion of training and installation of equipment, substantially when the retail store opens. Payment for the initial franchise licenses and extension fees consists of a fixed fee that is due at the time the franchise or extension agreement is entered into and is recorded as a franchise or extension deposit. Upon commencement of the store opening, the franchise or extension deposit is reclassified as a contract liability and recognized over time, generally over 20 years or as defined by the franchise agreement. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under Accounting Standards Codification ("ASC") Topic 606.

The Company recognizes its location fee revenue from granting exclusive rights to the owner of franchise restaurants in a particular geographic area. The Company's performance obligation is satisfied over the period of time. Revenues are recognized evenly over the life of the location rights generally over 20 years. Payment for the location rights consists of a fixed fee that is due at the time the agreement is entered into and is recorded as a contract liability until earned. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under ASC Topic 606.

**Concentrations of Credit Risk**

The Company's exposure to losses on receivables is principally dependent on the Affiliate's financial condition.

**Income Taxes**

The Company follows the provisions of the Accounting Standard Codification to account for income taxes. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities, and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.



**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2021**

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The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. There was no recognition of uncertain tax positions required at December 31, 2021.

The Company files income tax returns in the U.S. federal jurisdiction and California. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2021. Management believes that the Company's tax positions comply with applicable tax law and that the Company has adequately provided for these matters.

It is the Company's continuing policy to account for interest and penalties associated with income tax obligations as a component of income tax expense. The Company did not recognize any interest or penalties as part of the benefit from income taxes in the statement of operations and accumulated deficit at December 31, 2021.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

One of the more significant accounting estimates included in these financial statements relates to the determination of the provision for current and deferred income taxes, which is based on information available at the time of the preparation of the financial statements.

Actual results could differ from such estimates and such differences could potentially be significant. Any adjustments resulting from such differences are reflected during the period in which additional information becomes available as a change in accounting estimate.

**Recent Accounting Pronouncements**

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-02, *Franchisors – Revenue from Contracts with Customers*; Subtopic 952-606. As a practical expedient, Subtopic 952-606 permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. Additionally, an accounting policy election to recognize the pre-opening services as a single performance obligation is provided. Management is currently assessing the impact of the potential adoption of Subtopic 952-606 on the financial statements. Subtopic 952-606 is effective for the Company's year ended December 31, 2021. The Company did not elect to adopt the practical expedient in this ASU and, therefore, the implementation of this ASU has no impact on the financial statements for the year then ended.

**Subsequent Events**

The Company evaluated subsequent events through March 28, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2021**

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**2. CONTRACT BALANCES**

The majority of the Company's contracts contain consideration terms for fees to be paid before the franchise is sold and operational. The fees are reflected as contract liabilities on the balance sheet until recognized and classified as current or non-current, depending on when the revenue will be recognized. Upon receipt of a prepayment from a customer, the Company recognizes a contract liability in the amount of the prepayment for its performance obligation to provide franchise rights in the future. Contract liabilities at January 1 and December 31, 2021 were \$1,806,653 and \$2,045,969, respectively. The Company also has franchise deposits from customers at January 1 and December 31, 2021 that totaled \$640,963 and \$692,575, respectively.

**3. RECEIVABLE FROM AFFILIATE AND OTHER RELATED PARTY TRANSACTIONS**

Receivable from affiliate is mainly comprised of franchise fees and refundable deposits collected by the Affiliate on behalf of the Company, net of related allocated expenses and franchise licenses made by the Affiliate on behalf of the Company. During the year ended December 31, 2021, fees and deposits received by the Affiliate on behalf of the Company, net of refunds, amounted to \$575,395. During the year ended December 31, 2021, allocated expenses charged, and other payments made by the Affiliate on behalf of the Company amounted to \$503,591 and \$208,650, respectively. As of December 31, 2021, the net receivable from Affiliate amounted to \$364,761. The remaining balance is composed of a net receivable of \$53,745 due from the Parent and other related parties.

**4. INCOME TAXES**

Deferred income taxes result from temporary differences attributable mainly to franchise fees which are reported as income for tax reporting purposes prior to financial reporting purposes, as well as arising from the Company's net operating loss carryforwards. Due to the ASC 606 revenue reconciliation that was previously recorded and the corresponding book to tax adjustments related to the retrospective approach that was taken, the calculated effective tax rates are higher than to be expected.

The tax benefit for the year ended December 31, 2021 consists of the following:

Current	
Federal	\$ 22,800
State	6,000
	<u>28,800</u>
Deferred	
Federal	(80,000)
State	(48,000)
	<u>(128,000)</u>
	<u>\$ (99,200)</u>

At December 31, 2021, the Company had Federal and state net operating loss carryforward credits of approximately \$10,000 and \$444,000, respectively. If not used, the carryforwards will begin to expire in 2037.



**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2021**

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**5. COMMITMENTS AND CONTINGENCIES**

The franchise agreements (generally 20 years) issued by the Company require the Company to make available to a purchaser of a franchise, initial training in the operational aspects of Wienerschnitzel or Hamburger Stand Restaurants, which is provided by the Affiliate. In addition, the Affiliate provides continued training, marketing, testing and accounting services for fees paid by the purchaser of a franchise to the Affiliate. The Company guarantees the full performance of these services by the Affiliate. Costs associated with these services relating to initial training are billed to the Company by the Affiliate as allocated expenses, however, the services supplied by the Affiliate may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity since the Company and its Parent and Affiliate have cross guarantees on the respective affiliate's financial obligations.

The long-term debt of the Affiliate in the total amount of \$7,277,401 as of December 31, 2021 has been guaranteed by the Company and the Parent.

**GALARDI GROUP FRANCHISE CORP.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Financial Statements**  
**December 31, 2020**  
**With Independent Auditor's Report**

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Galardi Group Franchise Corp.,  
(A Subsidiary of Galardi Group, Inc.):

We have audited the accompanying financial statements of Galardi Group Franchise Corp. (the "Company"), which comprise the balance sheet as of December 31, 2020, and the related statements of operations and retained deficit and cash flows for the year then ended, and the related notes to financial statements.

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, 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.

*WithumSmith+Brown, PC*

March 31, 2021

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Balance Sheet**  
**December 31, 2020**

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**Assets**

Current assets

Cash	\$ 515,006
Income taxes receivable	28,000
Total current assets	<u>543,006</u>

Non-current assets

Receivable from affiliate - net	556,363
Deferred income taxes	428,000
Total non-current assets	<u>984,363</u>

Total assets	<u>\$ 1,527,369</u>
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**Liabilities and Stockholders' Deficit**

Current liabilities

Current portion of contract liabilities	\$ 367,612
Total current liabilities	<u>367,612</u>

Long term liabilities

Franchise deposits	640,963
Contract liabilities	1,439,041
Total liabilities	<u>2,447,616</u>

Stockholders' deficit

Common stock, no par value, authorized 1,000 shares; issued and outstanding 1,000 shares	150,000
Retained deficit	(1,070,247)
Total stockholders' deficit	<u>(920,247)</u>

Total liabilities and stockholders' deficit	<u>\$ 1,527,369</u>
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The Notes to Financial Statements are an integral part of this statement.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Statement of Operations and Retained Deficit**  
**Year Ended December 31, 2020**

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		<u>Percentage of Revenues</u>
<b>Revenues</b>		
Location fees	\$ 9,735	3.1 %
Initial franchise fees	96,538	30.7
Franchise extension fees	<u>208,195</u>	<u>66.2</u>
Total revenues	<u>314,468</u>	<u>100.0</u>
 Costs and expenses	 498,808	 158.6
 Other income	 <u>9,039</u>	 <u>2.9</u>
 Loss before income taxes	 (175,301)	 (55.7)
 Benefit from income taxes	 <u>(98,754)</u>	 <u>(31.4)</u>
 <b>Net loss</b>	 (76,547)	 <u>(24.3) %</u>
 <b>Retained earnings (deficit)</b>		
Beginning of year	<u>(993,700)</u>	
 End of year	 <u>\$ (1,070,247)</u>	

The Notes to Financial Statements are an integral part of this statement.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2020**

---

**Operating activities**

Net loss	\$ (76,547)
Adjustments to reconcile net loss to net cash provided by operating activities	
Deferred income tax benefit	(50,000)
Changes in assets and liabilities	
(Increase) decrease in assets	
Receivable from affiliate - net	350,793
Income taxes receivable	8,100
Increase (decrease) in liabilities:	
Franchise deposits	217,564
Contract liabilities	(49,400)
Net cash provided by operating activities	<u>400,510</u>

**Cash**

Beginning of year	<u>114,496</u>
End of year	<u>\$ 515,006</u>

**Supplemental disclosures for cash flow information**

Cash paid during the year for	
Income Taxes	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

Galardi Group Franchise Corp. (the "Company") was incorporated as Wienerschnitzel Franchise Corp. on August 9, 1982 and was formerly a wholly owned subsidiary of Galardi Group, Inc. (the "Parent"). Effective June 30, 1990, the Parent distributed 25% of the Company's shares to Galardi Group, Inc.'s stockholders. The Company sells franchises for the operation of retail establishments known as Wienerschnitzel and Hamburger Stand restaurants. On December 3, 2002 Galardi Group Franchise and Leasing, LLC (the "Affiliate"), also a subsidiary of the Parent, was formed for the purpose of conducting all fast food restaurant-related business, subsequent to the initial sales of the franchises to franchisees by the Company.

**Revenue Recognition**

The Company derives its revenues primarily from the sale of initial franchise licenses and extensions for its trade name, operating systems, and products. The Company determined that the services provided in exchange for these initial franchise license and extension fees, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise license and extension fees are recognized as revenue over the term of the franchise agreements on a straight-line basis, consistent with the franchisee's right to use and benefit from the tradename, operating systems and products. The commencement date of the recognition of the initial franchise license and extension fees begin upon the completion of training and installation of equipment, substantially when the retail store opens. Payment for the initial franchise licenses and extension fees consists of a fixed fee that is due at the time the franchise or extension agreement is entered into and is recorded as a franchise or extension deposit. Upon commencement of the store opening, the franchise or extension deposit is reclassified as a contract liability and recognized over time, generally over 20 years or as defined by the franchise agreement. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under Topic 606.

The Company recognizes its location fee revenue from granting exclusive rights to the owner of franchise restaurants in a particular geographic area. The Company's performance obligation is satisfied over the period of time. Revenues are recognized evenly over the life of the location rights generally over 20 years. Payment for the location rights consist of a fixed fee that is due at the time the agreement is entered into and is recorded as a contract liability until earned. The Company does not currently incur costs to obtain or fulfill a contract that would be considered contract assets under Topic 606.

**Concentrations of Credit Risk**

The Company's exposure to losses on receivables is principally dependent on the Affiliate's financial condition.

**Income Taxes**

The Company follows the provisions of the Accounting Standard Codification to account for income taxes. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities, and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.



**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2020**

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The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. There was no recognition of uncertain tax positions required at December 31, 2020.

The Company files income tax returns in the U.S. federal jurisdiction and California. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2020. Management believes that the Company's tax positions comply with applicable tax law and that the Company has adequately provided for these matters.

It is the Company's continuing policy to account for interest and penalties associated with income tax obligations as a component of income tax expense. The Company did not recognize any interest or penalties as part of the provision for income taxes in the statement of operations and retained deficit at December 31, 2020.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

One of the more significant accounting estimates included in these financial statements relates to the determination of the provision for current and deferred income taxes, which is based on information available at the time of the preparation of the financial statements.

Actual results could differ from such estimates and such differences could potentially be significant. Any adjustments resulting from such differences are reflected during the period in which additional information becomes available as a change in accounting estimate.

**Recent Accounting Pronouncements Not Yet Adopted**

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-02, Franchisors – Revenue from Contracts with Customers: Subtopic 952-606. As a practical expedient, Subtopic 952-606 permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. Additionally, an accounting policy election to recognize the pre-opening services as a single performance obligation is provided. Management is currently assessing the impact of the potential adoption of Subtopic 952-606 on the combined financial statements. Subtopic 952-606 is effective for the Company's year ended December 31, 2021.

**Subsequent Events**

The Company evaluated subsequent events through March 31, 2021, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2020**

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**2. CONTRACT BALANCES**

The majority of the Company's contracts contain consideration terms for fees to be paid before the franchise is sold and operational. The fees are reflected as contract liabilities on the balance sheet until recognized and classified as current or non-current, depending on when the revenue will be recognized. Upon receipt of a prepayment from a customer, the Company recognizes a contract liability in the amount of the prepayment for its performance obligation to provide franchise rights in the future. Contract liabilities at January 1 and December 31, 2020 were \$1,856,053 and \$1,806,653, respectively.

**3. RECEIVABLE FROM AFFILIATE AND OTHER RELATED PARTY TRANSACTIONS**

Receivable from affiliate is mainly comprised of franchise fees and refundable deposits collected by the Affiliate on behalf of the Company, net of related allocated expenses and franchise licenses made by the Affiliate on behalf of the Company. During the year ended December 31, 2020, fees and deposits received by the Affiliate on behalf of the Company, net of refunds, amounted to \$533,718. During the year ended December 31, 2020, allocated expenses charged and other payments made by the Affiliate on behalf of the Company amounted to \$482,011 and \$400,000, respectively. As of December 31, 2020, the net receivable from Affiliate amounted to \$502,618. The remaining balance is composed of a net receivable of \$53,745 due from the Parent and other related parties.

**4. INCOME TAXES**

Deferred income taxes result from temporary differences attributable mainly to franchise fees which are reported as income for tax reporting purposes prior to financial reporting purposes, as well as arising from the Company's net operating loss carryforwards.

The tax benefit for the year ended December 31, 2020 consists of the following:

Current	
Federal	\$ (49,554)
State	800
	<u>\$ (48,754)</u>
Deferred	
Federal	\$ (22,000)
State	(28,000)
	<u>\$ (50,000)</u>
	<u>\$ (98,754)</u>

At December 31, 2020, the Company had Federal and state net operating loss carryforward credits of approximately \$8,000 and \$323,000, respectively. If not used, the carryforwards will begin to expire in 2037.

**Galardi Group Franchise Corp.**  
**(A Subsidiary of Galardi Group, Inc.)**  
**Notes to Financial Statements**  
**December 31, 2020**

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**5. COMMITMENTS AND CONTINGENCIES**

The franchise agreements (generally 20 years) issued by the Company require the Company to make available to a purchaser of a franchise, initial training in the operational aspects of Wienerschnitzel or Hamburger Stand Restaurants, which is provided by the Affiliate. In addition, the Affiliate provides continued training, marketing, testing and accounting services for fees paid by the purchaser of a franchise to the Affiliate. The Company guarantees the full performance of these services by the Affiliate. Costs associated with these services relating to initial training are billed to the Company by the Affiliate as allocated expenses, however, the services supplied by the Affiliate may not necessarily have been provided at terms available from unrelated entities. Therefore, the accompanying financial statements of the Company may not necessarily be indicative of the conditions that would have existed if the Company had operated as an independent entity since the Company and its Parent and Affiliate have cross guarantees on the respective affiliate's financial obligations.

The long-term debt of the Affiliate in the total amount of \$8,650,960 as of December 31, 2020 has been guaranteed by the Company and the Parent.

**6. RISKS AND UNCERTAINTIES**

Management continues to evaluate the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

**GALARDI GROUP FRANCHISE CORP.,  
GALARDI GROUP FRANCHISE & LEASING, LLC**

**AND**

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**FRANCHISE AGREEMENT**

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## FRANCHISE AGREEMENT

This Franchise Agreement is made and entered into on \_\_\_\_\_, 202\_\_, by and between GALARDI GROUP FRANCHISE CORP., a California corporation ("Franchisor"), GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Service LLC") and \_\_\_\_\_ ("Franchisee") with reference to the following facts:

### RECITALS

Franchisor owns a unique, proprietary system (the "Wienerschnitzel System") for developing and operating distinctive restaurants featuring a limited menu of quality products and quick, quality service ("Wienerschnitzel Restaurants"), identified by the distinctive Wienerschnitzel® trademarks and using other trademarks specified by Franchisor (the "Trademarks"). Service LLC provides services to franchisees of Wienerschnitzel Restaurants. Franchisor and Service LLC established an excellent reputation, distinctive identity and valuable goodwill associated with Wienerschnitzel Restaurants. Franchisee wants a franchise to operate a Wienerschnitzel Restaurant at a specific location. Franchisor is willing to grant a franchise to Franchisee on the terms in this Agreement. Accordingly, the parties now agree as follows:

### AGREEMENT

#### 1. GRANT OF LICENSE

Franchisor grants Franchisee a license to use the Trademarks and the Wienerschnitzel System only to operate a Wienerschnitzel Restaurant at the location in Section 3. Franchisee accepts the license on the terms in this Agreement.

#### 2. MANAGEMENT AND OWNERSHIP

Franchisee makes the following statements, each of which is a representation, warranty and promise by Franchisee, to Franchisor and Service LLC:

(a) Franchisee accurately described Franchisee's business organization to Franchisor and Service LLC.

(b) Franchisee has the ability and sufficient financial resources, and is willing and committed, to fully perform all Franchisee's obligations in this Agreement.

(c) If Franchisee is a corporation, limited liability company or other form of entity, the owners of all ownership interests, legal and beneficial, voting and non-voting, are as follows:

<u>Name</u>	<u>Percentage of Ownership</u>
_____	_____
_____	_____
_____	_____
_____	_____

(d) Ownership of Franchisee shall continue to be as stated above and shall not be changed without first obtaining Franchisor's written consent.

(e) At all times, either (i) Franchisee (if Franchisee is an individual) or the equity owner of at least fifty-one percent (51%) of Franchisee (if Franchisee is an entity); (ii) or Franchisee's general manager, shall have attended and successfully completed training pursuant to Section 7(b).

(f) \_\_\_\_\_ is designated as the initial Certified General Manager who shall have full operational control of, and does and shall actively work in, the Wienerschnitzel Restaurant unless and until a successor General Manager is approved by Service LLC. Franchisee must have a Certified General Manager or Certified Shift Manager on-site during all operating hours.

(g) Franchisor and Service LLC shall have the right to require any one or more of the individuals identified in Section 2(c), and spouses, as Franchisor or Service LLC elects, to execute from time to time, guaranties of Franchisee's performance, and of other matters, in favor of Franchisor and Service LLC. Franchisee shall obtain and deliver such guaranties when requested by Franchisor or Service LLC.

### **3. LICENSED PREMISES**

(a) The license to Franchisee to use the Wienerschnitzel System and Trademarks is limited solely to \_\_\_\_\_ (the "Licensed Premises"). If the location is not stated here when this Agreement is signed, then when selected and approved in writing by Franchisor and/or Service LLC, the location shall be identified in writing, which the parties shall initial and date. The location identified in the writing shall be deemed to be the Licensed Premises.

(b) Franchisor and/or Service LLC will not grant a franchise for, and will not open its own Wienerschnitzel Restaurant, closer than one-half (1/2) mile from the Licensed Premises or closer than one (1) mile on the exact same street as the Licensed Premises street address, except as stated in Section 3(c) below.

(c) As exceptions to Section 3(b), Franchisor and/or Service LLC may itself, or through a parent, subsidiary, affiliate, licensee, or joint venture, open or franchise Wienerschnitzel Restaurants anywhere, even closer than one-half (1/2) mile to the Licensed Premises, or one (1) mile on the same street, if the restaurant(s) is/are: at an amusement park, stadium, airport, rail or bus terminal, school, mall, hotel, office building, office park, public park, theater, military base, business campus, store, hospital or health care facility, swap meet or other institutional location or location that restricts entry or admission, that Franchisor and/or Service LLC believes will likely not materially compete on an ongoing basis with the pre-existing business at the Licensed Premises; or a cart, booth, vehicle or the like, at a fair, trade show, concert, community gathering or other event; or is a food truck or other vehicle; or a commissary supplying other locations or selling via the internet or other electronic commerce. Sales of Wienerschnitzel branded products in grocery stores, food retail stores, delivery, or by other means, channels or other forms of distribution, are deemed to not violate the exclusivity in Section 3(b). Section 3(b) does not grant marketing exclusivity. Franchisor and/or Service LLC, and any franchisees or others acting with Franchisor's or Service LLC's authorization, may advertise restaurants, products, services and the Wienerschnitzel brand anywhere, regardless of location and may solicit or accept orders even in the area described in Section 3(b). Franchisor and Service LLC and others may make sales via Internet and other distribution channels. Franchisor and/or Service LLC may establish and/or grant



franchises for or other arrangements to establish Wienerschnitzel and/or other restaurants anywhere outside the area in Section 3(b). Franchisor and Service LLC reserve the right to co-brand other concepts with the Wienerschnitzel System.

(d) Prior to acquisition by lease or purchase of any location, Franchisee shall submit a description of the proposed location to Franchisor and/or Service LLC, and if required by Franchisor and/or Service LLC, a landlord's letter of intent or other evidence satisfactory to Franchisor and/or Service LLC that confirms Franchisee's favorable prospects for obtaining the proposed location. Franchisor and/or Service LLC shall try to notify Franchisee within thirty (30) days after receiving Franchisee's proposal and all needed information, whether Franchisor or Service LLC consent to or withholds consent to the proposed location. Any location must comply with Franchisor's and/or Service LLC's requirements stated in the Manual.

(e) Franchisor's and/or Service LLC's approval or suggestion or identification of a possible location is not a warranty or assurance of viability, profitability or suitability. Nothing in this Agreement, and no action by Franchisor or Service LLC, shall be interpreted as an indication or assurance of any level of revenues, sales or other measure of business or performance for the location nor shall any recommendation or consent by Franchisor be deemed a representation that a site is available for use as a Franchised Restaurant. Franchisee must make Franchisee's own assessment. Franchisee must not relocate the Licensed Premises or the Wienerschnitzel restaurant without Franchisor's or Service LLC's prior written consent.

(f) This Franchise Agreement may be terminated as stated below under the following circumstances: (i) within twelve (12) months of entering into this Franchise Agreement. Franchisee has not obtained and provided Franchisor and/or Service LLC with proof of real estate rights to develop a Wienerschnitzel restaurant at the Licensed Premises, as approved by Franchisor and/or Service LLC; or (ii) if Franchisee has diligently proposed, by completed Site Evaluation Forms, at least three (3) site locations to Franchisor and/or Service LLC, but after twelve (12) months from entering into this Franchise Agreement, Franchisor and/or Service LLC did not approve any location proposed by Franchisee, and Franchisor and/or Service LLC did not identify any proposed location satisfactory to Franchisee. Failure of Franchisee to meet either of the time requirements in (i) or (ii) above will allow Franchisee to terminate this Agreement by written notice to Franchisor and/or Service LLC given in the thirteenth (13<sup>th</sup>) month after signing of the Agreement, and Franchisor and/or Service LLC may terminate this Agreement by written notice to Franchisee at any time after twelve (12) months from the signing of this Agreement. If either party terminates pursuant to this section, Franchisor and Service LLC shall have no obligation to return any of the initial franchise fee, except as set forth in Section 5 of this Franchise Agreement stated below.

(g) Franchisee shall, as soon as is reasonably achievable, after receiving Franchisor's Service LLC's consent to the proposed location, and obtaining possession of the location for the Wienerschnitzel Restaurant: (i) cause to be prepared and submit for Franchisor's and/or Service LLC's consent a site survey and any proposed modifications to Franchisor's and Service LLC's basic architectural plans and specifications for the development of a Wienerschnitzel Restaurant at the location, provided that Franchisor and Service LLC shall have the right to require that proposed modifications be limited to those necessary to comply with zoning, ordinances, building codes and permit requirements; (ii) obtain all required zoning changes, building, utility, health, sanitation, sign and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, furniture and signs as provided herein; (iv) complete the construction and/or remodeling and installation of equipment,

fixtures, furniture and signage and decorating of the Restaurant in full and strict compliance with plans and specifications consented to in writing by Franchisor and/or Service LLC and all applicable zoning, ordinances, building codes and permit requirements; (v) at Service, LLC's election, Franchisee shall provide Service, LLC the name of the general contractor that Franchisee will utilize to commence and complete the development of the Restaurant; (vi) obtain all customary contractors' statements and partial and final waivers of liens for construction, remodeling, decorating and installation services; (vii) obtain all insurance required by this Agreement; and (viii) complete development of and have the Restaurant ready to open and start conducting its business according to all provisions of this Agreement.

(h) Franchisee shall operate the Wienerschnitzel Restaurant only at the Licensed Premises. If, without fault of Franchisee, the lease for the Licensed Premises ends or the Licensed Premises are rendered unusable or destroyed or condemned, Franchisor or Service LLC shall be willing to consider whether to consent to relocation of the Licensed Premises to a location acceptable to Franchisor and Service LLC. Any relocation shall be at Franchisee's sole expense and Franchisor and/or Service LLC shall have the right to charge Franchisee a relocation fee in the amount of five thousand dollars (\$5,000), to approximately compensate Franchisor and/or Service LLC for costs incurred by Franchisor and/or Service LLC in relation to the relocation. Relocation shall be subject to obtaining Franchisor's or Service LLC's consent as to the location and lease, as provided in this Section 3.

(i) If Franchisor or Service LLC pays for or obtains any licenses or permits for or on behalf of Franchisee prior to the end of the first twelve (12) months that the Licensed Premises are open for business, then Franchisee shall reimburse all those expenses and costs incurred to obtain those licenses or permits. This Section does not imply any obligation of Franchisor or Service LLC to seek, obtain or pay for any license or permit.

(j) Franchisee shall not engage in, participate or permit offsite delivery unless expressly authorized by Franchisor or Service LLC. Franchisor or Service LLC may authorize and/or develop standards and procedures concerning delivery of products. ("Delivery Program"). Delivery Program includes but is not limited to offsite delivery conducted by Franchisee or by third party delivery companies or other form of offside delivery. The Delivery Program could refer to delivery conducted by Franchisee, or by one or more Franchisor or Service LLC-approved third-party delivery service(s) or be through a Wienerschnitzel brand-specific internal program. If and when permitted by Franchisor or Service LLC, any offsite delivery shall be conducted by Franchisee only in full compliance with the standards and procedures in the Delivery Program. Franchisor or Service LLC shall have the right to make participation optional or mandatory. Whenever participation is made mandatory by Franchisor or Service LLC, Franchisee shall participate in the Delivery Program in accordance with the standards and procedures of the Delivery Program.

#### **4. TERM AND RENEWAL**

(a) The term of this Agreement starts on \_\_\_\_\_, 20\_\_\_\_ and ends at the close of business on the \_\_\_\_ anniversary of that date.

(b) Franchisee shall have the right to renew this franchise for one (1) additional successive term of ten (10) years (or less term if Franchisee leases the Licensed Premises from Franchisor or Service LLC, or a related entity, whose control of the Licensed Premises is a period less than ten (10) years),

but the right to renew is conditioned on all the following conditions for renewal having been fulfilled by Franchisee:

1. Franchisee has, during the entire term of this Agreement, complied with all its provisions.
2. At the time of giving notice of renewal Franchisee is not in default under any terms of this Agreement nor has Franchisee, at any time during the term of this Agreement, been in material default under any provisions of this Agreement.
3. Franchisee maintains possession of the Licensed Premises and, before expiration of the term, has brought the Licensed Premises into full compliance with the specifications and standards then applicable for new or renewing Wienerschnitzel franchised restaurants and proves to Franchisor's and/or Service LLC's satisfaction that Franchisee has the right to remain in possession of the Licensed Premises for the duration of any renewal term.
4. Franchisee has given written notice to Franchisor and Service, LLC of desire to renew as stated below.
5. Franchisee satisfied all monetary obligations owed by Franchisee to Franchisor and Service LLC and timely met these obligations throughout the term of this Agreement.
6. On renewal, Franchisee has executed Franchisor's then-current form of Franchise Agreement (with any modifications Franchisor specifies to reflect that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede this Agreement, and the terms of which may materially differ from this Agreement including, without limitation, different fees, fees at different rates and other terms materially different from this Agreement.
7. Franchisee complied with Franchisor's and Service LLC's then-current qualifications and training requirements.
8. Franchisee executed a general release, in a form prescribed by Franchisor or Service LLC, of any and all claims against Franchisor, Service LLC, and any related entities, and their respective directors, officers, agents, shareholders and employees.
9. Any additional reasonable conditions that Franchisor or Service LLC deem relevant in the circumstances.
10. Franchisee has paid to Franchisor a "Renewal Fee" of Sixteen Hundred dollars (\$1,600) per year of renewal term granted.

(c) If Franchisee wants to renew this franchise, then Franchisee shall give Franchisor or Service LLC written notice of its desire to renew at least six (6) months, but not more than nine (9) months, prior to expiration of the then-current term of this Agreement, accompanied by the payment referenced in Section 4(b)(10). Within sixty (60) days after receipt of timely notice, Franchisor or Service LLC shall furnish Franchisee with written notice of (i) reasons if known at that time which could cause Franchisor

not to grant a renewal to Franchisee including, but not limited to, deficiencies which require correction and a schedule for correction by Franchisee; and (ii) Franchisor's and Service LLC's then-current requirements relating to image, appearance, decor, furnishing, equipping and stocking of Wienerschnitzel franchised restaurants and a schedule for effecting upgrades or modifications to bring the franchised restaurant into compliance, as conditions of renewal. Any renewal shall be conditioned on Franchisee's compliance with such requirements and continued compliance with all provisions of this Agreement.

(d) If applicable law requires giving notice of expiration or non-renewal a specified time before expiration of this Agreement and such notice has not been given, then if Franchisee objects to the lack of notice, the term shall extend on a month-to-month basis the required notice is given and the required time passes before expiration or non-renewal becomes effective.

## **5. FRANCHISE FEE**

(a) Franchisee shall pay to Franchisor an initial franchise fee of \_\_\_\_\_ dollars (\$\_\_\_\_\_). Between Franchisor and Franchisee, and regardless of Franchisor bookkeeping/accounting procedures, this amount is deemed to be fully earned by Franchisor when paid. It is not refundable, except in the circumstance set forth in the following paragraph. Franchisee waives any right to a refund if, and when, Franchisee receives Franchisor's and/or Service LLC's written approval of a submitted site, or Franchisee has not timely submitted at least three (3) Site Evaluation Forms as described in the next paragraph.

(b) If Franchisee diligently proposed, by completed Site Evaluation Forms, at least three (3) site locations to Franchisor and/or Service, LLC, but after twelve (12) months from entering into this Agreement Franchisor and Service LLC did not approve any location proposed by Franchisee, and Franchisor and/or Service LLC did not identify any proposed location satisfactory to Franchisee, then at Franchisee's or Service LLC's written request this Agreement shall be cancelled. Franchisor and Service, LLC will retain five thousand dollars (\$5,000) and return the balance of the initial franchise fee paid by Franchisee. Franchisee's written request to cancel this Agreement must be made to Franchisor and Service, LLC before the end of the thirteenth (13<sup>th</sup>) month after entering into this Agreement, and Franchisor's and/or Service LLC's written request to cancel this Agreement may be made at any time after twelve (12) months from entering into this Agreement. At the end of the 13<sup>th</sup> month, refundability under this Section 5(b) shall not be available.

## **6. SERVICE FEE**

(a) Franchisee shall pay Service LLC on or before the seventh (7th) day of each month a service fee. The service fee shall equal five percent (5%) of Net Sales for the prior month.

(b) For this Agreement, Net Sales means total sales of all food and other items, and any services at, originating from or connected to the Licensed Premises, whether received in cash, electronic or other form of currency, services in kind, barter and/or exchange, on credit (whether or not payment is received therefore) or otherwise, but does not include sales taxes separately shown on the customer receipt, collected and actually paid to the taxing authority, uncollected cash register overrings, amounts received from sales which Franchisee promptly refunds at a customer's request; and tips paid by a customer to an employee of Franchisee in cash or by credit card, separately shown on the credit card invoice and actually paid to the employee. Barter and/or exchange and other forms of currency paid to or received by Franchisee shall, in determining Net Sales, be valued at the full, retail value of the

currency and/or goods and/or services furnished by or provided to Franchisee, whichever is higher in each instance. Revenue associated with any offsite delivery shall be included in Net Sales without deduction for cost or charge associated with delivery.

(c) Franchisee shall record in writing all Sales and details sufficient to ascertain Net Sales. Franchisee shall verbally provide Service LLC, or on before the first (1<sup>st</sup>) day of each month, the prior month's Net Sales, or if Service LLC informs Franchisee, Franchisee shall provide Service, LLC, in writing on or before the seventh (7<sup>th</sup>) day of each month, the prior month's Net Sales. Franchisee shall certify that the statement is true and accurate. Franchisee shall provide all additional financial and other information that Service LLC requests from time to time in the forms, at times and in the manner Service LLC requests. Franchisee consents to Service LLC having access to all sales and other data in real time, or on demand, generated from any third-party system used in Franchisee's Wienerschnitzel business operations.

(d) Franchisee shall maintain all records, statements, and forms pertaining to Net Sales in good order for a period of three (3) years. Franchisee shall make these available to Service LLC's representatives for inspection, audit and copying at reasonable times specified by Service LLC.

(e) If Service LLC determines by inspection, audit or otherwise that any one or more statement(s) of Net Sales reported to Service LLC is or are understated or underpaid, then Franchisee shall immediately pay Service LLC the amount of the understatement or underpayment plus interest as provided in Section 18(g). If the understatement or underpayment is more than two percent (2%) of the total for any month, then Franchisee shall also pay the costs of the inspection or audit. The remedies in this Section 6(e) do not excuse a breach and are additional to and not in lieu of other available remedies.

## **7. SERVICES BY FRANCHISOR**

(a) Franchisor shall either make available a Wienerschnitzel Restaurant for occupancy by Franchisee under a sublease, or provide Franchisee designs, drawings and specifications for construction of a prototype Wienerschnitzel Restaurant building at the Licensed Premises, at Franchisor's choice. However, if Franchisee chooses to convert an existing building or build an in-line restaurant, Franchisee shall be responsible for the cost and expense of designs, drawings and specifications of such restaurant.

(b) Franchisor or Service LLC shall provide to representatives of Franchisee, either equity owners or general managers, initial training in aspects of a Wienerschnitzel Restaurant, also including preparation and sale of Tastee Freez menu items to be sold at the Wienerschnitzel Restaurant. ("Operator-in-Training Program") The representative of Franchisee who receives the training, either a 51% or more equity owner or a general manager, shall attend and successfully complete the initial training before Franchisee starts operating the Wienerschnitzel Restaurant. Franchisor or Service LLC may require the successful completion of initial training by that representative at least thirty (30) days before opening of the Wienerschnitzel restaurant and may require that the training have been completed by a specified time, not more than six (6) months before opening (and if completed further in advance, may require retraining to be completed between six months and thirty (30) days before opening). Training may be at Franchisor's and Service LLC's training location in Irvine, California or other location designated by Franchisor or Service LLC. Initial training will be provided on dates and at times agreeable to Franchisor or Service LLC and Franchisee subject to availability of Franchisor's or Service LLC's instructors, at a charge to Franchisee of \$5,000 for each individual trained. Franchisor

and Service LLC reserves the right to deliver portions of the initial training by means such as online instruction or review of videos or other manner of delivery that Franchisor determines.

(c) If one of Franchisee's Certified General Managers, whom has completed the General Manager Training Program, ceases active employment, Franchisee must enroll a qualified replacement to complete the General Manager Training Program within 30 days after the former manager's last day of employment. The replacement manager must attend and complete, to our satisfaction, the next regularly scheduled General Manager Training Program. Service LLC may require employees that join your Restaurant from other franchised Restaurants to successfully complete the Management Training Program again. Service LLC reserves the right to require additional Managers of Franchisee's Restaurant to attend the Management Training Program. In that case, Franchisee will be responsible for all expenses Service LLC incurs in providing the training to these additional Managers. All training attendees must be over the age of 18.

(d) Before the opening of your first restaurant, individuals with a 25% or more stake in the business and who are not attending the Operator-in-Training Program may at the discretion of Service LLC be required to attend an "Apprenticeship Program" consisting of 10 days, 5 days of which will be training at a Certified Training Restaurant of Service LLC's choosing and 5 days at Service LLC's Support Center in California or at a venue of Service LLC's choosing. This training will be complete upon the successful passing of the Apprenticeship Exam and the completion of the "Extended Education" modules within the Apprenticeship Training Program on Service LLC's "EDU" system. This Apprenticeship Program does not come with a certification to operate a restaurant as a General Manager or Operator.

(e) Franchisor or Service LLC will have the right to require any or all of Franchisee's Certified General Managers, Certified Managers, persons in equivalent or similar positions, and persons constituting Franchisee to complete a re-certification exam as often as every five (5) years, from the individual's last certification date. Franchisor will have the right to require Franchisee to take remedial action with regard to any of the foregoing who do not satisfactorily complete the re-certification exam, by way of examples and not limitation, further training, supervision, or limitation on their roles or activities pending successful completion of the re-certification exam.

(f) If this Agreement is for a second or more-than-second restaurant of Franchisee or Franchisee's affiliate, or if Franchisee or Franchisee's affiliate previously completed initial training in relation to a Wienerschnitzel restaurant, then whether or not to provide and require Franchisee to complete any, all of or portions of the initial training described in Section 7(b) shall be at Franchisor's or Service LLC's election. Either may elect to require Franchisee to complete a course of refresher training. This could include review of subjects of training and/or new methods or programs not previously covered, or which Franchisor or Service LLC deems it appropriate to have Franchisee review.

(g) At any time during training, if, in Franchisor's or Service LLC's sole judgment or discretion, Franchisor or Service LLC determines that Franchisee or person affiliated with Franchisee is unable, or comes to doubt Franchisee's or the person affiliated with Franchisee's ability to satisfactorily complete any part of training, Franchisor and Service LLC shall have the right to: (i) require Franchisee to attend additional training to demonstrate its ability to operate the Wienerschnitzel Restaurant to Franchisor's and/or Service LLC's satisfaction, at Franchisee's expense; (ii) require Franchisee or a new approved designee to complete the training program subject to Franchisor's and Service LLC's

then-current training requirements; or (iii) terminate this Agreement immediately on written notice to Franchisee. If Franchisor or Service LLC elects to terminate this Agreement pursuant to this Section, Franchisor and Service LLC will have no obligation to return any of the initial franchise fee.

(h) Franchisor and/or Service LLC from time to time may require Franchisee and personnel of Franchisee, whether or not previously-trained and experienced, to attend and successfully complete new or refresher training programs or seminars. These may be at location(s) designated by Franchisor or Service LLC. These may be conducted specifically for such person(s) or for a broader range of persons. All expenses of Franchisee and its personnel in attending such program including, without limitation, travel, lodging, meals and salaries, shall be the responsibility solely of Franchisee.

(i) Franchisor and/or Service LLC shall loan or provide Franchisee a copy of or electronic or other form of access to a copy of Franchisor's and Service LLC's confidential operations manual (the "Manual"). Franchisor or Service LLC may from time to time provide supplements and updates or, if the Manual is maintained on-line, supplement or update the on-line version. Franchisee shall place all supplements and updates in the Manual and maintain the loaned copy in its most current form. This Agreement's references to the Manual mean whatever at the time is the most recently updated and supplemented version of the Manual.

(j) The Manual is and shall at all times remain the property solely of Franchisor and Service LLC and any copy of all or portions of the Manual in Franchisee's possession shall promptly be returned to Franchisor or Service LLC on the expiration or other termination of this Agreement. At no time shall Franchisee or its personnel make any copy or reproductions of all or part of the Manual.

(k) The Manual comprises proprietary information of Franchisor and Service LLC and shall be kept confidential by Franchisee both during the term of this Agreement and after its expiration or termination. Franchisee shall at all times ensure that its copy of the Manual, and all portions of the Manual, are maintained only at and are available only at the Licensed Premises in current and up-to-date manner. At all times that the Manual is not in use by authorized personnel, Franchisee shall maintain the Manual in a locked receptacle at the Licensed Premises and grant only authorized personnel access to the key or lock combination of the receptacle. In any dispute as to contents of the Manual, the terms of any master copy of the Manual maintained by Franchisor and Service LLC shall be controlling.

(l) Any provisions of the Manual that may address human resource issues such as employee staffing, scheduling, hiring, discipline and other policies related to Franchisee's employees are suggestions only. Franchisee must make all determination in its sole discretion with respect to its personnel with the guidance of its own independent advisors.

(m) The Manual is of substantial value to Franchisor and Service LLC, and other franchisees as well as to Franchisee. It describes the Wienerschnitzel System that establishes and maintains a common identity. Franchisee agrees and acknowledges that full compliance with the mandatory portions of the Manual are essential to preserve, maintain and enhance the reputation, trade demand, and goodwill of the Wienerschnitzel System and the Trademarks and that failure of Franchisee to operate the Wienerschnitzel Restaurant in accordance with the Manual can cause damage to the Franchisor, Service LLC, and other franchisees with the Wienerschnitzel System, as well as to Franchisee. Notwithstanding the foregoing, and consistent with the goals of the Wienerschnitzel

System, Franchisee shall be responsible for the day-to-day operation of the Wienerschnitzel Restaurant.

## **8. SERVICES BY SERVICE LLC**

(a) Service LLC shall assist Franchisee at the initial opening of the Wienerschnitzel Restaurant in the manner and for a period of time that Service LLC determines.

(b) Service LLC shall provide promotion programs conducted under direction of Service LLC's marketing department for the initial opening of the Wienerschnitzel Restaurant.

(c) Service LLC shall provide training seminars and meetings in certain aspects of Wienerschnitzel Restaurants and maintain a school for training franchisees, all as Service LLC considers appropriate. Following successful completion of the initial training by a representative of Franchisee, as stated above, the same or another representative of Franchisee may (but is not required to, unless Service LLC designates a particular program as being required) attend ongoing education programs as currently offer by Service LLC, up to twice a year through its Management Development Program (MDP) at a charge to Franchisee of seventy five dollars (\$75.00) per program, which is payable when the program is offered if Franchisee representative elects to attend a program.

(d) Service LLC shall evaluate and test food and beverage items and operational methods for possible use in Wienerschnitzel Restaurants, as Service LLC deems appropriate.

(e) In order to cover the future cost and expense of providing systemwide technology that Service LLC considers helpful in the operation of franchised Wienerschnitzel Restaurants, Service LLC shall have the right to charge Franchisee a technology fee for such technology.

(f) Service LLC shall provide Franchisee with selected merchandising, marketing, and advertising research data and information Service LLC develops from time to time and considers helpful in the operation of franchised Wienerschnitzel Restaurants.

(g) Service LLC shall provide Franchisee with recipe techniques, food preparation instructions and other information that Service LLC considers helpful in the operation of franchised Wienerschnitzel Restaurants.

(h) Service LLC shall provide Franchisee a standardized accounting, cost control and portion control system.

(i) Service LLC's obligations in this Section 8 are not continuous and ongoing, but may be performed intermittently, as and when, Service LLC deems appropriate.

## **9. ADVERTISING OBLIGATIONS**

(a) All advertising and promotion by Franchisee or an Advertising Association shall be solely at Franchisee's cost and expense and shall be subject to prior written consent of Service LLC as to form, content, subject matter, theme, timing and placement. If no disapproval is provided within fifteen (15) days after submission of proposed advertising and promotion to Service LLC, then Franchisee may use that particular advertising and promotion until Service LLC delivers written disapproval. Approval or



failure to disapprove does not waive Service LLC's right to later disapprove that or any other or past or future advertising and promotion.

(b) Franchisee's advertising and promotion shall not use any trade name other than (1) Wienerschnitzel or other trade names that Franchisor expressly authorizes or requires Franchisee to use; (2) brands that Service LLC specifically authorizes or requires Franchisee to use in advertising as part of joint product promotions or co-branding; and (3) Franchisee's independent ownership identity if and as specified by Franchisor.

(c) Franchisee shall execute Service LLC's Promotional Allowance Assignment assigning and conveying to Service LLC all Franchisee's right, title and interest in and to any marketing or promotional allowances.

(d) Franchisee shall join, execute and fully perform all agreements and adhere to all by-laws of, and do all else needed to continuously be a member in good standing in, an Advertising Association approved by Service LLC and formed to serve a geographic area acceptable to Franchisor and Service LLC, that includes the Licensed Premises.

(e) Franchisor or Service LLC shall have the right to designate the geographic area or other market definition of the Advertising Association. At any time when no Service LLC-approved Advertising Association exists in the Franchisor or Service LLC-designated area encompassing the Licensed Premises, then as soon as that area has multiple Wienerschnitzel franchisees, Franchisee shall form an Advertising Association with the other franchisee(s) in that area and take all steps needed to obtain Service LLC's approval for the structure, terms and other aspects of that Advertising Association. If Franchisee and the other franchisee(s) cannot reach agreement on terms for forming or other aspect(s) of the Association, Franchisee shall submit the matter to arbitration with Service LLC as arbitrator. Franchisee shall execute the Advertising Association agreement(s) determined by Service LLC acting as arbitrator.

(f) Franchisee shall pay contributions for advertising determined by the Advertising Association.

(g) Franchisee's obligation to expend funds for local advertising shall never be less than three percent (3%) of Net Sales (the "Minimum Local Advertising Obligation"), paid as follows:

(i) If Franchisee is a member of an Advertising Association, then Franchisee shall pay the contribution required by the Advertising Association. If the contribution required by the Advertising Association is less than the Minimum Local Advertising Obligation, then in addition to the contribution required by the Advertising Association, Franchisee shall expend for local advertising, each month, an additional amount equal to the difference between Minimum Local Advertising Obligation and the contribution required by the Advertising Association. If Franchisee's contribution required by the Advertising Association is more than the Minimum Local Advertising Obligation, then Franchisee shall pay the required contribution to the Advertising Association; or

(ii) If Franchisee is not a member of an Advertising Association, Franchisee shall spend at least the Minimum Local Advertising Obligation for advertising each month. If Franchisee's Advertising Association required contribution, and/or local advertising expenditures are (or it appears to Service LLC that they will be) less than the Minimum Local Advertising Obligation, then Service LLC has the

option to require Franchisee to pay to Service LLC the difference between Minimum Local Advertising Obligation and the total of Franchisee's paid local expenditures, or anticipated to be paid, for that year.

(h) Service LLC may require Franchisee to pay an additional one percent (1%) of Net Sales to Service LLC for national and/or regional advertising. Franchisee shall make these payments to Service LLC on or before the seventh (7th) day of each month. Payments to Service LLC under this Section shall not reduce Franchisee's contribution required by Section 9(g) above. Service LLC does not have an obligation to advertise in any particular media, in any particular geographic area, in any particular amounts, or at all.

(i) In this Section 9, advertising may include internet advertising (including, but not limited to social media and other internet based tools and platforms), electronic, broadcast and print media, billboards, premiums, point of sale materials, printing and distribution of coupons, public relations activities, and other activities Service LLC approves for promoting sales of Wienerschnitzel products; and does not include those of the foregoing, or other, media and activities, that Service, LLC notifies Franchisee are not approved for purposes of the three percent (3%) of Net Sales expenditure requirement.

(j) Franchisor or Service LLC may, but is not obligated to, establish and maintain one or more websites promoting the Trademarks and System. Franchisor or Service LLC shall have sole control over the website(s). Franchisor or Service LLC may stop operation of any website(s) at any time without notice. Franchisor shall have the right to control the operation and content of any internet or social media utilizing the Wienerschnitzel brand. Unless Franchisee obtains prior written consent from Franchisor or Service LLC, as applicable, which may be withheld in Franchisor's or Service LLC's sole discretion, Franchisee shall not establish or maintain a separate website, or a splash page or other presence on the Internet or through any social networking site relating to the operation of the Restaurant. If Franchisor or Service LLC consents to Franchisee operating a separate website or Internet presence, Franchisee shall do so according to our standards and policies in the Manual or otherwise in writing from time to time. Franchisor or Service LLC can modify or supplement policies regarding social media and internet use at any time in writing, whether as part of the Manual or otherwise.

(k) Franchisee shall in no event communicate with media in response to a brand incident or crisis but shall direct all such inquiries to Franchisor to communicate directly with the media on behalf of the brand.

(l) Notwithstanding anything to the contrary in this Article 9, Service LLC may modify the structure and means of Franchisee's advertising obligations. This modification could be made so that Franchisee's Minimum Local Advertising Obligation, and minimum national and/or regional obligation, are not paid directly to local marketing, or to an Advertising Association, but to Service LLC for advertising funding purposes to benefit all franchisees.

## **10. STANDARDS OF OPERATION**

(a) Franchisee acknowledges that Franchisor, Service LLC and Wienerschnitzel franchisees maintain high standards and reputation for quality of service, products, preparation and sale of food and methods of conducting business. The appearance, layout, supplies utilized, services offered, restaurant premises, and other elements of trade dress in the operation of the Wienerschnitzel

Restaurant are important to Franchisor and Service LLC and the Wienerschnitzel System and intrinsically associated with and integral to the Wienerschnitzel brand. Franchisee acknowledges that Franchisee's compliance with Sections 10(b) through 10(z) is necessary to maintain the high standards and reputation.

(b) Franchisee shall at all times continuously operate the Restaurant, following the Wienerschnitzel System and always exert Franchisee's best efforts to promote and increase the sales and services of the Restaurant.

(c) Franchisee shall operate the Wienerschnitzel Restaurant at all times in compliance with the mandatory portions of this Agreement and the Manual, as revised from time to time. Franchisee shall not be required to follow the non-mandatory portions of this Agreement and the Manual, including without limitation, provisions that may concern Franchisee's employees and hiring, promotion, demotion, discipline, termination, scheduling, rate of pay, benefits, work assignments, response to grievances and complaints or working conditions.

(d) Franchisee shall assure that all food provided by Franchisee is the highest quality and that preparation, composition and ingredients conform fully to specifications, standards and instructions Service LLC provides to Franchisee from time to time. Service LLC, or its/their designated representative, agent, or vendor, shall have the right to inspect the Licensed Premises from time to time without notice, during regular business hours to assess Franchisee's compliance with this Agreement. Franchisee shall cooperate with these inspections.

(e) Franchisee shall not conduct any business at the Licensed Premises other than the Wienerschnitzel restaurant, and shall not serve, process, prepare, advertise, promote or sell any item or service except as directed or consented to in writing by Service LLC. Franchisee shall sell and operate only at retail and not wholesale. Franchisee shall not sell to a third-party for resale or catering. Franchisee shall not sell from any location other than the Licensed Premises, without written consent from Service LLC.

(f) Franchisee acknowledges that changes may occur in consumer preferences, technology, competitive circumstances and other factors affecting the Wienerschnitzel System. In Service LLC's sole business judgment, Service LLC shall have the right to modify any and all aspects of the Manual, food preparation, menus, techniques, procedures, products, services and all other aspects of the Wienerschnitzel System from time to time. Franchisee shall comply with modifications within the time Service LLC states. Modifications are deemed to occur pursuant to Service LLC's rights in this Agreement and are not modifications of this Agreement.

(g) Franchisee shall at all times maintain and operate all food preparation areas, storage, displays, interiors, parking areas and all other aspects of the Licensed Premises at a high standard of sanitation and cleanliness, in compliance with all applicable laws and regulations, and as required by Service LLC's requirements. In order to protect the Wienerschnitzel Restaurant brand standards, Franchisee shall assure that Franchisee's personnel comply with Service LLC's, and the Manual's, trade dress requirements and standards. Upon request by Franchisor or Service, LLC, Franchisee shall, at Franchisee's sole cost and expense provide re-training to Franchisee's personnel if they fail to meet these requirements. When Franchisor or Service LLC requests, Franchisee shall, at Franchisee's sole cost and expense, send personnel designated by Franchisor or Service LLC to training programs of Franchisor or Service LLC.

(h) Franchisor and Franchisee, and Service LLC and Franchisee, are independent contractors. As such, it is acknowledged that Franchisee is the sole and independent owner of its business, shall be in full control thereof, and shall conduct such business solely in accordance with Franchisee's own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify Franchisee as the independent owner of the business. No party shall be obligated by, or have any liability for, any agreements, representations or warranties made by the other nor shall Franchisor or Service LLC be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act. A party shall have no liability for any sale, use, excise, income, property or other tax levied upon the business conducted by any other party or in connection with the services performed or business conducted by it or any expenses incurred by it. If despite the parties' intent and belief that they are independent contractors, any government agency or court deems in a final decision (not appealed or not successfully appealed) (a) Franchisor to be a joint employer with Franchisee of individuals hired by Franchisee, (b) Service LLC to be a joint employer with Franchisee of individuals hired by Franchisee, Franchisee shall reimburse Franchisor and Service LLC (as applicable) for any expenses either or both incur or may incur based on that agency or court decision, including but not limited to wages, salaries, taxes and other payroll-related costs and expenses and any other costs and expenses, that Franchisee would have incurred if Franchisee were the sole employer of its employees.

(i) Franchisee shall operate in full compliance with all applicable laws, ordinances regulations and orders, including, without limitation, laws, ordinances, regulations and orders relating to the sale of food and beverages, occupational hazards and health, worker's compensation insurance, unemployment insurance, labor laws and overtime requirements and withholding and payment of federal and state income taxes and social security taxes, trade name and advertising restrictions, building codes and handicap access. Franchisee shall operate the Wienerschnitzel Restaurant in a safe and secure manner that optimizes public health and safety. Franchisee is solely responsible for determining and addressing all safety concerns relation to the condition of the Licensed Premises, the operation of any vehicles in connection with the Wienerschnitzel Restaurant and otherwise.

(j) All food and menus on the Licensed Premises shall be in the form, size, color and content specified by Service LLC. Service LLC shall have the right to change the form, size, color and content of food and menus from time to time and Franchisee shall conform to these changes within three (3) days after receiving written notice. Service LLC shall have the right to require Franchisee to advertise locations and addresses of other Wienerschnitzel Restaurants as well as specialty and novelty items that may be used or sold by Service LLC or other Wienerschnitzel Restaurants.

(k) If any building or appurtenance is to be constructed or altered in any way on the Licensed Premises, the construction or alterations shall conform with plans and specifications that Service LLC furnishes, and all applicable laws and regulations. Service LLC shall have the right to examine construction or alteration to assure conformity. Franchisee shall not undertake construction or alteration of the Licensed Premises without Service LLC's prior written consent and shall not change any plan or specification in construction or alteration without Service LLC's prior written consent.

(l) Franchisee shall install and use on the Licensed Premises, furnishings, furniture, inside and outside decorations, signs and equipment as Service LLC requires from time to time of all or substantially all Wienerschnitzel franchisees, or if Service LLC elects, of substantially all

Wienerschnitzel franchisees in the area where the Restaurant is located, including plans and standards of quality, quantity, design, size, and color. Service LLC shall have the right to change such plans, specifications, standards, equipment, decorations, size, colors, and designs from time to time. Franchisee shall conform to these changes within a reasonable time, but not to exceed one hundred eighty (180) days after receiving notice from Service LLC to do so. If Service LLC, in its sole, subjective judgment, determines that new or additional equipment may provide new or improved services or value to customers and notifies Franchisee, Franchisee shall, at Franchisee's sole cost and expense, acquire and use that equipment within thirty (30) days after receipt of the written notice, and stop using any outmoded or superseded equipment. If Franchisee fails to acquire and use the equipment within those thirty (30) days, then Service LLC will have the right to acquire and install the equipment at Franchisee's cost and expense.

(m) Service LLC shall have the right to require Franchisee to remodel, refurbish, refurnish, modernize, upgrade and/or enhance the image of the Licensed Premises from time to time. Notwithstanding this right, Franchisee shall remodel the Licensed Premises at least every ten (10) years. Further, the following applies if the term of this Agreement is at least twenty (20) or more years. Any time after the 10<sup>th</sup> anniversary of this Agreement, Service LLC can require Franchisee to remodel, refurbish, redecorate, modernize, refurnish, upgrade, and/or enhance the image of the Licensed Premises and Wienerschnitzel Restaurant. All remodeling, refurbishing, refurnishing, modernization, upgrades, enhancements, and redecoration must be according to standards and specifications prescribed by Service LLC from time to time and with the prior written consent of Service LLC. Service LLC makes no guarantee of any particular return on that investment and expense. Service LLC may specify or require Franchisee to obtain Service LLC's consent to revised or new layouts, designs, image, equipment, furniture and furnishings Franchisee uses in any of the foregoing activities. Service LLC shall use good faith, on a nondiscriminatory basis, in requiring Franchisee to take the above actions. Notwithstanding anything to the contrary in this Section, Service LLC may also require Franchisee to set aside \$5,000 a year, during the franchise term, for future restaurant remodel and refurbishment. If so required, Service LLC would have the right to periodically confirm that such amount is being set aside. No funds under this Section shall be paid to Service LLC.

(n) Franchisee acknowledges that remodel, modernization, redecoration and maintenance of the Licensed Premises and minor and/or major modification or replacement of working equipment may be required from time to time and may require significant expenditures.

(o) Franchisee shall assure that no signs at the Licensed Premises display any trademark or trade name other than Wienerschnitzel, or other trade names owned by or consented to by Franchisor and/or Service LLC, and Franchisee shall assure that the location, color, size, design and content of all signs are according to specifications Service LLC provides. By way of example, Franchisee shall post prominent signage, in a location or locations and wording consented to by Service LLC, stating that Franchisee is an independently-owned and operated business. Franchisee consents to Service LLC's representatives entering the Licensed Premises and removing any signs that do not conform to Service LLC's specifications.

(p) Franchisee shall not place, employ, use or allow any vending machine, amusement device, video game, pinball machine, coin or token operated machine or computer game equipment, internet connected equipment, robotic equipment or device on or at the Licensed Premises whether for customer entertainment, customer service, or operational purposes, unless Service LLC designated or

authorized or consented to the use thereof. This provision does not restrict customers from themselves using their own personal devices like cell phones, tablets and laptops.

(q) Franchisee shall open the Licensed Premises for business during at least the hours and days Service LLC specifies, which may be as many as 24 hours per day, and as many as 365 days per year (366 per leap year). Franchisee shall curtail and/or limit operations and activities and/or close when required by law or government order, and when specified by Franchisor or Service LLC at the direction, requirement, recommendation or request of government or public health authorities or others whom Franchisor or Service LLC recognize as community leaders. Franchisee acknowledges and agrees that the hours and scope of operation are integral to the value of the Wienerschnitzel System and the Trademarks, and any failure by Franchisee to operate during the designated hours of operation or otherwise comply with this section is detrimental to the Wienerschnitzel System and the Trademarks. Franchisee acknowledges and agrees that the day-to-day operational decisions relating to the opening and closing procedures of the Wienerschnitzel Restaurant, including security, staffing, and other similar matters, shall be made solely by Franchisee.

(r) Franchisee shall participate in the implementation, use, updating and modification of any computer network, intranet system or extranet system or other technology implemented or designated by Service LLC and shall do so in compliance with standards, protocols, and restrictions Service LLC specifies. This could include but is not limited to, required participation to submit reports, receive updates to Manual(s), or for other communications, methods of providing and/or delivering foods, products and service to customers and methods of receiving foods, products and services from suppliers and service providers.

(s) Franchisee shall deliver training to Franchisee's personnel that Franchisor specifies.

(t) Franchisee acknowledges that because uniformity under many varying conditions may not always be possible or practical or the most advantageous, Franchisor reserves the right to materially vary Franchisor's standards or franchise agreement terms for any franchised business. Variances could also be based on timing of the grant of franchise, peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which Franchisor considers relevant or important. Franchisee will have no right to require Franchisor to disclose any variation or to grant the same or a similar variation to Franchisee.

(u) Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Wienerschnitzel Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor or Service LLC do so or be deemed to do so. Franchisee acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Wienerschnitzel System with which Franchisee must comply under this Agreement, the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor or Service LLC controls any aspect or element of the day-to-day operations of the Wienerschnitzel Restaurant, but are only standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Wienerschnitzel Restaurant consistent with the policies of Franchisor and Service LLC.

(v) Service LLC may, when not prohibited by law, establish and revise fixed, minimum or maximum, standard and/or promotion prices to be charged for food and other products and services

offered by the Wienerschnitzel Restaurant and other policies relating to pricing, discounting, promotional pricing, advertising of prices and other price-related matters. This may include but is not limited to restricting or prohibiting discounting, limitations or prohibitions of certain kinds of advertising and other pricing-related restrictions. Franchisee shall be obligated to abide by pricing and related specifications established by Service LLC when not prohibited by law. Until such time as Service LLC establishes pricing specifications, Franchisee shall have the right to determine prices to be charged by the Wienerschnitzel Restaurant. Franchisee shall notify Service LLC in writing on determining such prices and shall notify Service LLC in writing at least seven (7) days prior to making any changes to such prices.

(w) Franchisee shall enroll and participate in any gift card and/or loyalty and/or other marketing program(s) designated and/or revised by Service LLC from time to time, set up and maintain all necessary accounts in connection therewith, and use point-of-sale and other equipment specified by Service LLC, all in accordance with the Manual. Service LLC has no obligation to establish, participate in or maintain any such program.

(x) Franchisee shall participate in all promotion and marketing programs established by Service LLC and shall update menus and promotion materials as mandated by Service LLC from time to time. Franchisee shall cooperate and when required by Service LLC, participate in additional programs which may be established and designated by Service LLC from time to time, including coupons, smartphone, tablet and other mobile device applications, rewards and other programs seeking to benefit the Wienerschnitzel System, and comply with Service LLC's rules and regulations established by Service LLC from time to time. Franchisee shall redeem and accept all rewards and coupons issued by any programs designated by Service LLC, including rewards or coupons issued by mobile, tablet and other mobile device applications.

(y) Franchisee shall provide reports and information requested from time to time by Service LLC. Franchisee shall cause its principal owner(s) and officer(s) attend meetings with representatives of Service LLC at times and places requested by Service LLC from time to time. Franchisee shall respond in writing to requests, inquiries and communications within times reasonably requested by Service LLC.

(z) Franchisee shall refrain at all times from any and all forms of disparagement of Franchisor and/or Service LLC, Franchisor's and Service LLC's personnel and affiliates, and from encouraging or supporting disparagement by others, including but not limited to communications to the public, to franchisees, and others, whether in social media, news media, or elsewhere.

## **11. FOOD, SUPPLIES AND SERVICES**

(a) To protect the Trademarks, maintain uniformity and standards of quality and for other reasons beneficial to Franchisor, Service LLC and the Wienerschnitzel System, Franchisee shall comply with Sections 11(b) through 11(i).

(b) Franchisee shall purchase for inventory, use and resale on the Licensed Premises, only food and supplies specified in the Manual.

(c) Franchisee shall acquire from Service LLC or sources Service LLC approves in writing from time to time, the foods, supplies, materials, equipment and other items for use in operating the

Wienerschnitzel Restaurant, that Franchisor and Service LLC determines are needed for uniformity, consistent quality and to preserve and enhance the goodwill of the Trademarks. Franchisor or Service LLC shall have authority to require Franchisee to withdraw any product from Franchisee's restaurant as part of a product recall.

(d) Franchisee shall offer for sale and sell at the Wienerschnitzel Restaurant all items and categories of food and beverage products that Service LLC from time to time authorizes and introduces and shall not offer for sale or sell any other items or category of products or use the Licensed Premises for any purpose other than the operation of the Wienerschnitzel Restaurant in full compliance with this Agreement

(e) Service LLC shall furnish Franchisee at Franchisee's request the then-current standards and specifications for equipment, supplies, trademarked paper goods or other products required by Service LLC to be used in operating the Wienerschnitzel Restaurant.

(f) Service LLC developed food products and will continue to further develop and own proprietary recipes. To protect its confidential information and trade secrets and monitor the manufacture, packaging, processing and sale of food products, at such time as food products are introduced into the Wienerschnitzel System, if ever, Service LLC may (i) manufacture, supply and sell food products to franchisees of Service LLC; and/or (ii) disclose formulas for and methods and preparation of food products to suppliers who shall be authorized by Service LLC to manufacture food products to Service LLC's specifications and sell food products to franchisees of Service LLC. Franchisee acknowledges that Franchisee shall be required to purchase and use food products from Service LLC or its or their affiliates or a limited number of suppliers authorized by Service LLC. For some or potentially all products Service LLC may designate itself or its affiliates as an approved supplier or as the sole approved supplier.

(g) If Franchisee wants to obtain required items from a manufacturer or supplier not then approved by Service LLC, Franchisee shall provide Service LLC with all information regarding the manufacturer or supplier that Service LLC requests. Franchisor or Service LLC shall have the right to require the manufacturer or supplier to provide samples, access to facilities, payment of testing and analysis charges, and assurance of consistent good quality and service and that they will adequately protect confidential information. On completion of procedures required by Service LLC to assess manufacturer or supplier capacity, facilities, and capability to supply quantities, at times and with reliability needed for efficient operation, to protect confidential information, and any other factors Service LLC deems relevant, Service LLC shall notify Franchisee whether or not the manufacturer or supplier is approved to supply the item to Franchisee; and the basis for any disapproval. The parties intend this Section 11(g) to permit Franchisee to purchase items meeting Service LLC's standards and specifications from manufacturers and suppliers of Franchisee's choice, subject to reasonable approval of Service LLC.

(h) Service LLC may withdraw approval of an item or manufacturer or supplier if Service LLC decides circumstances warrant. Franchisee shall stop acquiring or using any item or acquiring from any manufacturer or supplier as to which approval is withdrawn.

(i) Franchisee acknowledges that quality control of products used or sold by Wienerschnitzel franchisees is proper and important to the operation of the Wienerschnitzel system and to protection of the Trademarks, and that the provisions in this Section 11 are reasonable for these purposes.



## 12. OWNERSHIP AND PROTECTION OF INTELLECTUAL PROPERTY

(a) Franchisee acknowledges that its entire knowledge of the operation of a Wienerschnitzel Restaurant including, without limitation, methods of preparation of menu items, food products and other specifications, standards and operating procedures is derived from information disclosed to Franchisee by Service LLC and that such information is proprietary, confidential and comprises trade secrets of Service LLC. Any improvements developed by Franchisee, any customer lists developed or obtained by Franchisee, and any databases developed or obtained by Franchisee pursuant to or connected with Franchisee's operation of the Wienerschnitzel Restaurant (collectively "Developed IP") shall be deemed to be proprietary information of and belong solely to Service LLC. Service LLC shall be authorized to develop, modify, use and authorize others to use the Developed IP without compensation to Franchisee or others beyond the consideration comprised of this Agreement. Notwithstanding the above, it is agreed that Franchisee shall not test, offer, or sell any new product without Service LLC's prior written consent. In case Franchisee is deemed to own any interest in Developed IP, then for avoidance of doubt Franchisee hereby assigns and transfers to Service LLC all Franchisee's right, title and interest in and to the Developed IP. Franchisee shall execute instruments that Service LLC may request to further confirm Service LLC's exclusive ownership of all Developed IP.

(b) "Trade Secrets" refers to the whole or any portion of the Manual, know-how, knowledge, methods, recipes, formulae, specifications, processes, procedures and/or improvements regarding the Wienerschnitzel Restaurant, the System and any information that is valuable and secret in the sense that it is not generally known to competitors of Franchisor and Service LLC or others who could benefit from having such knowledge. Trade Secrets also includes Developed IP. Franchisee shall maintain absolute confidentiality of all such information during and after the term of the franchise in perpetuity and Franchisee shall not use any such information in any other business or venture.

(c) Franchisee shall divulge confidential information only to the extent and only to those of Franchisee's employees who must have access to the portion of the confidential information divulged, to operate the Wienerschnitzel Restaurant. Any and all information, knowledge and know-how including, without limitation, drawings, materials, equipment, techniques, restaurant systems, product formulae, recipes and other data which Service LLC designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee demonstrates lawfully came to Franchisee's possession prior to disclosure by Service LLC ; or which, at the time of disclosure by Service LLC to Franchisee, had lawfully become part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Service LLC , lawfully becomes a part of the public domain, through publication or communication by others without fault or involvement of Franchisee.

(d) To assist in protecting Trade Secrets and confidential information against intentional or inadvertent misuse, during the term of this Agreement and for two (2) years after it is cancelled, assigned, expires without renewal or terminates or is transferred, Franchisee and Franchisee's stockholders, members, joint venturers, directors, managers, officers, partners, managerial employees and equivalents of each of the foregoing, shall not have any direct or indirect interest as an owner, investor, partner, lender, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any "Competing Business". Competing Business is a business that is both (i) located at or within 25 miles of the Licensed Premises or premises of any Wienerschnitzel Restaurant; and (ii) engaged in preparing, offering or selling food products that are the same as or substantially similar to those (x) offered or sold by the Wienerschnitzel Restaurant or (y) in development by

Franchisor or Service LLC during the one year prior to expiration or termination. Franchisee shall take all steps needed to assure compliance with this provision by Franchisee's stockholders, members, joint ventures, directors, officers, partners, managerial employees and equivalents. Following expiration or termination of this Agreement, Franchisee shall never use any packaging techniques, processes or food preparation methods or formulas obtained, learned or used by Franchisee as a Wienerschnitzel franchisee.

(e) Franchisee acknowledges that the scope of the restriction in Section 12(d) is narrow, and does not restrict anyone from engaging in the restaurant or food service business outside the narrow scope of Section 12(d) or from engaging in an entire trade or profession, and that Franchisee has other considerable skills, experience, abilities and education which enable Franchisee to derive income from other activities and therefore the covenants in Section 12(d) will not impose any undue hardship on Franchisee. Any violation of Section 12(d) by any person or entity referred to shall be deemed to be a material breach of this Agreement by Franchisee.

(f) Franchisee acknowledges that Franchisor or Service LLC owns all right, title and interest, together with all the goodwill, of the Trademarks. Franchisee acknowledges that Franchisee's right to use the Trademarks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Service LLC from time to time. Any unauthorized use of the Trademarks by Franchisee shall be deemed to be a breach of this Agreement and infringement of the Trademarks. Franchisee acknowledges that all usage of the Trademarks by Franchisee and any goodwill established by Franchisee's use of the Trademarks shall be for the exclusive benefit of the trademark owner and that this Agreement does not confer any goodwill or other interests in the Trademarks on Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, cancellation or transfer, contest the validity or ownership of any of the Trademarks or assist any other person in contesting their validity or ownership. All provisions of this Agreement applicable to the Trademarks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Service LLC after the date of this Agreement.

(g) Franchisee shall not use any of the Trademarks or portion of any Trademarks as part of a corporate or entity or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form. Franchisee shall not use any of the Trademarks in connection with the sale of any unauthorized product or service or in any manner not expressly in writing by Service LLC. Franchisee shall give such notices of trademark and service mark registrations as Franchisor or Service LLC specifies and obtain fictitious or assumed name registrations as may be required under applicable law.

(h) Franchisee shall promptly notify Service LLC of any claim, demand or cause of action based on or arising from any attempt by any other person, firm, entity or organization to use the Trademarks or any imitation. Franchisee shall notify Service LLC of any action, claim or demand against Franchisee relating to the Trademarks within three (3) days after Franchisee receives notice of the action, claim or demand. After receipt of timely notice of an action, claim or demand against Franchisee relating to the Trademarks Franchisor and/or Service LLC shall have the right, but not the duty, to defend any such action. Service LLC shall have the right to contest or bring action against any third party regarding the third party's use of any of the Trademarks and shall exercise such right in Service LLC's sole discretion. In any defense or prosecution of any litigation relating to the Trademarks or components of the

Wienerschnitzel System undertaken by Service LLC. Franchisee shall cooperate with Service LLC and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Service LLC's counsel, to carry out such defense or prosecution.

(i) If it becomes advisable at any time, in Service LLC's sole discretion, to modify or discontinue use of any Trademarks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall cooperate in and comply with Service LLC's direction to modify or discontinue use and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols promptly after notice to Franchisee by Service LLC. Franchisor and Service LLC shall have no liability or obligation whatsoever with regard to such modification or discontinuance.

(j) To preserve the validity and integrity of the Trademarks and any other intellectual property licensed to Franchisee, and to ensure that Franchisee is properly using these in the operation of the Wienerschnitzel Restaurant, and to assess compliance with this Agreement, Service LLC or its agents shall have the right of entry and inspection of the Licensed Premises and operating procedures at all reasonable times, with or without prior notice. Service LLC shall have the right to observe the manner in which Franchisee provides services and conducts operations, to confer with Franchisee's employees, customers, vendors, suppliers and others, and to select menu items, ingredients, food and non-food products, beverages and other items, products and supplies for test of content and evaluation purposes to make certain that these are satisfactory and meet quality control provisions and performance standards established by Service LLC.

(k) Franchisee shall not establish a website on the Internet or other electronic or social media presence using any domain name containing the words "Wienerschnitzel," "Tastee Freez," or other Trademarks or similar words. Service LLC retains the sole right to advertise on the Internet and/or other electronic or social media and/or create a website or the like using the above described words as, in or as part of the domain name. Franchisee acknowledges that Franchisor, Service LLC or their affiliate is the owner of all right, title and interest in and to such domain name(s). Service LLC retains the right to pre-approve and/or decline to approve Franchisee's use of linking and framing between Franchisee's web pages and all other websites. Franchisee shall, within five (5) days, dismantle any frames and links between Franchisee's web pages and any other websites, as requested by Service LLC.

(l) A decision of a court or other tribunal or government authority having jurisdiction, that all or part of this Section 12 is unenforceable in a state other than where the Licensed Premises are located, shall not relieve Franchisee of the obligation to comply with this Section 12. If a court or other tribunal or government authority determines that all or part of this Section 12 is unenforceable in the state where the Licensed Premises are located but that the provision would be enforceable if its scope were reduced, then the provision shall be deemed to be reduced to encompass the maximum time, geography and activity that is permissible in that state, and as reduced in scope shall be enforced.

### **13. TRANSFER**

(a) Franchisee shall have no right or power to, and shall not purport to sell, assign, transfer or encumber this Agreement or any right or interest in this Agreement, or in the Licensed Premises or Wienerschnitzel Restaurant, nor allow any assignment, transfer or encumbrance of the foregoing or any interest in the ownership of Franchisee to occur, by operation of law or otherwise, without first

obtaining written consent of Franchisor and/or Service LLC. Any purported sale, assignment, transfer or encumbrance other than as provided in this Section 13 shall be void, of no effect and is a material breach of this Agreement.

(b) Franchisee may sell and transfer Franchisee's rights under this Agreement, or sell and transfer an interest in the ownership of Franchisee, to a bona fide purchaser, subject to first offering to sell and assign those rights and/or interest(s) to Franchisor and/or Service LLC on the same terms and conditions as proposed to be sold and transferred to the prospective purchaser. All proposed sale offers shall be fully set forth in writing and provided in full to Franchisor and/or Service LLC together with copies of the documents embodying the offer and all related correspondence. Franchisor or Service LLC shall have thirty (30) days from date of receipt of the sale offer, and any other material information that Franchisor or Service LLC deems reasonably necessary to make an informed decision whether to exercise its first right to accept such offer. If Franchisor or Service LLC has not accepted the offer within such thirty (30) days, then Franchisee may complete the sale to the prospective purchaser on the same terms and conditions, provided that Franchisee is not then in breach of this Agreement and further provided that Franchisor and/or Service LLC may impose any conditions to consenting to such sale and transfer, including, but not limited to the following:

(1) To insure that the required facility upgrades are completed timely, Franchisee must also pay to Service LLC an additional transfer fee equal to ten percent (10%) of the total estimate on the Wienerschnitzel Restaurant Evaluation. If the work described in the Wienerschnitzel Restaurant Evaluation is completed within the time period required by Service LLC, then an amount equal to this additional transfer fee will be paid to Franchisee as a work performance bonus.

(2) Franchisee must not be in breach of any agreement with Franchisor or Service LLC, or any supplier and must satisfy fully all obligations, including post-term obligations, to Franchisor, Service LLC and others arising out of the operation of the Wienerschnitzel restaurant;

(3) Franchisee must satisfy all past due obligations to Franchisor and Service LLC, arising out of Franchisee's operation of other restaurants franchised from Franchisor and any consent or approval to the transfer does not waive any claims of Franchisor or Service LLC. Franchisee shall also sign a release in favor of Franchisor, Service LLC and their respective shareholders, members, directors, managers, officers, employees and affiliates, in a form specified by Franchisor or Service LLC;

(4) The proposed transferee must satisfy Franchisor and/or Service LLC that transferee is of good moral character and reputation and has a good credit rating and good business qualifications and meets Franchisor's and Service LLC's then-current financial and managerial and other criteria required of new franchisees, and within time limits set by Franchisor and/or Service LLC must obtain all permits and licenses required for operation of the Wienerschnitzel Restaurant;

(5) The purchase price and terms shall be subject to Franchisor's and/or Service LLC's reasonable review and consent and must not be high, excessive or burdensome in Franchisor's or Service LLC's judgment as to threaten the future operation of the Wienerschnitzel Restaurant, and the proposed transferee must have sufficient equity capital in the business to result in a debt-to-equity ratio of at least one-to-one, or other debt-to-equity ratio that Franchisor and/or Service LLC approves;

(6) The proposed transferee must meet with Franchisor's and/or Service LLC's personnel and successfully pass whatever tests are required by Franchisor and/or Service LLC to assess aptitude and ability to own and operate a Wienerschnitzel Restaurant;

(7) The proposed transferee must successfully complete all training required of new franchisees and pay Franchisor's and/or Service LLC's then-current charges for training;

(8) Franchisee or the proposed transferee must pay to Service LLC a transfer fee of three thousand dollars (\$3,000), of which one thousand five hundred dollars (\$1,500) is due when you submit your request to transfer and is not refundable irrespective of the completion of the transfer, and one thousand five hundred dollars (\$1,500) is due when asked by us at the date of transfer. This could increase in the future. If the transfer fee increases then the increased fee will be applicable and the portions due on submission of the request and at the date of transfer will increase accordingly.

(9) The proposed transferee must sign Franchisor's and Service LLC's then-current forms of franchise, sublease, and other agreements, which may contain provisions and restrictions and provide for fees and charges materially different from this Agreement and other existing agreements, including, but not limited to amounts of fees to Franchisor and Service LLC, and amounts to be expended on advertising;

(10) The proposed transferee shall pay Service LLC a security deposit equal to one (1) month's payments to Service LLC under the franchise agreement, sublease and any equipment lease;

(11) Franchisee and/or the proposed transferee must make improvements and additions to the facilities and equipment comprising the Wienerschnitzel Restaurant as Service LLC requires;

(12) Franchisee shall execute Franchisor's and Service LLC's then-standard Guaranty guaranteeing to Franchisor and Service LLC the performance of all obligations by the proposed transferee;

(13) Franchisee shall reaffirm the agreement not to compete set forth in Section 12 of this Agreement;

(14) Any other conditions that Franchisor or Service LLC deem relevant in the circumstances.

(c) If Franchisee is owned by individuals, Franchisor and Service LLC will consent to the transfer of this Agreement to a corporation or LLC approved by Franchisor and/or Service LLC, provided there are no material circumstances or reasons for Franchisor or Service LLC to object and Franchisee complies with any conditions Franchisor and/or Service LLC require, including, but not limited to the following:

(1) The entity is newly formed and its organizational documents and certificates representing ownership provide expressly that its activities are confined exclusively to operating the Wienerschnitzel restaurant as a franchisee and the stockholders, or unit holders/members, of the transferee entity shall be limited to those individuals whom Franchisor and/or Service LLC specifies;

(2) Franchisee shall be the legal and beneficial owner of the stock or units of the proposed transferee corporation or LLC, and shall be that entity's principal officer(s) or controlling member(s). Provided Franchisee retains controlling interest of the transferee entity, Franchisee may sell, transfer or assign stock or units in that entity to members of Franchisee's immediate family or to a trustee in trust for the immediate family, to the transferee's operating managers, if Franchisee and the transferee(s) of the stock or units is not then in default of any terms of any agreement with Franchisor and/or Service LLC. Franchisee may sell, assign, or transfer controlling interest of the transferee corporation or LLC only in compliance with Section 13(b).

(3) All owners, shareholders, members, or partners of the transferee entity who own ten percent (10%) or more of the equity interests in the transferee or each individual who becomes an owner of ten percent (10%) or more of Franchisee as a result of the transfer, or through a series of transfers, shall enter into a written agreement, in a form satisfactory to Franchisor and Service LLC, jointly and severally guaranteeing full payment and performance of Franchisee's obligations under this Agreement;

(4) Franchisee shall pay Franchisor and/or Service LLC a transfer fee. The transfer fee is due with the request to transfer and is not refundable whether or not the transfer occurs. At the time of signing this Franchise Agreement, the transfer fee under this subsection is Five Hundred Dollars (\$500). This could increase in the future and if so the increased amount will be applicable.

(d) In the event of death or disability of Franchisee, then following written request, Franchisor and Service LLC shall consent to the transfer of Franchisee's interest to Franchisee's surviving spouse, heirs or relatives by blood or by marriage, whether the transfer is made by will or by operation of law, provided that: (1) in Franchisor's and Service LLC's sole discretion and judgment the person or persons obtaining the interest(s) are capable of and committed to conducting the business in a manner satisfactory to Franchisor and Service LLC; and, (2) the transferee satisfies Franchisor's and Service LLC's then current requirements pertaining to transfer or subletting, including, but not limited to the conditions listed immediately above in subsection (b).

(e) Franchisee acknowledges that the restrictions and conditions contained in this Section 13 are to protect the trademarks, trade secrets, and their reputation and image. Any purported issuance, sale, transfer or assignment of any stock, units or other indicia of ownership other than as provided in this Section 13 without Franchisor's and Service LLC's prior written consent shall be a material breach of this Agreement and grounds for Franchisor or Service LLC to terminate Franchisee's rights under this Agreement without providing an opportunity to cure the breach.

(f) Franchisor's and Service LLC's consent to a proposed transfer will not be unreasonably withheld or delayed.

## **14. DEFAULT**

(a) The occurrence of any of the following events shall be a default and good cause for Franchisor and Service LLC, at their option and without prejudice to any other rights or remedies under this Agreement or law, to terminate Franchisee's rights under this Agreement if Franchisee fails to cure the default within five (5) days (ten (10) days for insurance defaults) after Franchisee's receipt of written notification, unless a different time is specified below:

(1) Franchisee is adjudicated bankrupt, becomes insolvent, or a temporary or permanent receiver of any of Franchisee's property is appointed; or Franchisee makes a transfer for the benefit of creditors, or a judgment remains unsatisfied for thirty (30) days or longer (unless superseded bond is filed) or execution is levied against Franchisee's business or property, or suit to foreclose a lien or mortgage against the Licensed Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days;

(2) Franchisee defaults in performing any term, condition or obligation or payment of any amount due to Franchisor or Service LLC, or to any supplier or anyone else arising out of the purchase of supplies or purchase or lease of equipment for the restaurant;

(3) Franchisee defaults in payment under any promissory note or other evidence of debt to Franchisor or Service LLC or payment of any fees or for any advertising or fails to submit any profit and loss statements or other financial statements or data or report of Net Sales or other report required by this Agreement, or Franchisee makes any false statement in any financial or other report to Franchisor or Service LLC;

(4) Franchisee fails to maintain the standards required by this Agreement, and as supplemented by the Manual;

(5) Franchisee violates any health, safety or sanitation law, ordinance, or regulation, or order, or operates the Wienerschnitzel Restaurant in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation as soon as reasonably possible, but in no event longer than five (5) days after Franchisee receives written notice from Franchisor or Service LLC;

(6) Franchisee fails to make or cause to be made those routine maintenance, repairs and alterations, as Franchisor and Service LLC deem necessary to ensure compliance with Service LLC's specifications, standards and instructions, and does not complete any and all repairs and maintenance within thirty (30) days after Franchisee receives written notice from Franchisor or Service LLC. If the maintenance, repairs, and alterations cannot be completed within thirty (30) days of Franchisee's receipt of Franchisor's or Service LLC's written notice, then Franchisee must commence and diligently pursue such maintenance, repairs, and alterations to completion as soon as possible;

(7) Franchisee fails to maintain the insurance as Service LLC may require and does not obtain the required insurance within ten (10) days after Franchisee receives written notice from Service LLC;

(8) Franchisee breaches any other agreement with Franchisor or Service LLC, and does not cure such breach within applicable cure periods set forth in such agreement. Further, an uncured breach or involuntary termination of this Franchise Agreement shall be considered a breach of any other agreement with Franchisor or Service LLC, and subject the other agreement to grounds for termination.

(9) Franchisee violates any law, ordinance, rule, regulation or order in relation to the Wienerschnitzel Restaurant, or in any way that Franchisor or Service LLC believes may injure the reputation of Service LLC, Franchisor or the Trademarks, or Franchisee permits a violation to go uncorrected after notification, unless there is a bona fide dispute about the violation or legality of the

law, ordinance, rule or regulation, and Franchisee promptly contests the violation or legality in court or using the government agency's administrative procedures;

(10) Franchisee ceases to do business at the Licensed Premises or defaults under any lease or sublease or loses Franchisee's right to possession of the Licensed Premises;

(11) Franchisee commits a material default and has twice previously been given written notice of the same type of default(s) within the preceding twelve (12) months, whether or not Franchisee cured the default(s). Termination of this agreement shall be immediate and will not have time to cure this default;

(12) Franchisee fails to satisfactorily complete the initial training or other training provided in Section 7 or elsewhere in this Agreement;

(13) Franchisee or a representative of Franchisee made any material misrepresentation or omission in its application for the franchise even if not discovered until later;

(14) Franchisee is convicted of or pleads no contest, where such plea is applicable, to a felony or other crime or offense that Franchisor or Service LLC believes may adversely affect the reputation of Franchisee or the Wienerschnitzel Restaurant;

(15) Franchisee is or becomes a subject of media attention for any act, omission, conduct, statement, affiliation or behavior of any kind whatsoever, or there is a risk of media attention, which may injure the reputation or goodwill of any of the Trademarks (regardless of whether the matter that is the basis of the media attention is true or not);

(16) Franchisee makes any unauthorized use, disclosure or duplication of any portion of the Manual or duplicates or discloses or makes any unauthorized use of any Trade Secret or confidential information provided to Franchisee by Franchisor or Service LLC;

(17) Franchisee violates any term or condition or other provision of this Agreement.

(b) Franchisor or Service LLC shall have the right to terminate the Franchise Agreement immediately on delivery of written notice of termination, without permitting Franchisee any opportunity to cure, if (i) franchisee or the business is the subject of an order for relief in bankruptcy, judicially determined to be insolvent, (ii) all or a substantial part of the assets of the business are assigned to or for the benefit of any creditor, (iii) Franchisee admits inability to pay debts as they come due; (iv) Franchisee abandons the franchise by failing to operate for five (5) consecutive days that Franchisee is required to operate, or shorter period, making it reasonable in the facts and circumstances for Franchisor or Service LLC to conclude Franchisee does not intend to continue operating, unless the failure to operate is due to fire, flood, earthquake, or similar cause beyond Franchisee's control; (v) Franchisor or Service, LLC learns that Franchisee made a material misrepresentation relating to acquisition of the franchise business; (vi) Franchisee engages in conduct that reflects materially and unfavorably on the operation and reputation of Franchisor or Service LLC or the Wienerschnitzel System; (vii) Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, health, safety, building, and labor laws or regulations applicable to operation of the franchise; (viii) Franchisee, after curing a breach, engages in the same noncompliance, whether or not corrected after notice; (ix) Franchisee repeatedly



fails to comply with one or more requirements of this Agreement, whether or not corrected after notice; (x) the franchised business or premises are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or by a creditor, lienholder, or lessor, if a final judgment against Franchisee remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); (xi) levy of execution has been made on the license granted by this Agreement or on any property used in the franchised business, and is not discharged within five (5) days of the levy; (xii) Franchisee is convicted of a felony or other criminal misconduct relevant to operation of the franchise; (xiii) Franchisor or Service, LLC makes a reasonable determination that continued operation of the franchise by Franchisee will result in imminent danger to public health or safety.

(c) In addition to all other rights and remedies available to Franchisor and Service LLC, and not in lieu of any other right or remedy, and not as an exclusive remedy, Franchisor and Service LLC shall have the rights to (i) assess Franchisee a service charge of five hundred dollars (\$500), or more, for each breach or default comprised of a noncompliance or other form of violation of any standard, procedure, or requirement of this Agreement or the Manual, and/or (ii) each acting on its own or both acting together, to implement remedial or cure actions, and charge Franchisee all costs and expenses incurred to do so. The service charge is deemed to be a reasonable estimate of Service LLC's administrative and management costs. Service LLC will collect such charges from Franchisee by automated debit or other method, in lump sum or over time, if Franchisee fails to cure a breach of any standard procedure or requirement, or requiring or involving correction, replacement, improvement or other attention concerning maintenance, design, décor, appearance, obsolescence, or the like concerning the restaurant or any furniture, fixtures, equipment or other aspect of the restaurant.

(d) Failure or delay by Franchisor or Service LLC to take action on account of any default(s) by Franchisee, whether a single instance or repeatedly, shall not waive any default or the performance required of Franchisee. A waiver by Franchisor or Service LLC of any obligation or performance or of any default by Franchisee on any one or more occasions shall not be an implied waiver of any other or future obligation, performance, or default.

## **15. EFFECTS OF EXPIRATION OR TERMINATION; POST TERMINATION OBLIGATIONS**

(a) On expiration or termination of this Agreement, regardless of the reasons, Franchisee shall immediately and permanently (1) stop using the words "Wienerschnitzel" and "Tastee-Freez" and any other words similar in form, spelling or sound to these words, anywhere in the world; (2) stop using all the other matter comprising the Trademarks; (3) refrain from identifying Franchisee as a franchisee or former Wienerschnitzel or "Tastee-Freez" franchisee; (4) stop using all trade secrets, formulas, menus, processes, signs, symbols, proprietary equipment, devices, recipes, food mixes or other materials constituting part of the Wienerschnitzel System; (5) at Franchisee's cost remove from all premises owned or controlled by Franchisee all signs, menus, writings, notices and all other indicia or material related or referring to the Trademarks; (6) repaint the roof of the Licensed Premises to a color entirely dissimilar to the approved color at the time of termination or expiration; and (7) make other removals and changes in signs and layout and colors of buildings and structures as Service LLC requests to distinguish the Licensed Premises from their former appearance and from other Wienerschnitzel restaurants. Service LLC shall have the right to enter any and all premises to take any action under this Section 15(a) that Franchisee fails to take, without further notice and Franchisee shall reimburse all Service LLC's costs to do so.

(b) On expiration or termination of this Agreement, Franchisee is deemed to have granted to Service LLC the option to purchase any or all paper goods, containers, signs, menus and any and all insignia bearing any of the Trademarks, at the lower of cost or fair market value at the time of termination.

(c) In the event of termination due to default of Franchisee, the extent of all damages which Franchisor and Service LLC have suffered due to the default shall be and remain a lien in favor of Franchisor and Service LLC against any and all personal property, machinery, fixtures and equipment owned by Franchisee on the Licensed Premises at the time of the default.

(d) In the event of termination due to breach or default by Franchisee, Franchisee shall be liable for Franchisor's and Service LLC's lost future revenues and profits, even if Franchisor and/or Service LLC terminated this Agreement due to breach or default.

(e) Any provision of this Agreement which imposes an obligation after termination or expiration (for example, Sections 12(a) and 12(c)) shall survive termination or expiration and shall continue to be binding on Franchisee until fully performed or until, by its nature, the provision has expired.

## **16. VERIFICATION OF OBLIGATIONS**

Service LLC shall have the right to take any action reasonable in the industry and without monetary implications that Service LLC deems appropriate to directly or indirectly verify or encourage Franchisee's performance of obligations in this Agreement, including but not limited to (a) installing or requiring Franchisee to install in and about the Licensed Premises cash registers, security systems, computer systems, and monitoring devices, all meeting specifications set by Service LLC; (b) receiving from Franchisee's suppliers any information relating to products and services provided to Franchisee; (c) inspecting Franchisee's records of the Licensed Premises, and food products and other inventory at the Licensed Premises; (d) reasonable surveying or questioning of customers and/or suppliers of Franchisee; and (e) other reasonable actions Service LLC deems appropriate.

## **17. RISK MANAGEMENT**

(a) Indemnity. Franchisee shall indemnify, defend and hold Franchisor and Service LLC and their personnel free and harmless from any debt or obligation or injury or loss or damage that any person or entity claims: (1) was contracted or undertaken by Franchisee; or (2) resulted from an act or omission of Franchisee; (3) was contracted or undertaken by Franchisee or resulted from an act or omission of Franchisee in any such case actually or allegedly on Franchisor's or Service LLC's behalf (also including matters expressly or impliedly or having the appearance of being on Franchisor's or Service LLC's behalf, or allegedly occurring in an alleged joint relationship with Franchisor or Service LLC); or (4) arising from any lien, judgment, encumbrance, obligation or matter arising from or relating to injury to, or claim of, any person or entity, operation of or activity at or occurrence at the Wienerschnitzel Restaurant, or at the Licensed Premises; or (5) government inquiry or investigation or proceeding of or concerning Franchisee or the Wienerschnitzel Restaurant or Licensed Premises.

(b) Cost of Defense. Franchisee shall defend the matters in Section 17(a) at Franchisee's expense, settle such matters at Franchisee's expense, and pay and discharge and satisfy fully and in its entirety any liability or judgment or order that may be rendered against Franchisor or Service LLC. If Franchisee fails or neglects to do so, Franchisor, Service LLC or both may defend, settle, discharge

and satisfy such matters and any expenses, including legal fees and costs of performance, which Franchisor or Service LLC incur, shall be repaid to Franchisor and Service LLC by Franchisee on demand.

(c) Insurance. Franchisee shall at all times maintain public liability, workers compensation, and food products liability insurance, insurance for loss of income and insurance against additional risks and hazards, in amounts and with insurers that Service LLC requires and/or as required by law. Franchisee shall also maintain insurance required by the lease for the Premises, by any lender to Franchisee and by any equipment leases. Franchisee shall assure that Franchisor and Service LLC, and any other parties they want included, are named as additional insureds under all policies. Service LLC shall have the right to notify Franchisee from time to time, in writing, of the nature and amounts of insurance required and of provisions required to be included and/or not included in any such policy. Within ten (10) days after receiving each notice, Franchisee shall furnish to Service LLC written proof of insurance in the amounts and types required by Service LLC. Franchisee shall provide copies of complete policies on request. Policies shall not include any exclusion from coverage for claims between insureds. Policies shall provide that the insurer shall notify Franchisor and Service LLC at least thirty (30) days in advance, in writing, prior to any termination, cancellation, nonrenewal or material modification of such policy. If Franchisee fails to provide proof of insurance and complete policies, then without relieving Franchisee's obligations to maintain that insurance, Service LLC may cause insurance to be obtained at Franchisee's cost. That cost shall be paid or reimbursed by Franchisee upon demand.

(d) Notification. Franchisee shall notify Franchisor and Service LLC in writing within 5 days of the commencement of any action, suit or proceeding and/or issuance of any government or court order which may adversely affect operation or financial condition of Franchisee or the Wienerschnitzel Restaurant.

(e) Exclusion of Liability. NEITHER FRANCHISOR NOR SERVICE LLC SHALL BE LIABLE TO FRANCHISEE OR OTHER PERSON FOR ANY INJURY, COST, EXPENSE, LOSS OF PROFIT, LOSS OF BUSINESS, INTERRUPTION OF BUSINESS, OR OTHER DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR OTHER KIND OF DAMAGE OR INJURY, OF ANY KIND, WHETHER UNDER THIS AGREEMENT OR OTHERWISE, EVEN IF FRANCHISOR AND/OR SERVICE LLC WERE ADVISED OF THE POSSIBILITY OR LIKELIHOOD OR CERTAINTY OF SUCH INJURY, COST, EXPENSE, LOSS, INTERRUPTION OR DAMAGE, BY REASON OF ANY ACT, OMISSION, NEGLIGENCE OR DEFAULT AT THE LICENSED PREMISES, OR OF FRANCHISEE OR ANY OF FRANCHISEE'S AGENTS OR EMPLOYEES OR OF NEGLIGENCE OR GROSS NEGLIGENCE OF FRANCHISOR OR SERVICE LLC, NOT AMOUNTING TO INTENTIONAL AND WILLFUL MISCONDUCT. FRANCHISEE WAIVES AND RELEASES ANY CLAIM, DEMAND OR CAUSE OF ACTION FOR ANY OF THE FOREGOING. FRANCHISEE SHALL BEAR AND PAY ALL SUMS TO BE PAID OR DISCHARGED IN CASE OF ANY ACTION FOR ANY SUCH INJURY, COST, EXPENSE, LOSS, INTERRUPTION, DAMAGE OR INJURY.

(f) Warranty Disclaimer. With regard to any product or service supplied by or designated by Franchisor and/or Service, LLC, Franchisor and Service, LLC do not warrant that the product or service will meet the particular requirements of Franchisee or any customer, consumer or other person. Franchisor and Service, LLC make no warranty of any kind other than as expressly stated herein. FRANCHISOR AND SERVICE LLC DISCLAIM ANY EXPRESSED OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE. THERE ARE NO WARRANTIES THAT EXTEND BEYOND THE DESCRIPTION ON THE FACE HEREOF.

(g) Force Majeure. If performance of an obligation by Franchisee under this Agreement is prevented or delayed due to Force Majeure, which cannot be overcome by use of reasonable commercial measures, Franchisee shall be temporarily relieved from performance of the affected obligations to the extent prevented or delayed, during the period of the Force Majeure. This provision shall not be used or claimed by Franchisee to excuse payment of amounts due or that become due to Franchisor or Service LLC. Franchisee must give prompt notice of the Force Majeure event to Franchisor and Service LLC in writing, or if communication in writing is not possible, then by telephone or other available means of communication, confirmed in writing, stating in detail the nature of the Force Majeure, when it occurred, a good faith estimate of its extent and duration, and the steps Franchisee has taken, is taking and commits to take to mitigate and seek to overcome the effects of the Force Majeure. Franchisor and/or Service LLC shall have the right to require Franchisee to provide reports from time to time and to take such steps and actions and make such adjustments and alterations as Franchisor and/or Service, LLC deem(s) appropriate, seeking to mitigate, overcome and/or work around the impacts of the Force Majeure. Such steps, actions, adjustments and alterations may require Franchisee to invest and/or expend additional time, energy, efforts and monies. If, due to event of Force Majeure Franchisee stops operating the Restaurant or loses the right to possession of the Licensed Premises, Franchisor or Service LLC shall have the right, in addition to other rights, to require Franchisee to apply for Franchisor's and/or Service LLC's approval to relocate and/or reconstruct the Restaurant. If performance of an obligation by Franchisor or Service LLC under this Agreement is prevented or delayed due to Force Majeure, Franchisor and Service LLC shall be relieved from performance of the affected obligations during the period of the Force Majeure and for a reasonable time thereafter. For this Agreement, "Force Majeure" means an act of God, strike, lock-out or other industrial disturbance, declared or undeclared war, act of terrorism, riot, epidemic, pandemic, fire or other catastrophe, weather catastrophe, earthquake, act of any government and any other or similar cause or event not foreseen or foreseeable, not preventable and not within the control of the party claiming Force Majeure.

(h) Emergency. Franchisor and/or Service LLC may seek to mitigate effects of natural, manmade, or war-caused emergency which result in or threaten conditions of disaster or extreme peril to life or property or to the Trademarks or Wienerschnitzel System that may impact or be impacted by the Wienerschnitzel restaurant or any of its operations or activities, and generally to protect health and safety and preserve the reputation and/or operation of the Trademarks and the Wienerschnitzel System. For this provision "Emergency" means condition of disaster, extreme peril to safety of persons or property caused by pollution, fire, flood, storm, epidemic, pandemic, riot, drought, sudden and severe energy shortage, plant or animal infestation or disease, earthquake, volcanic event, government warning of impending disaster like an earthquake or volcanic event, state of war whether or not declared or other condition and any state of emergency, state of war, state of disaster or the like declared by federal, state or local government, government official or government agency. An Emergency may be general or local and may exist in geography of any size or impacting the Restaurant and other category(s) of restaurants or businesses or other grouping. In an Emergency, and lasting for its duration and until a reasonable time after the Emergency has concluded, Franchisor and/or Service LLC shall have the right to impose on Franchisee obligations, costs and restrictions additional to and/or different from those provided for in this Agreement, and to relieve Franchisor and/or Service, LLC of any obligations, acting reasonably in relation to the exigent circumstances, seeking to mitigate impacts of the Emergency and/or protect health and safety and preserve the reputation and/or operation of the Trademarks and Wienerschnitzel System.

## 18. ADDITIONAL PROVISIONS

(a) Guaranty. Franchisor guarantees the performance of Service LLC's obligations in this Agreement.

(b) Waiver. Franchisee shall have no right to and shall not make any claim, and waives any claim, for money damages, setoff, counterclaim or defense based on a claim that Franchisor or Service LLC unreasonably withheld or delayed a requested consent or approval. Franchisee's sole and exclusive remedy for any such claim shall be an action or proceeding to enforce the provision or for specific performance or declaratory relief regarding the consent or approval.

(c) Relationship. Franchisee is not and shall not be considered a joint venture, joint employer, partner or agent of or with Franchisor or Service LLC., nor vice versa. Franchisee shall have no power and shall not purport to bind or obligate Franchisor or Service LLC. Neither Franchisor nor Service LLC shall be liable for any debt contracted by Franchisee.

(d) Confidentiality. Franchisee shall not communicate the contents of this Agreement, the Operations Manual and/or Training Manuals to any third party without Franchisor's and Service LLC's prior written consent, except when Franchisee is required to reveal the contents to obtain bank credit, or required by a government agency or court of law, or in negotiating a sale to a bona fide purchaser in accordance with this Agreement.

(e) Payment of Monies. Franchisor and Service LLC shall have the right to require that monies shall be paid by ACH transfer, other form of electronic funds transfer, or other means selected by Franchisor or Service LLC. Franchisee shall sign Franchisor's form of Authorization Agreement for Prearranged Transfer and other documents Franchisor and Service LLC request to facilitate payments to Franchisor and Service LLC attached to this Agreement as Exhibit "B". If Franchisor or Service LLC withdraws any amount exceeding the amount due, Franchisee shall be entitled to the return of the excess withdrawal without interest.

(f) Application of Payments. Notwithstanding any designation by Franchisee, Franchisor and Service, LLC shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for Service Fees, advertising contributions, purchases, interest or any other indebtedness as Franchisor and/or Service, LLC elect.

(g) Loss of Revenue. If Franchisee's restaurant is closed more than three (3) consecutive days, then Franchisee will be responsible for Franchisor's and Service LLC's loss of revenue due to such closure, including, but not limited to its loss of service fee; advertising obligations; lease income; and/or equipment lease income. Sales will be computed for such period of Franchisor's and Service LLC's lost revenue based upon the last 12-month period the restaurant was open and operating.

(h) Interest and Late Fees. All monies are due and payable and must be received at Franchisor's and Service LLC's offices at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618 on the dates stated in this Agreement. If Franchisee fails to pay on time, the past due amount shall bear interest at the lesser of the maximum lawful rate in the state where the Licensed Premises are located or eighteen percent (18%) per year, from the date due until date of payment. In addition to interest, Franchisee shall pay to Franchisor or Service LLC a sum equal to ten percent (10%) of the delinquent amount.

Franchisee agrees these amounts are reasonable compensation for lost and delayed use of funds and additional services and expenses due to failure to pay on time.

(i) Financial Condition/Information. Franchisee shall maintain at all times sufficient working capital to fully perform Franchisee's obligations and operate the Wienerschnitzel Restaurant in a businesslike, proper, efficient manner and pay Franchisee's obligations as they come due. Franchisee shall provide Franchisor and Service LLC financial and business information, relating to the construction and operation of the Wienerschnitzel Restaurant, as Franchisor or Service LLC request from time to time. This may include, but is not limited to, providing federal, state and local income and sales tax returns and other reports, as Franchisor and Service LLC request from time to time.

(j) Price Adjustments. Franchisor shall have the right to adjust upward for inflation on an annual basis, any fees or charges set, provided for or described in this Agreement or otherwise as a dollar amount or fixed amount. Any such adjustment shall be based on increases reflected by a reasonable inflation index published by the U.S. Government and selected by Franchisor. If the government ceases publishing such an index, Franchisor shall select another reasonable index.

(k) Franchisor Advances; Franchisor Provided Services and Goods. Except as otherwise stated in this Agreement or in another agreement among the parties, Franchisee shall pay to Franchisor or its affiliate (as applicable), within ten (10) days after a written demand by that entity to do so, (i) any amounts Franchisor or Service LLC advances, pays, or becomes obligated to pay on behalf of Franchisee under provisions of this Agreement; and (ii) any amounts Franchisee owes Franchisor or its affiliates for products or services that Franchisee purchases from Franchisor or its affiliates.

(l) Taxes. Except as otherwise stated in this Agreement or in another agreement among the parties, if Franchisor or Service LLC is charged any sales tax, other type of tax (other than income tax), or a fee by a government agency because of sales of goods or services by either entity to Franchisee, licenses granted by either entity to Franchisee, or sales made by Franchisee, Franchisee shall pay the tax or fee to Franchisor or Service LLC within ten (10) days after being notified in writing by Franchisor or Service LLC to do so. For clarification, if any tax or fee is based on sales or licenses to a group (such as to all franchisees of Franchisor), Franchisee will pay only its pro-rata share or actual share of the tax or fee assessed.

(m) Legal Fees. In the event of litigation between the parties relating to this Agreement, the unsuccessful party in the litigation shall reimburse the successful party's reasonable attorney's fees, court costs and all other costs reasonably incurred by the successful party.

(n) Partial Invalidity. If a court of competent jurisdiction makes a final determination that any provision of this Agreement is invalid or unenforceable, that provision will be modified by the court so as to best continue to carry out the intent of the parties, or severed from this Agreement if it cannot be so modified; and the remaining provisions remain unimpaired.

(o) Venue. This Agreement shall be deemed to have been entered into at Franchisor's and Service LLC's principal office in Irvine, California, and to require performance at that location. The parties acknowledge and agree that any action or proceeding instituted under or relating to this Agreement shall be brought and tried exclusively in federal or state courts in Orange County, California. Franchisee consents to the jurisdiction and venue of such courts and waives any objection to the

jurisdiction and venue of such courts and waives any claim of inconvenience or right to request or require the action or proceeding to be brought or tried elsewhere.

(p) Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Wienerschnitzel Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Wienerschnitzel Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

(q) Interpretation. The provisions of this Agreement have been written with due regard for the interests of and benefits to all parties and are the result of negotiations that have taken place with regard to this Agreement and prior agreements. Notwithstanding that it is printed, the parties acknowledge that this Agreement is not proposed on a take-it-or-leave-it basis, and is not imposed on any party, but that any party may discuss and the parties may mutually agree, before or after entering into this Agreement, to modify any of the provisions. No party is obligated to enter into this Agreement. Any party choosing to enter into this Agreement does so freely and without obligation or pressure to do so. The provisions of this Agreement shall be interpreted according to their fair meanings and not strictly for or against any party. Nothing in this Franchise Agreement or any related agreement is intended to disclaim the presentations Franchisor made to Franchisee in Franchisor's Franchise Disclosure Document.

(r) Time of the Essence. Time is of the essence of performance of Franchisee's obligations in this Agreement.

(s) Notices. All notices and payments shall be in writing and shall be sent by courier service, registered or certified mail, or electronic mail to Franchisee at the Licensed Premises, to the address of Franchisee last-known to Franchisor, and to Franchisor and Service LLC at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618 (or to any party in Franchisor's Legal Department (all such electronic mail must be received and have an acknowledged receipt). Any party may change its address(es) for notices by notifying the other parties, in writing in accordance with this provision, of the change; provided that notices by Franchisor to Franchisee can continue to be delivered to the Licensed Premises during the term of this Agreement. Notices sent by courier service and electronic mail (where delivery is verified) shall be effective upon receipt. Notices sent by registered or certified mail shall be effective three (3) business days following deposit with the U.S. Postal Service with proper address and postage paid.

(t) Successors; Franchisor Transactions. This Agreement shall benefit and bind the parties and their permitted successors and assigns. There is no restriction on assignment and transfer by Franchisor and/or Service LLC, which could be to one or more entities whose nature is different than Franchisor and/or Service LLC or competitive enterprises. There is no restriction on acquisition by Franchisor and/or Service LLC of other, even competitive businesses or brands, which potentially could operate in competition with Franchisee.

(u) Franchisor and Service LLC Business Judgment. Franchisee acknowledges and agrees that Franchisor or Service LLC may operate and change the Wienerschnitzel System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor or Service LLC has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, Franchisor or Service LLC may make such decision or exercise its right and/or discretion on the basis of Franchisor's or Service LLC's judgment of what is in Franchisor's or Service LLC's best interests, including without limitation Franchisor's or Service LLC's judgment of what is in the best interests of the Wienerschnitzel System, at the time Franchisor's or Service LLC's decision is made or its right or discretion is exercised, without regard to whether: (a) other reasonable alternative decisions or actions, or arguably preferable alternative decisions or actions, could have been made by Franchisor or Service LLC; (b) Franchisor's or Service LLC's decision or the action taken promotes Franchisor's or Service LLC's financial or other individual interest; (c) Franchisor's or Service LLC's decision or the action applies differently to Franchisee and one or more other franchisees or Franchisor's or Service LLC's company-owned or affiliate-owned operations; or (d) Franchisor's or Service LLC's decision or the exercise of its right or discretion is adverse to Franchisee's interests. Franchisor and Service LLC will have no liability to Franchisee for any such decision or action. Franchisor, Service LLC and Franchisee intend that the exercise of Franchisor's or Service LLC's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor, Service LLC and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor and Service LLC a wide range of discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

(v) Approvals and Consents. Whenever this Agreement or otherwise requires or provides for prior approval or consent of Franchisor and/or Service, LLC, Franchisee shall make a timely written request to Franchisor and/or Service, LLC therefor and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. All approvals and consents shall be granted or withheld in the sole and absolute discretion of Franchisor and/or Service LLC, except as otherwise provided herein. Franchisor and Service LLC make no warranties or guarantees on which Franchisee may rely and assume no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

(w) Entire Agreement. This Agreement contains all of the provisions agreed by the parties regarding its subject matter. All prior understandings, negotiations and representations are merged into and superseded by this Agreement. Franchisee represents that there is no other contemporaneous agreement or understanding between the parties that are not stated herein. No officer, employee or agent of Franchisor or Service LLC has authority to make any representation or promise not stated in this Agreement, and Franchisee acknowledges that Franchisee is executing this Agreement without reliance on any representation or promise Franchisee may believe or later claim to believe Franchisee may have heard or been told. This Agreement cannot be modified or changed except by written instrument signed by all parties. Nothing in this Agreement or in any related agreement disclaims representations Franchisor made in the Franchise Disclosure Document.



(x) Additional Disclosure. 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.

**Signature Page Follow**

Executed the date stated in the introductory paragraph to this Agreement.

**FRANCHISOR:**

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

By: \_\_\_\_\_  
General Counsel

**FRANCHISEE:**

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

**SERVICE LLC:**

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING, INC.

By: \_\_\_\_\_  
General Counsel

## EXHIBIT A

As used in the Franchise Agreement entered into between Galardi Group Franchise Corp. ("Franchisor"), Galardi Group Franchise & Leasing, LLC ("Service LLC") and \_\_\_\_\_ ("Franchisee"), dated \_\_\_\_\_, 202\_\_, the Licensed Premises shall be the following:

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

Dated: \_\_\_\_\_, 202\_\_

\_\_\_\_\_ (Franchisor)

\_\_\_\_\_ (Service LLC)

\_\_\_\_\_ (Franchisee)

## EXHIBIT "B"

### AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT (DIRECT DEBIT)

\_\_\_\_\_  
(COMPANY NAME)

NAME OF BANK \_\_\_\_\_

NAME OF BRANCH, IF ANY \_\_\_\_\_

ADDRESS OF BANK \_\_\_\_\_

ACCOUNT IN THE NAME OF \_\_\_\_\_

ACCOUNT # \_\_\_\_\_

The undersigned requests and authorizes you to pay and charge to the above account the undersigned's checks drawn on the account by and payable to the order of Galardi Group Franchise & Leasing, LLC, provided there are sufficient collected funds in the account to pay the same on presentation. Your rights with respect to any check so drawn shall be the same as if it were drawn on you and signed by the undersigned. It will not be necessary for any officer or employee of \_\_\_\_\_ to sign such checks. This authority remains in effect until revoked by me in writing and until you receive such notice, I agree you shall be fully protected in honoring any such check.

It is further agreed that if any check is dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Bank Signature of Depositor)

(Attach Voided Check Here)

EXHIBIT C  
OFFER TO PURCHASE

## OFFER TO PURCHASE

This OFFER TO PURCHASE is made by \_\_\_\_\_ ("Purchaser") to GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC") and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL") both located at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618, with reference to the following facts:

### BACKGROUND

GGFC's business is franchising Wienerschnitzel® restaurants. GGFL's business is providing services to operators of Wienerschnitzel® restaurants. Purchaser offers to GGFC and GGFL to buy the tangible assets of that certain Wienerschnitzel® restaurant, as follows:

### OFFER

#### I. Restaurant

Purchaser offers to buy from GGFC the following Wienerschnitzel restaurant:

Wienerschnitzel Unit #\_\_\_\_\_ located at:

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

Included in the purchase price of the restaurant will be the following assets:

- A. Lease of the fixtures and equipment presently located at the restaurant;
- B. Sublease of GGFL's leasehold interest pertaining to the real property and improvements pertaining to the restaurant;
- C. Going concern value of the restaurant; and
- D. A license permitting Purchaser to operate the restaurant as a Wienerschnitzel® restaurant, pursuant to the terms and conditions of a written Franchise Agreement.
- E. All stock in trade and merchandise of the restaurant as determined by an inventory and accounting of the stock in trade and merchandise, to be conducted by the parties after close of business the day before the closing of the sale.

The offer does not seek to purchase, and the purchase of assets of the restaurant does not include, and there is no transfer of any interest in any trademarks, trade dress, copyrights, trade secrets, patents, goodwill, data or other intangible or intellectual property of GGFC, GGFL or used in or associated with the operation of the restaurant. Arrangements permitting Purchaser to make limited use of certain of these intangible/intellectual properties as a licensee may be included in the Franchise Agreement referred to above.

## II. Price

The purchase price for the sale of the assets shall be the sum of \_\_\_\_\_  
\_\_\_\_\_ DOLLARS (\$\_\_\_\_\_), plus  
cost of the stock in trade and merchandise of the restaurant.

## III. Allocation of Purchase Price

The purchase price is allocated as follows:

i.	Franchise License	\$_____
ii.	Leasehold Estate	\$_____
iii.	Going Concern Value	\$_____
	TOTAL	\$_____

The additional amount be paid, on account of the cost of the stock in trade and merchandise of the restaurant shall be allocated to such stock in trade and merchandise.

## IV. Payment of Purchase Price

Purchaser shall pay the purchase price as follows:

A. The sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) is provided as an earnest money deposit by Purchaser, on delivery of this Offer;

B. The sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) is payable by cash or certified check at closing,

C. Actual cost of the stock in trade and merchandise, as determined by inventory, plus any sales tax is payable by cash or certified check at closing; and

D. The sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) plus all closing costs and prorations, is payable upon execution of all documents and in any event not later than the closing.

## V. Contingency

This Offer and the rights and obligations of the parties on acceptance is contingent on the occurrence of each of the following events on or before the closing date:

A. Approval of Purchaser by the Franchise Review Committee of GGFC. This approval may require, among other things, that, prior to consummation of the sale, Purchaser demonstrate satisfaction of objective and subjective criteria of the Franchise Review Committee (and it is possible the criteria may not be fully disclosed to Purchaser), undergo operational training as may be required by the Franchise Review Committee and satisfy other requirements; and Purchaser acknowledges no

one has given assurance of approval and there is no assurance Purchaser will be approved;

B. GGFL's ability to terminate possession of any existing lease operators of the restaurant. GGFL agrees to use reasonable efforts seeking to accomplish such termination; provided, however, if in GGFL's judgment, termination cannot be timely accomplished, creates risk of a claim or dispute, then GGFL may notify Purchaser in writing and this contingency shall be deemed not to be satisfied; and

C. Purchaser's execution of the following documents, each fully completed, in form and containing provisions that are all satisfactory to GGFC and GGFL:

- i. Wienerschnitzel Franchise Agreement.
- ii. Sublease.
- iii. Equipment Lease.
- iv. Promotional Allowance Assignment.
- v. Advertising Association Agreement for the appropriate advertising area.
- vi. Any other instruments GGFC and GGFL customarily requires of a franchisee.
- vii. Any other instruments GGFC and GGFL may require of Purchaser in this instance.

D. There being no threatened or actual claim or demand by any person, entity or government agency or official against or potentially against GGFC and/or GGFL relating to or affecting the proposed sale.

If any of these contingencies is not met, then this Agreement shall, at the option of any party, be void and GGFC agrees to repay the earnest money deposit received from Purchaser unless failure to satisfy a contingency is caused by the act or omission of Purchaser or is a matter that was within Purchaser's knowledge and ability to have disclosed to GGFC and/or GGFL. In any of these events Purchaser and GGFC agree it would be difficult and impractical to assess the damage to GGFC on account of that act or omission and GGFC and Purchaser agree that the sum of ONE THOUSAND FIVE HUNDRED DOLLARS (\$1,500) represents a reasonable, just and fair compensation to GGFC on account of the failure of the transaction, and GGFC may retain such sum from the earnest money deposit.

## **VI. Closing Date for Sale**

The closing date of the sale shall occur on \_\_\_\_\_ or such earlier time as may be mutually acceptable to GGFC and Purchaser. The closing shall take place at the offices of GGFC in Irvine, California. On completion of closing, each of the contingencies described in Section V shall be deemed to have been satisfied or if not satisfied, then at GGFC and GGFL's option, waived for purposes of this instrument, or deferred, and if deferred, those conditions that are within Purchaser's control shall be deemed to be obligations of Purchaser. The foregoing shall not excuse Purchaser's obligation to enter into the agreements described or referred to in Section V(C)).

## **VII. Transfer of Possession**

GGFL shall transfer possession of the restaurant to Purchaser and Purchaser shall accept the transfer of possession on \_\_\_\_\_, 20\_\_\_\_.



## **VIII. Proration's**

At and after the closing, the following expenses shall be adjusted, as of the date of transfer of possession:

- A. Rent for the leasehold premises;
- B. Insurance premiums if Purchaser desires to assume the existing insurance policies and assumption is acceptable to the insurance company and occurs;
- C. Real and personal property taxes, any other government and association assessments, based on the most recent levy and assessments;
- D. Water, gas, electric, sewer, trash removal and other utilities used in the restaurant business; and
- E. Rental for the fixtures and equipment within the restaurant
- F. Any other recurring expenses associated with the restaurant business at the restaurant.

## **IX. Licenses**

Purchaser shall be solely responsible for the payment of all sales tax, transfer tax, documentary tax and to obtain and pay for licenses, permits, fees and taxes that may be required by any government agency pertaining to the transfer and operation of the restaurant.

## **X. Investigation by Purchaser**

Purchaser represents and warrants to GGFC and GGFL that Purchaser examined, inspected and investigated the restaurant, the physical condition of all its fixtures and equipment, the books and records of the restaurant, the area and community of and around the restaurant, government records concerning the location and area, zoning and other federal, state and local laws and regulations, records of agencies and news and media reports concerning activities and potential activities and conditions in the area, Purchaser decided how extensive an examination, inspection and investigation to conduct, Purchaser assumes the risks of lack of information or misinformation resulting from not examining, inspecting and investigating further, and that the restaurant is being purchased by Purchaser as a result of that examination, inspection and investigation and of Purchaser's decision as to how extensively to examine, inspect and investigate, and not as a result of any representations made by GGFC or GGFL or agent of either of them. PURCHASER IS PURCHASING THE RESTAURANT, STOCK IN TRADE AND MERCHANDISE, AND LEASING THE FIXTURES AND EQUIPMENT IN "AS IS" CONDITION WITH ALL FAULTS. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES WHETHER OF MERCHANTABILITY OR FITNESS OR OTHERWISE. ALL WARRANTIES ARE DISCLAIMED. Purchaser represents and warrants that Purchaser is not relying on any financial or business estimates or projections from or on behalf of GGFC or GGFL, nor any express or implied representation from or on behalf of GGFD or GGFL as to any of the matters in this Section X described as subjects of Purchaser's examination, inspection and investigation. Purchaser waives any and all claims for damages or rescission or cancellation of this Agreement because of any claimed representations made by GGFC or GGFL or agent of either of them, other than representations

expressly stated in this Offer.

## **XI. Indemnity**

GGFC shall indemnify, defend and hold Purchaser free and harmless of any and all claims, losses, damages, injuries, and liabilities arising from or on account of GGFL's operation of the business and not shown on the books of the business as of the date of this Offer. Except as expressly stated herein, GGFC makes no warranty that any third parties were paid by prior owners or operators.

Purchaser shall indemnify, defend and hold GGFC and GGFL free and harmless of any and all claims, losses, damages, injuries, and liabilities arising from or on account of the business Purchaser's operation of the business and/or the purchased assets on and after of the date of acceptance of this Offer. This indemnity, defense and hold harmless obligation is additional to and does not supercede and is not superceded by any and all other written indemnification, defense and hold harmless agreements of Purchaser in favor of GGFC and/or GGFL.

## **XII. Entire Agreement**

This Agreement contains all of the terms and conditions agreed on by the parties with reference to its subject matter. No other agreements, oral or otherwise, shall be deemed to exist or to bind any of the parties and all prior agreements, understandings and representations are merged herein and superseded hereby. Franchisee represents that there are no other contemporaneous agreements or understandings between the parties that are not contained herein. No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement, and Purchaser agrees that Purchaser executed this Agreement without reliance on any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties.

## **XIII. Attorney's Fees**

In any litigation between the parties to this Offer, the property, business, this Agreement, or the rights and duties of the parties in relation thereto, the party(s), prevailing in the litigation, shall be entitled, in addition to other relief that may be granted, to a reasonable sum as and for its or his attorney's fees in the litigation or in a separate action brought for that purpose.

## **XIV. Notices**

Any and all notices or other communications required or permitted by this Offer or by law to be served on or given to the other party shall be in writing and shall be deemed duly served and given when personally delivered to the party or person to whom directed, or in lieu of such personal services when delivered by overnight courier such as Fedex or UPS or by U.S. mail, having been sent by certified or registered United States mail, first class postage prepaid, addressed to Purchaser at: \_\_\_\_\_ or addressed to GGFC and GGFL at the address stated above.

## **XV. No Assignment**

If accepted, the agreement formed hereby is based on characteristics unique to Purchaser. Neither this Offer, when accepted by GGFC, nor any interest therein shall be assigned by Purchaser, GGFC or GGFL without the prior written consent of the others. Any purported assignment or assignment purporting to be by operation of law or otherwise, shall be null and void and of no effect.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_,  
California.

PURCHASER:

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

The above offer is accepted on \_\_\_\_\_, 20\_\_:

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

By: \_\_\_\_\_  
Thomas J. Haldorsen, General Counsel

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING, INC.,  
a California corporation

By: \_\_\_\_\_  
Thomas J. Haldorsen, General Counsel

**[INSERT IF APPLICABLE: THIS NOTE IS NOT SELF-AMORTIZING AND A SUBSTANTIAL  
BALLOON PAYMENT WILL BE DUE ON THE MATURITY DATE]**

**EXHIBIT A**

**PROMISSORY NOTE**

\$\_\_\_\_\_ [Insert Amount]  
\_\_\_\_\_, \_\_\_\_\_ [Insert Location Signed]  
\_\_\_\_\_, 20\_\_ [Insert Date]

In installments as herein stated, for value received, the undersigned (jointly and severally if more than one)("Maker") hereby promises to pay to the order of GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Payee"), with its principal business address at 7700 Irvine Center Drive, Suite #550, Irvine, California 92618, the principal sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_), with interest from the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Disbursement Date"), on the unpaid principal at the rate of \_\_\_\_\_ percent (\_\_\_%) per annum.

1. Principal and Interest. Principal and interest under this Promissory Note (this "Note") shall be payable in installments of principal and accrued interest thereon as follows:

\_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) on the \_\_\_\_\_ day of each calendar month, starting on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, and continuing until the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Maturity Date"), on which date the entire unpaid balance of principal and accrued interest shall be due and payable. Interest shall be computed on the basis of a year of 360 days and paid for actual days for which due, including the Disbursement Date and each payment date.

2. Payments, Penalties, and Prepayments.

(a) All payments of principal and interest shall be made by Maker at or prior to 10:00 A.M. on the date due at the principal business address of Payee set forth above, or as such other place as Payee may designate in writing to Maker, without offset, deduction, or counterclaim, in lawful money of the United States of America and in immediately available funds.

(b) If any payments or amounts due hereunder to Payee whether by acceleration or otherwise are overdue, Maker shall pay Payee immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of ten percent (10%) per annum, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Payee may have.

(c) Notwithstanding any provision of this Note to the contrary, it is the intent of Maker and Payee that Payee shall not at any time be entitled to receive, collect or apply, and Maker and Payee shall not be deemed to have contracted for, as interest on the principal indebtedness evidenced hereby, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and in the event Payee ever receives, collects or applies as interest any such

excess, such excess shall be deemed partial payment of the principal indebtedness evidenced hereby, and if such principal shall be paid in full, any such excess shall forthwith be paid to Maker.

[(d) This Note may be prepaid at any time, in whole or in part, without penalty or premium of any kind.]

(e) Maker shall pay Payee on demand any reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) arising out of, or in connection with, any action or proceeding taken to protect, enforce, determine or assert any provision, right or remedy under this Note (including any action or proceeding arising or related to any insolvency, bankruptcy or reorganization involving or affecting Maker).

3. Events of Default. An Event of Default includes each of the following:

(a) Maker shall fail to make any payment under this Note when due, where such failure continues for ten (10) days after receipt of written notice of such failure;

(b) Maker defaults in the performance of any other obligation, covenant, condition or provision in this Note, where such default continues for more than thirty (30) days after written notice of such failure;

(c) Maker or any of its principals or affiliates defaults in the performance of any obligation, covenant, condition or provision under any other agreement between Maker (or any principal or affiliate of Maker) with Payee (or any principal or affiliate of Payee) and , including without limitation any franchise agreement, equipment lease, real property lease or sublease, and any other agreement relating to Wienerschnitzel Unit #\_\_\_\_\_ located at \_\_\_\_\_ (collectively, the "Other Agreements"), where such default continues beyond applicable notice and cure periods (if any) set forth in the applicable Other Agreement(s);

(d) Any proceeding for attachment or garnishment or the like shall be commenced against Maker by any creditor of Maker and shall not be dismissed or stayed within ten (10) days' notice thereof from Payee to Maker;

(e) A proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of Maker or any guarantor of any indebtedness evidenced by this Note in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or any such guarantor or for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days, or such court shall enter a decree order granting any of the relief sought in such proceeding; or

(f) Maker shall commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of himself or herself or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall admit in writing an inability to pay any of its debts as they become due, or shall take any action in furtherance of any of the foregoing.

4. Consequences of Event of Default. Maker agrees that upon the occurrence of an Event of Default specified in Paragraph 3 above, then the whole of the principal of the indebtedness evidenced by this Note, and any other sums then unpaid by Maker under this Note shall, at the option of Payee forthwith become due and payable without notice or any other act.

5. Cross-Default. Maker agrees that an Event of Default under this Note shall be deemed an event of default under each of the Other Agreements, and shall entitle Payee (or its affiliate(s)) to exercise the remedies in those Other Agreements (or otherwise available at law or in equity) on account of such event of default.

6. Notices.

(a) All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand, or when delivery is made by Federal Express or other overnight courier service, or three (3) business days after being mailed by registered or certified mail, return receipt requested, postage pre-paid, in each case addressed as follows: (i) if to Payee, addressed to Payee at its principal business address set forth above [ , with a copy to \_\_\_\_\_]; (ii) if to Maker, addressed to Maker at \_\_\_\_\_ [insert address].

(b) Notices signed by the respective attorneys of Maker or Payee shall be deemed sufficient within the meaning of this Paragraph 6 without the signature of the parties themselves and such notice shall be deemed to have been given on the date of delivery to the addresses of the party to whom such notice is addressed.

7. Miscellaneous. Maker further agrees as follows:

(a) All parties now or hereafter liable with respect to this Note, whether Maker, any guarantor, endorser, or any other person or entity, hereby waive presentment for payment, demand, notice of nonpayment or dishonor, protest and notice of protest.

(b) No delay or omission on the part of Payee or any holder hereof in exercising its rights under this Note shall operate as a waiver of such rights or any other right of Payee or any holder hereof, nor shall any waiver by Payee or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

(c) Except as may be agreed by Payee in writing, Maker shall not have the right to assign, transfer, or pledge this Note or any of its rights or obligations under this Note. This Note shall bind Maker and the successors, heirs, executors, administrators, and permitted assigns of Maker, and the benefits hereof shall inure to the benefit of Payee and its successors and assigns. All references herein to "Maker" shall be deemed to refer to Maker and the successors and permitted assigns of Maker, and all references herein to "Payee" shall be deemed to refer initially to the originally named Payee herein and, after an assignment of this Note by Payee, to the then current holder of this Note.

(d) This Note may not be changed or terminated orally, but only by an agreement in writing signed by Maker and Payee.

(e) This Note shall be governed by and construed in accordance with the internal laws of California, without regard to its conflicts of laws principles. All actions or proceedings arising directly or indirectly hereunder, whether instituted by Maker or Payee, shall be brought exclusively in any federal or state court located within the State of California, County of Orange, and each of Maker and Payee expressly consents to the exclusive jurisdiction of any state or federal court located within said state and county, and waives any defense of forum non

conveniensi and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Note.

(f) The rights and remedies expressly provided in this Note are cumulative to, and not exclusive of, any rights or remedies that Payee would otherwise have.

(g) In the event of any default, claim, proceeding (including a bankruptcy proceeding), arbitration, mediation, counter-claim, action (whether legal or equitable), appeal or otherwise, whether initiated by Payee or Maker (or a debtor-in-possession or bankruptcy trustee), which arises out of, under, or is related in any way to this Note, or any Other Agreement, or any governmental examination or investigation of Maker which requires Payee's participation (individually and collectively, the "Claim"), Maker, in addition to all other sums which Maker may be called upon to pay under the provisions of this Note, shall pay to Payee, on demand, all costs, expenses and fees paid or payable in connection with the Claim, including, but not limited to, attorneys' fees and out-of-pocket costs, including travel and related expenses incurred by Payee or its attorneys, whether or not the Claim is pursued to judgment.

(h) Whenever possible, each provision of this Note will be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of this Note is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Note.

(i) Maker waives the benefit of any statute or rule of law or judicial decision, including without limitation California Civil Code Section 1654, which would otherwise require that the provisions of this Note be construed or interpreted most strongly against the party responsible for the drafting thereof.

IN WITNESS WHEREOF, Maker, intending to be legally bound, has executed this Note as of the date and year first above written.

**MAKER:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

**WITNESS/ATTEST:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

EXHIBIT D  
SUBLEASE



UNIT # \_\_\_\_\_  
**SUBLEASE AGREEMENT**

This Sublease Agreement (this "Sublease") is made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, (the "**Effective Date**") by and between GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Sublandlord"), and \_\_\_\_\_, a \_\_\_\_\_ ("Subtenant").

**RECITALS**

A. \_\_\_\_\_, a \_\_\_\_\_ ("**Master Landlord**"), as "Landlord", and Sublandlord, as "Tenant", are parties to that certain lease dated as of \_\_\_\_\_, 20\_\_ (as amended to date, the "**Master Lease**"), with respect to certain premises, and improvements thereon, located at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, as more particularly described in the Master Lease (the "**Premises**").

B. Subtenant desires to sublease the Premises from Sublandlord and Sublandlord is willing to sublease the Premises to Subtenant, on the terms and conditions set forth herein.

**AGREEMENT**

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant covenant and agree as follows (capitalized terms used and not otherwise defined herein shall have the meaning given in the Master Lease):

1. Sublease. Subject to Master Landlord's consent as described hereinbelow, Sublandlord hereby leases to Subtenant and Subtenant hereby leases and hires from Sublandlord the Premises upon and subject to all of the terms, covenants, and conditions provided for herein. Subtenant acknowledges that it has received a copy of the Master Lease (with certain economic terms redacted) and that it has reviewed and understands the terms of the Master Lease.

2. Sublease Term; Delivery; Acceptance.

2.1 Term. The term of this Sublease (the "**Sublease Term**") shall be approximately \_\_\_\_\_ months, beginning on the date (the "**Commencement Date**") that Sublandlord delivers possession of the Premises to Subtenant, and ending at midnight on the last day of the \_\_\_\_\_ month thereafter (the "**Expiration Date**"). Sublandlord shall deliver possession of the Premises to Subtenant in accordance with Section 2.2.

2.2 Delivery of Premises. Sublandlord shall deliver possession of the Premises to Subtenant as soon as reasonably practicable after the Effective Date. If Sublandlord, for any reason whatsoever, is delayed in such delivery, such delay shall not be a default by Sublandlord, render this Sublease void or voidable, or otherwise render Sublandlord liable for losses or damages of any kind. However, Subtenant shall not be liable for any Rent until the Commencement Date occurs. Notwithstanding anything in the Sublease to the contrary, Sublandlord shall have no obligation to deliver physical possession of the Premises to Subtenant until Subtenant has satisfied all of the following requirements (the “**Delivery Requirements**”): (i) delivered to Sublandlord evidence of the insurance coverage required of Subtenant herein; and (ii) paid all amounts then due under this Sublease. In no event shall Subtenant's failure to meet such requirements extend the Commencement Date, and Subtenant may be denied access to the Premises until such time that Delivery Requirements have been met.

2.3 Acceptance of Premises Subtenant has, prior to execution hereof, inspected the Premises and become thoroughly acquainted with their condition, and acknowledges and agrees that (i) Subtenant is subleasing the Premises based on its own investigation and in its "AS IS", "WHERE IS" and "WITH ALL FAULTS" condition, (ii) neither Sublandlord nor any agent or representative of Sublandlord has made any representations, warranties or assurances with respect to or related in any manner to the Premises. Subtenant hereby WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE CONDITION AND USE OF THE PREMISES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

3. Use of Premises; Tradename.

3.1 Use. Subtenant shall use and occupy the Premises only for a Wienerschnitzel restaurant for the sale of such items as may from time to time be permitted in writing to be sold under the franchise granted to Subtenant by Sublandlord (or its related companies), all in accordance with applicable laws, codes, ordinances, rules, regulations and orders of federal, state and local governmental and public bodies and agencies having jurisdiction and any recorded covenants, conditions or restrictions (collectively, “Applicable Requirements”), and for no other use or purpose. Subtenant will conduct the operation of the Premises so as not to injure the reputation of either Sublandlord (or its related companies) or Subtenant and shall maintain the highest quality and standards, in providing services, and the sale of food, beverage and other products. Subtenant shall minimize cooking odors, smoke and waste, and maintain the highest degree of sanitation. Subtenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will increase the existing rate of or affect any fire or other insurance on the Premises or any of its contents, or cause cancellation of any insurance covering Premises or any part thereof or permit any nuisance in, on or about the Premises. Subtenant shall not commit or suffer to be committed any waste in or on the Premises.

3.2 Tradename. During the Sublease Term (as the same may be extended), Subtenant shall operate in the Premises only under the tradename

"Wienerschnitzel" and shall not operate under any other tradename, except as consented to by Sublandlord, or its related companies.

4. Rent.

4.1 General. Subtenant shall pay Sublandlord the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) as "**Minimum Annual Rent**", in advance, on or before the twentieth (20th) day of the month prior to the first full calendar month in each lease year during the Sublease Term. The Minimum Annual Rent shall be increased annually as described in Exhibit A attached hereto.

4.2 Monthly Rent. For Subtenant's convenience, and provided Subtenant timely makes all payments, Sublandlord will allow Subtenant to pay the Minimum Annual Rent in twelve (12) equal and successive monthly installments, each due and payable in advance on the twentieth (20th) day of the month preceding the month for which it is due. However, if Subtenant does not timely pay a rent payment, Sublandlord shall have the right, exercisable at Sublandlord's option, to declare the unpaid balance of the current lease year's Minimum Annual Rent immediately due and payable and all successive Minimum Annual Rent shall be payable annually as provided above. If the Sublease Term starts or ends on a day other than the first day of a calendar month, then rent shall be prorated for such partial month based on a thirty (30) day month.

4.3 Percentage Rent.

(a) Amount. In addition to Minimum Annual Rent, Subtenant shall pay Sublandlord "**Percentage Rent**" in an amount equal to ten percent (10%) of Net Sales made by Subtenant during each calendar month, less the Minimum Annual Rent actually paid by Subtenant with respect to such calendar month. "Net Sales" shall mean the total sales of all food and other items, and any services at or originating from or connected to the Premises, but does not include sales taxes separately shown on the customer receipt, collected and actually paid to the taxing authority; amounts received from sales which Subtenant promptly refunds at a customer's request; tips paid by a customer to an employee of Lessee in cash or by credit card (if separately shown on the credit card invoice), to the extent actually paid to and retained by the employee; and any sum received on sale or transfer of the restaurant equipment and signs installed or used in Subtenant's operation of a Wienerschnitzel restaurant at the Premises.

(b) Percentage Rent Documentation. Within seven (7) days after the end of each calendar month, starting on the sixth (6th) day of the first full calendar month after the Commencement Date, Subtenant shall provide Sublandlord a written statement, certified by Subtenant to be correct, showing the total Net Sales made in, on or from the Premises in the prior calendar month, and shall accompany each statement with payment to Sublandlord equal to ten percent (10%) of the total monthly Net Sales made in, on or from the Premises in the prior calendar month, less the Minimum Annual Rent actually paid by Subtenant with respect to such calendar month.

(c) Records and Review/Audit Rights. Subtenant shall keep full, complete and proper books, records and accounts of sales and Net Sales. The books, records and accounts, including any sales tax reports that Subtenant may be required to furnish to any government agency, shall at all reasonable times be open to inspection by Sublandlord or Sublandlord's auditor or other representative. Sublandlord may from time to time cause inspections or audits of Subtenant's business to be made by an auditor that Sublandlord selects. If the statement of Net Sales previously made by Subtenant to Sublandlord is found to be less than the amount of Subtenant's Net Sales as shown by the inspection or audit, Subtenant shall immediately pay the cost of the inspection or audit and the Percentage Rent shown to be due and payable.

4.4 Additional Rent. In addition to the Minimum Annual Rent and Percentage Rent, Subtenant shall pay to Sublandlord (or, as applicable, directly to the appropriate supplier of utilities or services) each and every amount owing by Sublandlord under or pursuant to the Master Lease, including but not limited to any common area maintenance costs, utilities, insurance, real and personal property taxes, and other operating costs (collectively, "**Additional Rent**"). Such payments shall be paid within ten (10) days' notice from Sublandlord that such payment(s) are due, except that recurring installments of Additional Rent shall each be due and payable in advance on the twentieth (20th) day of the month preceding the month for which it is due.

4.5 Rent Payment Matters. Minimum Annual Rent, Percentage Rent, Additional Rent, and all other charges payable by Subtenant to Sublandlord hereunder (except for the Security Deposit) are collectively referred to in this Sublease as "Rent". All Rent shall be paid by Subtenant in lawful money of the United States, at the times described herein, without delay for weekend or holiday, time being of the essence, and without any setoff, deduction or counterclaim, or prior demand therefor whatsoever. All Rent shall be paid directly to Sublandlord at its office at 7700 Irvine Center Drive, Suite 550, Irvine, California 92618, or to such other person or place as Sublandlord may from time to time designate in a notice to Subtenant. Sublandlord shall have the right and option to require that some or all Rent be paid by ACH transfer, other similar form of electronic funds transfer, or any other means selected by Sublandlord. In that regard, Subtenant shall sign an "Authorization Agreement for Prearranged Transfer" in a form provided by Sublandlord and any other document Sublandlord requests to facilitate automatic/electronic payments from Subtenant's bank to Sublandlord. Any payment by Tenant or acceptance by Landlord of Rent in a lesser amount than due shall be treated as a payment on account. The acceptance by Sublandlord of a check for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, that such lesser amount is payment in full, shall be given no effect, and Sublandlord may accept such check without prejudice to any other rights or remedies which Sublandlord may have against Subtenant. If any check for Rent shall not be honored by the bank on which it is drawn, Subtenant shall be obligated to pay a fee equal to \$500.00 per check to reimburse Sublandlord for its administrative costs. In addition, if on more than one (1) occasion during a lease year, any check for Rent shall not be honored by the bank on which it is drawn, Sublandlord may thereafter require that all future payments from Subtenant be made quarterly or annually, in advance, by certified check.

4.6 Late Charges and Interest. Any item or installment of Rent owing under this Sublease which is not paid by Subtenant within 10 days after the date due shall bear interest from the date due until paid at a rate per annum equal to the lesser of (i) the annual "Bank Prime Loan" rate cited in the Federal Reserve Statistical Release Publication H.15, published on the first Tuesday of each calendar month (or such other comparable index as Sublandlord and Subtenant shall reasonably agree upon if such rate ceases to be published) plus six (6) percentage points, and (ii) the highest rate permitted by applicable Law (the "**Interest Rate**"). Subtenant hereby acknowledges that in addition to lost interest, the late payment by Subtenant to Sublandlord of any item or installment of Rent will cause Sublandlord to incur other costs not contemplated in this Sublease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such other costs include, but are not limited to, processing, administrative and accounting costs. Accordingly, if any item or installment of Rent due from Subtenant shall not be received by Sublandlord within five (5) days after such amount shall be due, Subtenant shall pay to Sublandlord, without notice from Sublandlord, a late charge equal to ten percent (10%) of such overdue amount plus any reasonable attorneys' fees incurred by Sublandlord by reason of Subtenant's failure to pay such Rent when due hereunder. The parties hereby agree that (i) such late charge represents a fair and reasonable estimate of the costs Sublandlord will incur in processing such delinquent payment by Subtenant, and (ii) the payment of late charges and the payment of interest are distinct and separate from one another in that the payment of interest is to compensate Sublandlord for the use of Sublandlord's money by Subtenant, while the payment of late charges is to compensate Sublandlord for the additional administrative expense incurred by Sublandlord in handling and processing delinquent payments. The late charge and interest hereunder shall be deemed Additional Rent and the right to require it shall be in addition to all of Sublandlord's other rights and remedies hereunder or at law and shall not be construed as limiting Sublandlord's remedies in any manner. Nothing contained in this Sublease shall be deemed to condone, authorize, sanction or grant to Subtenant an option for the late payment of any item or installment of Rent.

4.7 Sales/Rent Tax. If the applicable government authority(ies) require payment of sales or rent tax on any Rent or any other charges under this Sublease, Subtenant shall be responsible for such sales/rent tax and shall pay the same together with its installments of Minimum Annual Rent.

4.8 Maintenance Contracts. Subtenant shall maintain at its cost throughout the Sublease Term (including any extension thereof) a commercially reasonable maintenance contract with a qualified contractor reasonably acceptable to Sublandlord covering the dedicated HVAC system and equipment serving the Premises (the "Premises HVAC") and shall provide Sublandlord with a copy thereof upon request; provided, however, if the Premises HVAC from time to time requires a repair or replacement (in either case, herein called a "repair") that is not covered by the maintenance contract, then Subtenant will be responsible for such repair at Subtenant's sole cost. Subtenant shall also maintain such maintenance contracts for the Premises as may be required by the Master Lease or under Exhibit B attached hereto

4.9 Security Deposit. Upon the execution of this Sublease, Subtenant shall deliver to Sublandlord the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) as a security deposit (the "Security Deposit"), which shall be held by Sublandlord as security for the faithful performance by Subtenant of all of the terms, covenants and conditions of this Sublease to be kept and performed by Subtenant during the Sublease Term. If Subtenant defaults with respect to any provisions of this Sublease, including, but not limited to, the provisions relating to the payment of Rent, Sublandlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any Rent in default, or for the payment of any other amount which Sublandlord may spend or become obligated to spend by reason of Subtenant's default or to compensate Sublandlord for any loss or damage which Sublandlord may suffer by reason of Subtenant's default. If any portion of the Security Deposit is so used or applied, Subtenant agrees, within ten (10) days after Sublandlord's written demand therefor, to deposit cash with Sublandlord in an amount sufficient to restore the Security Deposit to its original amount and Subtenant's failure to do so shall constitute a material default under this Sublease. If Subtenant has fully performed its obligations under this Sublease throughout the Sublease Term (as the same may be extended), the Security Deposit will be reimbursed to Subtenant within sixty (60) days after the end of the Sublease Term (as the same may be extended). Neither the Security Deposit nor the application thereof by Sublandlord, as provided in this Section shall be a bar or defense to any action in unlawful detainer or to any action which Sublandlord may at any time commence for a breach of any provision of this Sublease. Sublandlord is not required to keep the Security Deposit separate from its general funds, and Subtenant is not entitled to interest on such Security Deposit. The parties agree that the foregoing provisions shall govern with respect to the Security Deposit and, accordingly, Subtenant hereby waives the provisions of any statutory provisions that conflict with the foregoing.

4.10 Direct Action. Subject to Master Landlord's prior written approval, Sublandlord shall have the right, but not the obligation, by written notice to Subtenant, to have Subtenant pay all or any portion of the amounts of Rent and/or other sums due and payable by Subtenant to Sublandlord under this Sublease directly to Master Landlord until such time as Sublandlord directs otherwise by written notice to Subtenant. Any such payment made by Subtenant to Master Landlord shall be deemed to have been made on behalf of Sublandlord.

5. Surrender of Premises. Upon the expiration of the Sublease Term or earlier termination of this Sublease, Subtenant shall: (a) surrender the Premises and any fixtures to Sublandlord in the condition required herein and by the Master Lease; and (b) repair any damage to the Premises caused by Subtenant, including, without limitation, damage occasioned by the removal of Subtenant's trade fixtures, furnishings, equipment and personal property. Notwithstanding anything to the contrary set forth in this Section 5 or elsewhere in this Sublease to the contrary, Subtenant shall in no event remove any permanently affixed improvements, fixtures or equipment from the Premises without Master Landlord's and Sublandlord's prior written consent.

6. Master Lease.

6.1 Incorporation of Master Lease Provisions. Except to the extent that this Sublease clearly indicates otherwise (and subject to Section 8 of this Sublease, below), all terms and conditions of the Master Lease are incorporated into and made a part of this Sublease as if Sublandlord were the "Landlord" thereunder, Subtenant the "Tenant" thereunder, the Sublease Commencement Date the commencement date thereunder, the Sublease Term thereunder, and so on. Subtenant hereby assumes and agrees to perform Sublandlord's obligations as "Tenant" under the incorporated provisions of the Master Lease during the Sublease Term. With regard to any non-monetary provision of the Master Lease incorporated into this Sublease, except as otherwise expressly provided herein, the period of time provided for notices, and for the cure of any default by Subtenant of any non-monetary obligations of Subtenant under the terms of the Master Lease incorporated into this Sublease, shall be shortened by ten (10) days from the cure period for such type of default afforded to Sublandlord under the Master Lease; and Sublandlord may (but shall have no obligation to) cure any such default by Subtenant to the extent that Subtenant has not cured within the applicable time period. Subtenant shall name Master Landlord and its designees as additional insured under the insurance policies required to be carried by Subtenant pursuant to the incorporation of the insurance paragraphs of the Master Lease.

6.2 Master Lease Superior. This Sublease is subject and subordinate to the Master Lease; provided that as between Sublandlord and Subtenant only, (A) in the event of a direct conflict between the economic terms of the Master Lease and the economic terms of this Sublease, the economic terms of this Sublease will control, and (B) in the event of a direct conflict between the non-economic terms of the Master Lease and the non-economic terms of this Sublease, whichever imposes the strictest obligations on Subtenant will control. Subtenant covenants not to take any action or do or perform any act or fail to perform any act which would result in the breach or default of any of the covenants, agreements, terms, provisions or conditions of the Master Lease, and shall permit Master Landlord or its designees to exercise all access, inspection, testing and other rights with respect to the Premises as Master Landlord may have reserved in the Master Lease.

## 7. Utilities; Alterations and Improvements; Maintenance.

7.1 Utilities. Subtenant shall be responsible and shall pay for, directly to the appropriate supplier, all utilities and services provided to the Premises or used by Subtenant at the Premises, including any taxes or surcharges thereon. If any utilities payable by Subtenant are not metered or submetered to the Premises, Sublandlord shall pay Sublandlord's share of the amount for such utilities as required by the Master Lease, and Subtenant shall reimburse Sublandlord within ten (10) days after Subtenant's receipt of Sublandlord's statement or invoice therefor.

7.2 Alterations and Improvements. In addition to the terms and conditions of the Master Lease incorporated as part of this Sublease, if the consent of Master Landlord is required under the Master Lease for any alterations, improvements, repairs or for any other matters, Subtenant shall not undertake any such alterations,

improvements or other matters until both Sublandlord's and Master Landlord's consent is obtained.

8. No Liability for Performance by Master Landlord. In addition to the terms and conditions of the Master Lease incorporated as part of this Sublease, Subtenant shall perform the maintenance requirements on the terms set forth on Exhibit B attached hereto.

8.1 No Assumption of Master Landlord Obligations. Sublandlord does not assume the obligations of Master Landlord under any of the provisions of the Master Lease, whether or not incorporated into this Sublease, and shall not be liable to Subtenant for the performance of Master Landlord under the Master Lease or for any other act or omission by Master Landlord or any of its or its tenants' officers, agents, employees, contractors, invitees or licensees, and Sublandlord shall have no obligation to cure any default by Master Landlord under the Master Lease. Without limitation on the foregoing, and notwithstanding the incorporation of any of the Master Lease provisions into this Sublease, Sublandlord shall have no obligation or liability to Subtenant with respect to (i) any of Master Landlord's obligations with respect to work, construction, provision of services, utilities, repairs, reconstruction, rebuilding, provision of utilities, parking, maintenance of the Premises, repainting, restoration, security, access, compliance with Applicable Requirements or the performance of any obligations of Master Landlord under the Master Lease or (ii) the failure of Sublandlord to perform any obligation under this Sublease to the extent such failure is caused by the breach of the Master Lease by Master Landlord or wrongful act or omission of Master Landlord.

8.2 Reasonable Efforts Obligations. Notwithstanding the foregoing, within a reasonable period after Subtenant gives Sublandlord written notice of the occurrence of any breach or failure by Master Landlord (including, without limitation, any breach or failure of Master Landlord to comply with the provisions of the Master Lease regarding the determination of Operating Expenses), Sublandlord shall undertake commercially reasonable efforts to attempt to cause Master Landlord to perform its obligations under the Master Lease (the "Reasonable Efforts Obligations"), but in no event shall Sublandlord be required to institute legal action against Master Landlord. Subtenant hereby waives any action, claim or rights it may have or acquire at law or in equity against Sublandlord arising out of the breach or failure of Master Landlord to fulfill its obligations under the Master Lease or any act or omission of Master Landlord or Master Landlord's agents, employees, contractors, representatives, licensees or invitees.

9. Signage. Subject to the terms of the Master Lease and Master Landlord's prior written approval, and subject to Sublandlord's prior written approval (which shall not be unreasonably withheld), Subtenant shall be entitled, at Subtenant's sole cost and expense, to use the areas for signage, if any, for the Master Premises allocated to Sublandlord under the Master Lease, provided that without Sublandlord's prior written consent only signage identifying the Subtenant as a Wiener Schnitzel restaurant shall be permitted. Any such signage shall be removed (and all damage repaired) by Subtenant at Subtenant's cost prior to the end of the Sublease Term.



10. Assignment and Subletting. Subtenant shall not assign this Sublease or license, franchise, transfer, mortgage, encumber, sublease, permit the use by third parties of or otherwise transfer (a "**Transfer**") all or any portion of the Premises without Sublandlord's prior written consent, which may be withheld by Sublandlord in its sole discretion. In addition to needing to obtain Sublandlord's prior written consent to a proposed Transfer pursuant to the foregoing, Subtenant must obtain the consent of Master Landlord to any proposed Transfer, which Master Landlord may withhold in its sole discretion, and Sublandlord shall have no obligation or liability with respect to Master Landlord's consent or the lack thereof or actions taken by Master Landlord in response thereto. Any attempted Transfer without the consent of both Sublandlord and Master Landlord, shall confer no rights upon any third parties and shall be a material default hereunder. A transfer or change in the ownership interests in Subtenant that results in a change in control of Subtenant, and the involvement by Subtenant or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise) whether or not a formal assignment or hypothecation of this Sublease or Subtenant's assets occurs, which results or will result in a reduction of the Net Worth (hereinafter defined) of Subtenant by an amount equal to or greater than twenty-five percent (25%) of such Net Worth of Subtenant as it is represented to Sublandlord at the time of the execution by Sublandlord of this Sublease, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time the Net Worth of Subtenant was or is greater, shall be considered to be a Transfer for purposes of this Section 10. "**Net Worth**" of Subtenant for purposes of this Section 10 shall be the tangible net worth of Tenant (excluding any guarantors) established under generally accepted accounting principles consistently applied.

11. Holdover. This Sublease shall terminate without further notice upon the expiration of the Sublease Term (including as it may be extended), and any holding over by Subtenant after the expiration shall not constitute a renewal or extension of this Sublease, or give Subtenant any rights under this Sublease, except when in writing signed by both parties. If Subtenant holds over for any period after the expiration (or earlier termination) of the Term without the prior written consent of Sublandlord, such possession shall constitute a tenancy at sufferance only; such holding over with the prior written consent of Sublandlord shall constitute a month to month tenancy commencing on the first (1st) day following the termination of this Sublease. In either of such events, possession shall be subject to all of the terms of this Sublease, except that the monthly Rent shall be the greater of (a) two hundred percent (200%) of Rent for the month immediately preceding the date of termination or (b) the then current fair market rent for the Premises. If Subtenant fails to surrender the Premises upon the expiration of this Sublease despite demand to do so by Sublandlord, Subtenant shall indemnify and hold Sublandlord harmless from all loss or liability, including without limitation, any claims made by any succeeding tenant relating to such failure to surrender. Acceptance by Sublandlord of Rent after the termination shall not constitute a consent to a holdover or result in a renewal of this Sublease. The foregoing provisions of this Section are in addition to and do not affect Sublandlord's right of re-entry or any other rights of Sublandlord under this Sublease or at law.

12. Security. Sublandlord shall have no obligation or responsibility to provide any security services or security measures with respect to the Premises, and Subtenant waives any claims against Sublandlord with respect thereto.

13. Access. Subtenant shall permit Sublandlord and Sublandlord's agents to enter into and on the Premises at all reasonable times to inspect, insure compliance with the Franchise Agreement relating to the Premises and this Sublease, or otherwise for the purpose of maintaining the Premises, or for repairs, alterations or additions to any portion of the Premises, including the erection and maintenance of scaffolding, canopy, fences and props as may be required, or to post notices of non-liability for alterations, additions or repairs. Sublandlord shall be permitted to do any of the above without any rebate or reduction of rent and without liability to Subtenant for any loss of occupation or quiet enjoyment of the Premises.

14. Notices. Any notice, demand, consent or approval, request or other communication or document to be provided pursuant to this Sublease shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, or by personal delivery during normal business hours with evidence of delivery requested, with all postage and fees prepaid, to Sublandlord, Subtenant or Master Landlord, respectively, at the following addresses, or at such other address as such party shall designate by written notice to the other party. Such addresses are:

To Subtenant:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_  
Attn: \_\_\_\_\_

To Sublandlord:

Galardi Group Franchising & Leasing, LLC  
7700 Irvine Center Drive, Suite 550  
Irvine, CA 92618  
Attention: Legal

To Master Landlord:

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

Such notices shall be deemed to have been received and to be effective for all purposes upon receipt or refusal to accept delivery at such address as indicated on the return receipt or other record of delivery. In addition, Sublandlord and Subtenant shall, respectively, promptly give written notice to the other of any notice of default it may give to or receive from Master Landlord under the Master Lease pertaining to the Premises.

15. Indemnity; Waiver of Claims.

15.1 Indemnity. Subtenant shall indemnify, protect, defend and hold harmless Sublandlord and Sublandlord's officers, directors, partners and affiliates from

and against any and all claims, losses and damages, including, without limitation, reasonable attorneys' fees and disbursements (collectively, "claims"), which may at any time be asserted against Sublandlord by (i) Master Landlord for failure of Subtenant to perform any of the covenants, agreements, terms, provisions or conditions contained in the Master Lease which by reason of the provisions of this Sublease Subtenant is obligated to perform, or (ii) any person by reason of Subtenant's use and/or occupancy of the Premises or any activity or thing done by Subtenant or its agents, employees, contractors, invitees, assigns, subtenants or guests in or about the Premises or Building. Notwithstanding the preceding, Subtenant will not be required to indemnify Sublandlord against claims arising solely from the gross negligence or willful misconduct of Sublandlord. The provisions of this Section 15 shall survive the expiration or earlier termination of this Sublease.

15.2 Waiver of Claims. Sublandlord shall not be liable to Subtenant, and Subtenant waives all claims against Sublandlord, for any injury or damage to any person or property in or about the Premises by or from any cause whatsoever and, without limiting the generality of the foregoing, whether caused by water leakage of any character from the roof, walls, basement or other portion of the Premises, or caused by gas, fire, oil, electricity or any cause whatsoever in, on or about the Premises or any part thereof.

16. Default by Subtenant.

16.1 Events of Default. Any of the following constitutes a material breach of this Sublease by Subtenant ("**Default**"): (i) Subtenant fails to pay any monetary obligation for a period of three (3) days after notice from Sublandlord; or (ii) Subtenant fails to perform any other obligation of the Sublease for more than a reasonable time (not exceeding ten (10) days) after Sublandlord delivers notice to Subtenant (unless the failure complained of, other than a failure for the payment of money, cannot be cured within such ten (10)-day period, then Subtenant shall not be considered to be in Default of the Sublease so long as it commences to cure the Default within such ten (10)-day period and thereafter diligently and continuously prosecutes the cure to completion, but not more than sixty (60) days); or (iii) Subtenant vacates or abandons the Premises; or (iv) Subtenant makes a general assignment for the benefit of creditors; or (v) attachment or judicial seizure of substantially all of Subtenant's assets located at the Premises or Subtenant's interest in this Sublease (where the seizure is not discharged within thirty (30) days); or (vi) Subtenant or any guarantor fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors; or (vii) any financial statements given to Sublandlord by Subtenant, any assignee of Subtenant, any guarantor, or any transferee of Subtenant are materially false or misleading; or (viii) Subtenant or any guarantor of this Sublease declares bankruptcy or is otherwise declared insolvent; or (ix) Subtenant or any of its principals or affiliates defaults in the performance of any obligation, covenant, condition or provision under any other agreement between Subtenant (or any principal or affiliate of Subtenant) with Sublandlord (or any principal or affiliate of Sublandlord), including without limitation any franchise agreement, equipment lease, promissory note, or any other agreement relating to the Premises (the "**Other Agreements**"), where such default continues beyond applicable notice and cure periods (if any) set forth in the applicable Other Agreement(s).

In addition to all other rights or remedies of Sublandlord set forth in this Sublease, if a Default occurs, Sublandlord shall have all rights available to Sublandlord as may be permitted from time to time by the laws of the State in which the Premises are located, without further notice or demand to Subtenant. In any case in which Sublandlord re-enters and occupies the Premises, by unlawful detainer proceedings or otherwise, Sublandlord, at its option, may repair, alter, subdivide or change the character of the Premises as Sublandlord deems best, re-let all or any part of the Premises and receive the rents therefor, and none of these actions shall constitute a termination of this Sublease, a release of Subtenant from any liability, or result in the release of any guarantor. Any notice given by Sublandlord pursuant to this Section 16.1 shall be in lieu of, and not in addition to, any notice required by any statute.

#### 16.2 Sublandlord's Remedies.

(a) Upon the occurrence of any Default by Subtenant, then in addition to any other remedies available to Sublandlord, Sublandlord may exercise the following remedies:

(i) Sublandlord may terminate Subtenant's right to possession of the Premises by any lawful means, in which case this Sublease shall terminate and Subtenant shall immediately surrender possession of the Premises to Sublandlord. Such termination shall not affect any accrued obligations of Subtenant under this Sublease. Upon termination, Sublandlord shall have the right to reenter the Premises and remove all persons and property. Sublandlord shall also be entitled to recover from Subtenant:

(1) The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

(2) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such loss that Subtenant proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such loss that Subtenant proves could be reasonably avoided;

(4) Any other amount necessary to compensate Sublandlord for all the detriment proximately caused by Subtenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result from Subtenant's Default, including, but not limited to, the cost of recovering possession of the Premises, commissions and other expenses of reletting, including necessary repair, renovation, improvement and alteration of the Premises for a new tenant (to the extent attributable to what would have been the unexpired term), reasonable attorneys' fees, and any other reasonable costs; and

(5) At Sublandlord's election, all other amounts in addition to or in lieu of the foregoing as may be permitted by law. Any sum, other than Base Rent, shall be computed on the basis of the average monthly amount accruing during the period prior to Default. As used in subparagraphs (1) and (2) above, the "worth at the time of award" shall be computed by allowing interest at the rate of 10% per annum. As used in subparagraph (3) above, the "worth at the time of award" shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(ii) Sublandlord may elect not to terminate Subtenant's right to possession of the Premises, in which event Sublandlord may continue to enforce all of its rights and remedies under this Sublease, including the right to collect all rent as it becomes due. Efforts by the Sublandlord to maintain, preserve or re-let the Premises, or the appointment of a receiver to protect the Sublandlord's interests under this Sublease, shall not constitute a termination of the Subtenant's right to possession of the Premises. In the event that Sublandlord elects to avail itself of the remedy provided by this subsection (ii), Sublandlord shall not unreasonably withhold its consent to an assignment or subletting of the Premises subject to the reasonable standards for Sublandlord's consent as are contained in this Sublease.

(b) The various rights and remedies reserved to Sublandlord in this Sublease or otherwise shall be cumulative and, except as otherwise provided by applicable law, Sublandlord may pursue any or all of its rights and remedies at the same time. No delay or omission of Sublandlord to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any breach or Default by Subtenant. The acceptance by Sublandlord of Rent shall not be a (i) waiver of any preceding breach or Default by Subtenant of any provision of this Sublease, other than the failure of Subtenant to pay the particular Rent accepted, regardless of Sublandlord's knowledge of the preceding breach or Default at the time of acceptance of Rent, or (ii) a waiver of Sublandlord's right to exercise any remedy available to Sublandlord by virtue of the breach or Default. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Subtenant or Subtenant's estate shall not waive or cure a Default. No payment by Subtenant or receipt by Sublandlord of a lesser amount than the Rent required by this Sublease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent, nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Sublandlord shall accept the check or payment without prejudice to Sublandlord's right to recover the balance of the rent or pursue any other remedy available to it. Subtenant hereby waives any right of redemption or relief from forfeiture under any statute, in the event this Sublease is terminated by reason of any Default by Subtenant. No act or thing done by Sublandlord or Sublandlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender shall be valid unless in writing and signed by Sublandlord. No employee of Sublandlord or of Sublandlord's agents shall have any power to accept the keys to the Premises prior to the termination of this Sublease, and the delivery of the keys to any agent or employee shall not operate as a termination of the Sublease or a surrender of the Premises.

16.3 Right of Sublandlord to Perform. Notwithstanding any other term or provision of this Sublease, if after the delivery of written notice to Subtenant and the expiration of any applicable cure period, Sublandlord performs work in lieu of or on behalf of Subtenant or if Sublandlord pays any charges on behalf of Subtenant (each of which Sublandlord shall have the right, but not the obligation, to do), then in addition to the costs incurred by Sublandlord to perform such work or pay such charges, Subtenant shall pay to Sublandlord a fee equal to fifteen percent (15%) of the amount so incurred by Sublandlord as reimbursement of Sublandlord's estimated costs of Sublandlord's actions.

17. Expenses and Legal Fees. Should either Sublandlord or Subtenant bring any action in connection with this Sublease which results in a judgment or an award, the prevailing party shall be entitled to recover as a part of the action (including any appeal therefrom) its reasonable attorneys' fees, and all other reasonable costs. The prevailing party for the purpose of this Section 17 shall be determined by the trier of the facts.

18. Satisfaction of Judgment. The obligations of Sublandlord do not constitute the personal obligations of the individual partners, trustees, directors, officers, members or shareholders of Sublandlord or any of its affiliates. Should Subtenant recover a money judgment against Sublandlord, such judgment shall be satisfied only from the interest of Sublandlord in the Premises and out of the rent or other income from such property receivable by Sublandlord, and no action for any deficiency may be sought or obtained by Subtenant.

19. Security Interest. As further security for Subtenant's performance under this Sublease, Subtenant hereby grants Sublandlord a lien and security interest in all existing and after-acquired fixtures, equipment and furnishings placed in or relating to Subtenant's business at the Premises, and all proceeds thereof. Subtenant agrees to execute such financing statements, collateral assignments, and other documents necessary to perfect a security interest, as Sublandlord may now or hereafter reasonably request, in recordable form. Sublandlord may at its election at any time execute such a financing statement and collateral assignment as Subtenant's agent and attorney-in-fact or file a copy of this Sublease or a UCC-1 as such financing statement and collateral assignment. Sublandlord shall be entitled hereunder to all of the rights and remedies afforded a secured party under the Uniform Commercial Code or other applicable law in addition to any of Sublandlord's rights provided by applicable law.

20. No Brokers. Subtenant warrants that it has had no dealings with any other real estate broker or agent in connection with the negotiation of this Sublease, and shall indemnify, protect, defend and hold Sublandlord and the Premises harmless from any cost, expense or liability (including reasonable attorneys' fees) for any compensation, commissions or charges claimed by any other real estate broker or agent employed or claiming to represent or to have been employed by Subtenant in connection with the negotiation of this Sublease. If Subtenant fails to take possession of the Premises or if this Sublease otherwise terminates prior to the Expiration Date as the result of a Default by Subtenant, Sublandlord shall be entitled to recover from Subtenant the unamortized portion of any brokerage commission funded by Sublandlord in addition to any other

damages to which Sublandlord may be entitled. This Section 20 shall survive the termination of this Sublease.

21. Transfer of Sublandlord's Interest. In the event of any transfer of Sublandlord's interest in the Premises, the transferor shall be automatically relieved of all obligations on the part of Sublandlord accruing under this Sublease from and after the date of the transfer, provided that any funds held by the transferor in which Subtenant has an interest shall be turned over, subject to that interest, to the transferee and Subtenant is notified of the transfer as required by law. No holder or beneficiary of a mortgage or deed of trust to which this Sublease is or may be subordinate, and no landlord under a so-called sale leaseback, shall be responsible in connection with the Security Deposit, unless the mortgagee or holder or beneficiary of the deed of trust or the landlord actually receives the Security Deposit. It is intended that the covenants and obligations contained in this Sublease on the part of Sublandlord shall, subject to the foregoing, be binding on Sublandlord, its successors and assigns, only during and in respect to their respective successive periods of ownership.

22. Nondisclosure of Sublease Terms. Subtenant acknowledges and agrees that the terms of this Sublease are confidential and constitute proprietary information of Sublandlord. Disclosure of any of such terms or identities could adversely affect the ability of Sublandlord to negotiate other leases and impair Sublandlord's relationship with other subtenants. Accordingly, Subtenant agrees that it shall not disclose, by public filings or otherwise, the terms and conditions of this Sublease ("**Confidential Information**") to any third party, either directly or indirectly, without the prior written consent of Sublandlord, which consent may be given or withheld in Sublandlord's sole and absolute discretion. The foregoing restriction shall not apply to disclosures by Subtenant to Subtenant members, officers, directors, administrators, financial, legal, and space planning consultants or lenders, on a "need to know" basis (i.e., to the extent necessary to discharge their obligations to Subtenant) who agree to be bound by these confidentiality provisions, or to the extent that either: (i) Subtenant is required to disclose the Confidential Information in response to a subpoena or other regulatory, administrative or court order, or (ii) independent legal counsel to Subtenant delivers a written opinion to Sublandlord that Subtenant is required to disclose the Confidential Information to, or file a copy of this Sublease with, any governmental agency or any stock exchange; provided however, that in such event, Subtenant shall, before making any such disclosure (A) provide Sublandlord with prompt written notice of such required disclosure, (B) at Subtenant's sole cost, take all reasonable legally available steps to resist or narrow such requirement, including without limitation preparing and filing a request for confidential treatment of the Confidential Information and (C) if disclosure of the Confidential Information is required by subpoena or other regulatory, administrative or court order, Subtenant shall provide Sublandlord with as much advance notice of the possibility of such disclosure as practical so that Sublandlord may attempt to stop such disclosure or obtain an order concerning such disclosure. The form and content of a request by Subtenant for disclosure of the Confidential Information shall be provided to Sublandlord at least five (5) business days before its submission to the applicable governmental agency or stock exchange and is subject to the prior written approval of Sublandlord. Any press releases or announcements made by Subtenant in connection with the contents of this Sublease

and/or any related documents shall be subject to the prior approval of Sublandlord, which may be withheld in Sublandlord's sole discretion.

23. CASp Civil Code Disclosure. Pursuant to California Civil Code § 1938, Sublandlord hereby states that the Premises have not undergone inspection by a Certified Access Specialist ("CASp") (defined in California Civil Code §55.52(a)(3)). Pursuant to California Civil Code §1938, Sublandlord hereby provides the following notification to Subtenant: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction related accessibility standards within the premises." If Subtenant requests to perform a CASp inspection of the Premises, Subtenant shall, at its cost, retain a CASp approved by Sublandlord (provided that Sublandlord may designate the CASp, at Sublandlord's option) to perform the inspection of the Premises at a time agreed upon by the parties. Subtenant shall provide Sublandlord with a copy of any report or certificate issued by the CASp (the "CASp Report") and Subtenant shall, at its cost, promptly complete any modifications necessary to correct violations of construction related accessibility standards identified in the CASp Report, which modifications will be completed as may be provided in this Sublease. Subtenant shall keep the information in the CASp Report confidential in accordance with the confidentiality provisions set forth in this Sublease.

24. Entire Agreement. This Sublease contains the entire agreement of the parties with respect to the matters set forth herein, except for those terms and conditions incorporated herein by reference. No other agreements, oral or otherwise, shall be deemed to exist or to bind any of the parties, and all prior negotiations, discussions, understandings, representations and agreements are merged herein and superseded hereby. Sublandlord represents that there are no other contemporaneous agreements or understandings between the parties that are not stated herein. No officer or employee or agent of Sublandlord has authority to make any representation or promise not stated in this Sublease. Sublandlord agrees that Sublandlord executed this Sublease without reliance on any representation or promise not stated herein. This Sublease cannot be modified except by a written instrument signed by all the parties to this Sublease.

25. Successors and Assigns. The provisions in this Sublease shall, subject to provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties.

26. Severability. If any provision, term or condition of this Sublease is declared by a court having jurisdiction to be invalid, the invalidity shall not affect any other provision, term or condition of this Sublease, and the rest of this Sublease shall be effective as though the invalid provision, term or condition had not been contained herein.



27. Attorneys' Fees. In the event of any legal action or proceeding to enforce the terms of this Sublease (including any appeal therefrom), the prevailing party shall be entitled to recover its actual attorneys' fees, costs and expenses reasonably incurred. If Sublandlord shall be made a party to any litigation commenced by or against Subtenant, Sublandlord shall be entitled to costs of litigation and reasonable attorney's fees from Subtenant in addition to other relief to which Sublandlord may be entitled in that action.

28. Casualty Proceeds, Condemnation Awards; Further Assurances. Notwithstanding anything contained in the Master Lease to the contrary, as between Sublandlord and Subtenant only, all insurance proceeds or condemnation awards received by Sublandlord under the Master Lease (excluding, however, any proceeds or awards for any personal property owned by Subtenant and located in the Premises) shall be deemed to be the property of Sublandlord. After the execution and delivery hereof, Sublandlord and Subtenant shall from time to time at the reasonable request of the other and at the cost and expense of the requesting party, execute and deliver such other instruments and take such other actions as the requesting party may reasonably request in order to fully consummate the transactions contemplated by this Sublease.

29. Consent. When consent or approval of either Sublandlord or Subtenant is required by any provision of this Sublease, or of the Master Lease to the extent incorporated herein, Subtenant shall not take or omit to take any action requiring the consent of Master Landlord, any other third party under the Master Lease, or Sublandlord, without first obtaining such consent in accordance with the terms hereof and the Master Lease. Upon request of Subtenant, Sublandlord will request Master Landlord's consent to any action or omission of Subtenant for which such consent is required. Sublandlord and Subtenant acknowledge that the Master Lease may require that Sublandlord obtain the written consent of Master Landlord to any subletting of the Premises. Sublandlord agrees to diligently pursue obtaining such written consent from Master Landlord with respect to this Sublease, and Subtenant agrees to fully cooperate with Sublandlord in that regard, including, without limitation, providing Sublandlord and Master Landlord with such information as Sublandlord may be reasonably required to provide Master Landlord under the Master Lease in connection with Master Landlord's evaluation of subtenants. Sublandlord shall not be liable in any respect if Master Landlord fails or is unwilling to provide its consent.

30. Remedies Cumulative. A remedy in this Sublease or otherwise available or reserved to Sublandlord shall not be exclusive of any other remedies. Each remedy shall be cumulative and shall be additional to every other remedy of Sublandlord under this Sublease or now or hereafter existing at law or in equity by laws, statutes, ordinances and government rules and regulations. Each remedy may be exercised from time to time, as often as occasions may arise or as Sublandlord deems expedient.

31. Waiver. Waiver by Sublandlord of any term, covenant or condition in this Sublease shall not be a waiver of a prior or later breach of the same or any other term, covenant or condition. Subsequent acceptance of rent by Sublandlord shall not be a waiver of any prior breach by Subtenant of any term, covenant or condition, other than the failure of Subtenant to pay the particular rent so accepted, regardless of Sublandlord's

knowledge of the prior breach at the time of acceptance of the rent. Delay by Sublandlord to exercise any right or power arising from Subtenant's breach of any term, covenant or condition in this Sublease shall not impair any such right or power or be construed to waive any such breach of any other term, covenant or condition.

32. Relationship. By this Sublease, Sublandlord does not acquire any right, title or interest in or to any property of Subtenant except rights expressly stated in the Sublease. Sublandlord is not and never shall be liable to any creditor of Subtenant or to any claimant against the estate or property of Subtenant for any debt, loss, contract or other obligation of Subtenant. The parties' relationship is solely that of Sublandlord and Subtenant, and is not and never shall be deemed a partnership or joint venture.

33. Net Sublease. Except as otherwise expressly set forth in this Sublease or in the Other Agreements: (i) all costs, expenses and obligations of every kind and nature whatsoever arising from or with respect to the use and occupancy of the Premises and the appurtenances thereto by Subtenant or anyone claiming by, through or under Subtenant which may arise or become due during or with respect to the Sublease Term shall be paid and performed by Subtenant, (ii) Subtenant assumes, during the Sublease Term, the sole responsibility for the condition, use, operation, maintenance and management of the Premises, and (iii) Subtenant's obligations hereunder shall be unconditional and irrevocable under any and all circumstances, and shall not be subject to cancellation, termination, modification or repudiation by Subtenant.

34. Time. Time is of the essence of this Sublease and each and all of its provisions.

*[Signature Page Follows]*

IN WITNESS WHEREOF, this Sublease is executed as of the date first written above.

SUBLANDLORD:

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: GALARDI GROUP FRANCHISE & LEASING, INC.,  
a California corporation, its Managing Member

By: \_\_\_\_\_  
General Counsel

SUBTENANT:

\_\_\_\_\_,  
a \_\_\_\_\_

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

## **EXHIBIT A**

### **COST OF LIVING ADJUSTMENT**

On each anniversary of the Commencement Date (i.e., on each \_\_\_\_\_ during the Term after the Commencement Date) (each such date is referred to as a "**Base Rent Adjustment Date**"), the Minimum Annual Rent in effect immediately prior to the applicable Base Rent Adjustment Date shall be increased (which increase shall remain in effect for that month and each month thereafter until the next Base Rent Adjustment Date) by the greater of (i) two point five percent (2.5%), and (ii) the percentage increase in the Index (as defined below) from the Index published for the month that is thirteen (13) calendar months prior to such Base Rent Adjustment Date to the Index published for the month that is one (1) calendar month prior to the applicable Base Rent Adjustment Date.

As used hereinabove, "**Index**" means the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Wage Earners and Clerical Workers, U.S. City Average, Subgroup "All Items" (1982-84=100). If the foregoing Index is not available, then the successor or substitute index published by the Bureau of Labor Statistics shall be used by Sublandlord as the Index. If the Bureau of Labor Statistics does not publish such successor or substitute index, a reliable governmental or other non-partisan publication evaluating substantially the same consumer information shall be used by Sublandlord for the Index. If Sublandlord uses any substitute or successor index or other publication, the same shall be converted to a basis of 100 if the basis used for such other index or publication is less than 100.

## **EXHIBIT B**

### **MAINTENANCE EXHIBIT**

1. PAINT EVERY YEAR FOR TRIM AND ROOF
2. PAINT STUCCO EVERY OTHER YEAR
3. SEAL AND STRIPE PARKING LOT EVERY 14 MONTHS
4. EXHAUST CLEANING EVERY 6 MONTHS
5. GREASE TRAP CLEANING EVERY 6 MONTHS
6. ANSUL FIRE EXTINGUISHER SERVICE EVERY 6 MONTHS
7. PREVENTATIVE MAINTENANCE MONTHLY AS FOLLOWS:
  - A. CLEAN SAFE HEAD, SAFE HEAD PINS AND SAFE HEAD RIMS (UNDERSIDE). LUBE SAFE HEAD PINS AND SAFE HEAD DIAL (WD-40).
  - B. FLUSH EACH DRINK LINE WITH HOT WATER; FLUSH UNTIL EACH LINE IS COMPLETELY CLEAR.
  - C. DRAIN SWEETWATER BATH; SCRUB COMPARTMENT AND LINES; FLUSH COMPARTMENT AND REFILL. UNIT MUST BE TURNED OFF BEFORE CLEANING.
  - D. CHECK DRIP PAN OF SHAKE MACHINE DAILY; REPLACE O-RING KIT BI-MONTHLY AND CLEAN CONDENSER MONTHLY.
  - E. LUBE DOOR LOCK, HINGES AND WINDOW GUIDES (WD-40).
  - F. FLUSH FLOOR DRAIN WITH COLD WATER ONLY FOR APPROXIMATELY 2 MINUTES. REPLACE ALL COVERS AND/OR TRAPS.
  - G. PICK UP ALL DEBRIS FROM ROOF TOP; SWEEP ROOF, CLEAN OUT DRAINS AND CLEAN UP GREASE SPILLS (CONCEPT 80'S).
  - H. CHECK OUTSIDE OPERATION OF SWAMP COOLERS;
    1. Panels in place (corrected).
    2. Water supply one (corrected)
    3. Calcium build-up on pads (cleaned). (Remove with high pressure hose or whiskbroom.)
  - I. CHECK INSIDE OPERATION OF SWAMP COOLERS
    1. Water outlets clogged (cleaned).
    2. Water trough dirty (cleaned).
    3. Fan belt off of frayed (replace).MOST SWAMP COOLERS ARE THERMOSTATICALLY CONTROLLED IN CONCEPT 80'S. CHECK FOR PROPER SETTING OF THERMOSTATS.

COOLING - - 78 DEGREES	HEATING - - 68
DEGREES	
  - J. COMPRESSOR CAGE - RECON PACK (CONCEPT 80'S ONLY):
    1. Check breaker panel (located at end of unit)\_. All breakers on? (Reset, if necessary).

2. Check all condenser coils (clean with whiskbroom).
3. Check time clock on walk-in freezer compressor for proper "time of day" setting.
4. Replace door panels.
- K. EXHAUST SYSTEMS - GRILLS/FRYERS:
  1. Systems running.
  2. Remove assembly; check fan belts; if off or frayed, replace.
  3. Empty and clean drip trays.
- L. AIR CONDITIONER:
  1. Downstairs thermostat settings at 78 & 68 degrees.
  2. Check breaker system (running).
  3. Replace filters.
- M. PORTABLE HAND FIRE EXTINGUISHERS (KITCHEN, BACKROOM, DINING ROOM, UPSTAIRS):
  1. Check indicator dial for full charge.
  2. If not charged call for service (Master Fire Protection).
- N. ENERGY MANAGEMENT SYSTEM(S):
  1. Check program clock monthly to insure correct

EXHIBIT E  
PROMISSORY NOTE

**[INSERT IF APPLICABLE: THIS NOTE IS NOT SELF-AMORTIZING AND A SUBSTANTIAL  
BALLOON PAYMENT WILL BE DUE ON THE MATURITY DATE]**

**PROMISSORY NOTE**

\$\_\_\_\_\_ [Insert Amount]  
\_\_\_\_\_, \_\_\_\_\_ [Insert Location Signed]  
\_\_\_\_\_, 20\_\_ [Insert Date]

In installments as herein stated, for value received, the undersigned (jointly and severally if more than one)("Maker") hereby promises to pay to the order of GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Payee"), with its principal business address at 7700 Irvine Center Drive, Suite #550, Irvine, California 92618, the principal sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_), with interest from the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Disbursement Date"), on the unpaid principal at the rate of \_\_\_\_\_ percent (\_\_\_%) per annum.

1. Principal and Interest. Principal and interest under this Promissory Note (this "Note") shall be payable in installments of principal and accrued interest thereon as follows:

\_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) on the \_\_\_\_\_ day of each calendar month, starting on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, and continuing until the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Maturity Date"), on which date the entire unpaid balance of principal and accrued interest shall be due and payable. Interest shall be computed on the basis of a year of 360 days and paid for actual days for which due, including the Disbursement Date and each payment date.

2. Payments, Penalties, and Prepayments.

(a) All payments of principal and interest shall be made by Maker at or prior to 10:00 A.M. on the date due at the principal business address of Payee set forth above, or as such other place as Payee may designate in writing to Maker, without offset, deduction, or counterclaim, in lawful money of the United States of America and in immediately available funds.

(b) If any payments or amounts due hereunder to Payee whether by acceleration or otherwise are overdue, Maker shall pay Payee immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of ten percent (10%) per annum, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Payee may have.

(c) Notwithstanding any provision of this Note to the contrary, it is the intent of Maker and Payee that Payee shall not at any time be entitled to receive, collect or apply, and Maker and Payee shall not be deemed to have contracted for, as interest on the principal indebtedness evidenced hereby, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and in the event Payee ever receives, collects or applies as interest any such excess, such excess shall be deemed partial payment of the principal indebtedness evidenced



hereby, and if such principal shall be paid in full, any such excess shall forthwith be paid to Maker.

[(d) This Note may be prepaid at any time, in whole or in part, without penalty or premium of any kind.]

(e) Maker shall pay Payee on demand any reasonable out-of-pocket expenses (including reasonable attorneys' fees and disbursements) arising out of, or in connection with, any action or proceeding taken to protect, enforce, determine or assert any provision, right or remedy under this Note (including any action or proceeding arising or related to any insolvency, bankruptcy or reorganization involving or affecting Maker).

3. Events of Default. An Event of Default includes each of the following:

(a) Maker shall fail to make any payment under this Note when due, where such failure continues for ten (10) days after receipt of written notice of such failure;

(b) Maker defaults in the performance of any other obligation, covenant, condition or provision in this Note, where such default continues for more than thirty (30) days after written notice of such failure;

(c) Maker or any of its principals or affiliates defaults in the performance of any obligation, covenant, condition or provision under any other agreement between Maker (or any principal or affiliate of Maker) with Payee (or any principal or affiliate of Payee) and , including without limitation any franchise agreement, equipment lease, real property lease or sublease, and any other agreement relating to Wienerschnitzel Unit #\_\_\_\_ located at \_\_\_\_\_ (collectively, the "Other Agreements"), where such default continues beyond applicable notice and cure periods (if any) set forth in the applicable Other Agreement(s);

(d) Any proceeding for attachment or garnishment or the like shall be commenced against Maker by any creditor of Maker and shall not be dismissed or stayed within ten (10) days' notice thereof from Payee to Maker;

(e) A proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of Maker or any guarantor of any indebtedness evidenced by this Note in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Maker or any such guarantor or for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days, or such court shall enter a decree order granting any of the relief sought in such proceeding; or

(f) Maker shall commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of himself or herself or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall admit in writing an inability to pay any of its debts as they become due, or shall take any action in furtherance of any of the foregoing.

4. Consequences of Event of Default. Maker agrees that upon the occurrence of an Event of Default specified in Paragraph 3 above, then the whole of the principal of the indebtedness evidenced by this Note, and any other sums then unpaid by Maker under this Note shall, at the option of Payee forthwith become due and payable without notice or any other act.

5. Cross-Default. Maker agrees that an Event of Default under this Note shall be deemed an event of default under each of the Other Agreements, and shall entitle Payee (or its affiliate(s)) to exercise the remedies in those Other Agreements (or otherwise available at law or in equity) on account of such event of default.

6. Notices.

(a) All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand, or when delivery is made by Federal Express or other overnight courier service, or three (3) business days after being mailed by registered or certified mail, return receipt requested, postage pre-paid, in each case addressed as follows: (i) if to Payee, addressed to Payee at its principal business address set forth above [, with a copy to \_\_\_\_\_]; (ii) if to Maker, addressed to Maker at \_\_\_\_\_ [insert address].

(b) Notices signed by the respective attorneys of Maker or Payee shall be deemed sufficient within the meaning of this Paragraph 6 without the signature of the parties themselves and such notice shall be deemed to have been given on the date of delivery to the addresses of the party to whom such notice is addressed.

7. Miscellaneous. Maker further agrees as follows:

(a) All parties now or hereafter liable with respect to this Note, whether Maker, any guarantor, endorser, or any other person or entity, hereby waive presentment for payment, demand, notice of nonpayment or dishonor, protest and notice of protest.

(b) No delay or omission on the part of Payee or any holder hereof in exercising its rights under this Note shall operate as a waiver of such rights or any other right of Payee or any holder hereof, nor shall any waiver by Payee or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

(c) Except as may be agreed by Payee in writing, Maker shall not have the right to assign, transfer, or pledge this Note or any of its rights or obligations under this Note. This Note shall bind Maker and the successors, heirs, executors, administrators, and permitted assigns of Maker, and the benefits hereof shall inure to the benefit of Payee and its successors and assigns. All references herein to "Maker" shall be deemed to refer to Maker and the successors and permitted assigns of Maker, and all references herein to "Payee" shall be deemed to refer initially to the originally named Payee herein and, after an assignment of this Note by Payee, to the then current holder of this Note.

(d) This Note may not be changed or terminated orally, but only by an agreement in writing signed by Maker and Payee.

(e) This Note shall be governed by and construed in accordance with the internal laws of California, without regard to its conflicts of laws principles. All actions or proceedings arising directly or indirectly hereunder, whether instituted by Maker or Payee, shall be brought exclusively in any federal or state court located within the State of California, County of Orange, and each of Maker and Payee expressly consents to the exclusive jurisdiction of any state or federal court located within said state and county, and waives any defense of forum non conveniens and irrevocably agrees to be bound by any judgment rendered thereby in connection

with this Note.

(f) The rights and remedies expressly provided in this Note are cumulative to, and not exclusive of, any rights or remedies that Payee would otherwise have.

(g) In the event of any default, claim, proceeding (including a bankruptcy proceeding), arbitration, mediation, counter-claim, action (whether legal or equitable), appeal or otherwise, whether initiated by Payee or Maker (or a debtor-in-possession or bankruptcy trustee), which arises out of, under, or is related in any way to this Note, or any Other Agreement, or any governmental examination or investigation of Maker which requires Payee's participation (individually and collectively, the "Claim"), Maker, in addition to all other sums which Maker may be called upon to pay under the provisions of this Note, shall pay to Payee, on demand, all costs, expenses and fees paid or payable in connection with the Claim, including, but not limited to, attorneys' fees and out-of-pocket costs, including travel and related expenses incurred by Payee or its attorneys, whether or not the Claim is pursued to judgment.

(h) Whenever possible, each provision of this Note will be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of this Note is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Note.

(i) Maker waives the benefit of any statute or rule of law or judicial decision, including without limitation California Civil Code Section 1654, which would otherwise require that the provisions of this Note be construed or interpreted most strongly against the party responsible for the drafting thereof.

IN WITNESS WHEREOF, Maker, intending to be legally bound, has executed this Note as of the date and year first above written.

**MAKER:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

**WITNESS/ATTEST:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

**EXHIBIT F**  
**EQUIPMENT LEASE**

## EQUIPMENT LEASE

This EQUIPMENT LEASE (this "Lease") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("Lessor"), and \_\_\_\_\_ ("Lessee").

### RECITALS

A. Lessee desires to lease from Lessor all furniture, fixtures, signs and equipment listed on attached Exhibit "A" and in any subsequent modification by Lessor and Lessee to attached Exhibit "A" incorporating the terms of this Lease (collectively, the "Equipment") on the terms and conditions set forth herein.

B. Lessor is willing to lease the Equipment to Lessee on the terms and conditions set forth herein.

### AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Lease Agreement and Term. Lessor hereby leases to Lessee and Lessee hereby leases and hires from Lessor the Equipment for a term (the "Term") commencing on \_\_\_\_\_, 20\_\_\_\_ (the "Commencement Date") and ending on \_\_\_\_\_, 20\_\_\_\_ (the "Expiration Date").

2. Rent. Lessee shall pay Lessor as rent for the Equipment, the following amounts:

(i) On or before the seventh (7th) day of each calendar month during the Term, a sum equal to \_\_\_\_\_ percent (\_\_\_\_%) of Net Sales (as defined below) for the prior calendar month (the "Net Sales Rent"); and

(ii) On the Commencement Date, and on or before the first (1<sup>st</sup>) day of each calendar month thereafter during the Term, the amount of \$\_\_\_\_\_ Dollars (prorated for any partial month) (the "Point of Sale Rent"). The Point of Sale Rent constitutes additional payments due to Lessor for point of sale and related sales reporting Equipment. .

As used herein, the term "Net Sales" means total sales of all food and other items, and any services at or originating from or connected to the Premises (as defined below), but does not include sales taxes separately shown on the customer receipt, collected and actually paid to the taxing authority, uncollected cash register over-rings, amounts received from sales which Lessee promptly refunds at a customer's request, and tips paid by a customer to an employee of Lessee in cash or by credit card (if separately shown on

the credit card invoice), to the extent actually paid to and retained by the employee.

Lessee shall record in writing all sales made on the Premises and shall furnish Lessor a reasonably detailed statement of sales and Net Sales (and showing all deductions) for each month, with such statement to be furnished on or before the seventh (7th) day of the following month, and certified by Lessee to be true and accurate.

Lessor shall have the right and option to require that all Net Sales Rent and/or the Point of Sale Rent and/or any other amounts payable by Lessee to Lessor pursuant to this Lease (collectively, "Rent") be paid by ACH transfer, other form of electronic funds transfer, or any other means selected by Lessor, in which event Lessee shall sign Lessor's Authorization Agreement for Prearranged Transfer and/or other document Lessor requests to facilitate such electronic transfer payments from Lessee's bank to Lessor.

3. Security Deposit. Lessee shall concurrently with the execution and delivery of this Lease deposit with Lessor the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "Security Deposit"), which shall be held by Lessor as security for the faithful performance by Lessee of all of the terms, covenants and conditions of this Lease to be kept and performed by Lessee during the Term. If Lessee defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of any Rent, Lessor may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any Rent in default, or for the payment of any other amount which Lessor may spend or become obligated to spend by reason of Lessee's default or to compensate Lessor for any loss or damage which Lessor may suffer by reason of Lessee's default. If any portion of the Security Deposit is so used or applied, Lessee agrees, within ten (10) days after Lessor's written demand therefor, to deposit cash with Lessor in an amount sufficient to restore the Security Deposit to its original amount and Lessee's failure to do so shall constitute a material default under this Lease. Any such application by Lessor shall not be a defense to any claim by Lessor arising out of the default. If Lessee has fully performed its obligations under this Lease throughout the Term (as the same may be extended), the Security Deposit will be reimbursed to Lessee within sixty (60) days after expiration of the Term (as the same may be extended). Neither the Security Deposit nor the application thereof by Lessor, as provided in this Section shall be a bar or defense to any action which Lessor may at any time commence for a breach of any provision of this Lease. Lessor is not required to keep the Security Deposit separate from its general funds, and Lessee is not entitled to interest on such Security Deposit. The foregoing provisions shall govern with respect to the Security Deposit and, accordingly, Lessee hereby waives the provisions of any statutory provisions that conflict with the foregoing.

4. Location. The Equipment shall at all times be located only at Wienerschnitzel Store No. \_\_\_\_\_, located at \_\_\_\_\_ (the "Premises").

5. Use. Lessee shall cause the Equipment to be used carefully and properly by competent and qualified personnel, in accordance with the applicable vendor's or manufacturer's manual of instructions. Lessee shall comply and conform with all federal, state and local laws, ordinances, and regulations in Lessee's possession, use, and maintenance of the Equipment. Lessee shall affix labels to the Equipment conspicuously noting the Equipment is owned by Lessor. Lessee shall cause the Equipment to remain at all times personal property and shall not affix any of the Equipment to the Premises in such a manner that material damage to the Premises would be caused by removal of the Equipment. Without Lessor's written permission, Lessee shall not attempt to or actually (i) pledge, lend, create a security interest in, sublet, exchange, trade, assign, swap, use for an allowance or credit or otherwise; (ii) allow another to use; (iii) part with possession; (iv) dispose of; or (v) remove from the Premises, any item of Equipment. If any item of Equipment is exchanged, assigned, traded, swapped, used for an allowance or credit or otherwise to acquire new or different equipment without Lessor's prior written consent, then all of the new equipment shall at Lessor's election become Equipment owned by Lessor subject to this Lease, in which event Exhibit "A" shall be modified accordingly.

6. Inspection; Conclusive Presumptions. Lessee shall inspect the Equipment within forty-eight (48) hours after receipt. Within this time, Lessee shall notify Lessor in writing specifying any defect in or other proper objection to the Equipment. Lessee acknowledges and agrees it shall be conclusively presumed that Lessee fully inspected and acknowledged that the Equipment is in good condition and repair, and that Lessee is satisfied with and accepted the Equipment with regard to all matters other than those set forth in a written notice given within this forty-eight (48) hours.

7. Lessor's Inspection. Lessor shall have the right at any and all times to enter into and on the Premises where any of the Equipment may be located, to inspect it or observe its use. Lessee shall give Lessor immediate notice of any attachment or other judicial process affecting any item of Equipment.

8. Alterations. Lessee shall not make any alterations, additions, or improvements to the Equipment (collectively, "Alterations") without the prior written consent of Lessor. Lessor may require any Alterations consented to by Lessor to be removed by Lessee upon expiration of the Term or sooner termination of this Lease. Lessor may at any time require removal of Alterations to which Lessor has not consented. All Alterations that Lessor does not require Lessee to remove as described above shall belong to and become the property of Lessor on the expiration, or earlier termination, of this Lease.

9. Maintenance. Lessee, at Lessee's cost and expense, shall keep the Equipment in good repair, condition, and working order, and shall furnish all parts, mechanisms, and devices to do so, and title to all of such parts, mechanisms and devices shall automatically become vested in Lessor. Lessee shall enter into a regular maintenance contract covering at least the refrigeration, air conditioning and fire extinguishing equipment. Maintenance shall be performed by a service provider authorized by the Equipment manufacturer and consented to by Lessor, and must include monthly preventive

maintenance and where available, full coverage service. The maintenance contract must start at a time no later than the expiration of any free service period provided by the Equipment's installing contractor.

10. Loss and Damage; Stipulated Loss Value. Lessee assumes and shall bear the entire risk of loss and damage to the Equipment from any and every cause. No loss or damage to the Equipment or any part thereof shall impair any obligation of Lessee under this Lease, which shall continue in full force and effect.

In the event of loss or damage of any kind, to any item of the Equipment, Lessee shall, at the option of Lessor:

- (a) Repair the damaged Equipment to place it in good repair, condition, and working order; or
- (b) Replace the damaged Equipment with equipment in good repair, condition and working order, free and clear of all liens and encumbrances and grant Lessor the right to perfect its security interest in the replacement Equipment and such replacement shall be substituted in this Lease by appropriate modification; or
- (c) If the Equipment is determined by Lessor to be lost, stolen, destroyed, or damaged beyond repair, pay Lessor a "stipulated loss value" for the Equipment in question. The stipulated loss value for each item of Equipment is (i) the original cost of such item, (ii) reduced by straight line depreciation over the useful life of such item under generally accepted accounting principles (but in no event less than seven (7) years), and (iii) the result of the foregoing then increased by ten percent (10%).

On making the payment in 10(c) this Lease shall terminate with respect to the item of Equipment paid for and Lessee shall then become the owner of such the item "AS IS, WHERE IS, WITH ALL FAULTS AND WITHOUT WARRANTY", express or implied, with respect to any matter whatsoever, and the applicable Equipment shall be removed from Exhibit "A".

11. Surrender. On expiration or earlier termination of this Lease, with respect to any item of Equipment, Lessee shall (unless Lessee paid Lessor in cash the "stipulated loss value" of the item pursuant to Section 10(c)) return the item to Lessor in good repair, condition, and working order, ordinary wear and tear from proper use excepted, in the following manner, as may be specified by Lessor:

- (a) By delivering the item at Lessee's cost and expense to the place Lessor specifies within the city or county in which the item was delivered to Lessee or to which it was moved with Lessor's written consent; or



- (b) By loading the item at Lessee's cost and expense on board the carrier that Lessor specifies and shipping the item, freight collect, to the destination designated by Lessor.

12. Insurance. Until the Equipment is returned to Lessor or as otherwise herein provided (and whether or not this Lease has terminated), Lessee, at its sole cost and expense, shall maintain: (i) property and casualty insurance insuring the Equipment for its full replacement value and naming Lessor and its assigns as the sole loss payee; and (ii) comprehensive public liability and third-party property insurance in such amounts and with such limits as Lessor may require and naming Lessor and its assigns as an additional insured. The insurance shall cover the interest of both Lessor and Lessee in the Equipment, as the case may be, and shall protect both Lessor and Lessee in respect to all risks arising out of the condition, delivery, installation, maintenance, use or operation of the Equipment. All such insurance shall provide for thirty (30) days prior written notice to Lessor of cancellation, restriction, or reduction of coverage. Lessee hereby irrevocably appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of and execute and endorse all documents, checks or drafts for loss or damage or return premium under any insurance policy issued on the Equipment. Prior to installation of the Equipment, all policies or certificates of insurance shall be delivered to Lessor by Lessee. Lessee agrees to keep the Equipment insured with an insurance company which is at least "A/IX" rated by A.M. Best. The proceeds of any loss or damage insurance shall be payable to Lessor, but Lessor shall remit all such insurance proceeds to Lessee at such time as Lessee either (i) provides Lessor satisfactory proof that the damage has been repaired and the Equipment has been restored to good working order and condition or (ii) pays to Lessor the stipulated loss value. It is understood and agreed that any payments made by Lessee or its insurance carrier for loss or damage of any kind whatsoever to the Equipment are not made as accelerated rental payments or adjustments of rental, but are made solely as indemnity to Lessor for loss or damage of its Equipment.

13. Taxes. Lessee shall pay (or, as applicable, promptly reimburse Lessor for) all license and registration fees, assessments, sales and use taxes, rental taxes, gross receipts taxes, personal property taxes, and any other taxes now or hereafter imposed by any government, agency, province or otherwise upon the Equipment, the Rent, or upon the ownership, leasing, renting, purchase, possession or use of the Equipment, whether assessed to Lessor or Lessee (collectively, "Taxes"). Lessee shall, in addition, be responsible to Lessor for the payment and discharge of any penalties or interest as a result of Lessee's actions or inactions. .

14. Lessor's Payment. If Lessee does not obtain and maintain insurance required in Section 12 or timely pay all Taxes, Lessor shall have the right, but shall not be obligated, to obtain some or all the insurance, and/or pay some or all Taxes. Lessee shall, on demand, pay or reimburse the costs to Lessor together with interest on the amounts incurred by Lessor at the rate of ten percent (10%) per annum or the maximum legal rate of interest, whichever is less. This provision for interest does not excuse Lessee's breach.

15. No Warranties. LESSEE IS LEASING THE EQUIPMENT IN ITS "AS IS" AND "WITH ALL FAULTS" CONDITION. LESSOR DOES NOT MAKE AND HEREBY DISCLAIMS ANY WARRANTIES WHATSOEVER, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. LESSEE ACKNOWLEDGES THAT IT IS NOT RELYING ON LESSOR'S SKILL OR JUDGMENT TO SELECT OR FURNISH GOODS SUITABLE FOR ANY PARTICULAR PURPOSE. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT LESSOR AND ITS REPRESENTATIVES AND EMPLOYEES HAVE NOT MADE ANY STATEMENT, REPRESENTATION OR WARRANTY RELATIVE TO THE ACCOUNTING OR TAX ENTRIES, TREATMENT, BENEFIT, USE OR CLASSIFICATION OF THIS LEASE OR THE EQUIPMENT. LESSOR SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE RELATIONSHIP BETWEEN LESSOR AND LESSEE, THIS LEASE OR THE PERFORMANCE, POSSESSION, LEASE OR USE OF THE EQUIPMENT.

16. Indemnity. To the fullest extent permitted by law, Lessee shall indemnify, protect, defend (with attorneys reasonably acceptable to Lessor) and hold Lessor and Lessor's personnel harmless, from and against any and all claims, actions, suits, proceedings, costs, expenses, damages, losses, liabilities, judgments, interest, awards, penalties, fines, costs, or expenses of whatever kind and nature, including without limitation reasonable attorneys' fees and the cost of enforcing any right to indemnification under this Lease and the cost of pursuing any insurance providers, arising out of, connected with, or resulting from

- (a) the Equipment, including without limitation the manufacture, selection, delivery, possession, adequacy of, defects in, use, effects of use, operation, maintenance, performance, or return of the Equipment, or any loss of business or other special, incidental or consequential damages whether or not resulting from any of the foregoing; or
- (b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Lessee pursuant to this Lease.

The provisions of this Section 16 shall survive the expiration, termination, cancellation or assignment of this Lease and shall be binding upon Lessee's successors and permitted assigns.

17. Default. Each of the following events is an "Event of Default" under this Agreement:

- (a) if Lessee fails to pay when due any installment of Rent or any other amount under this Lease;

(b) if Lessee defaults in the observance or performance of any other term, covenant, or condition of this Lease, on Lessee's part to be observed or performed, and Lessee fails to remedy such default within ten (10) days after notice by Lessor to Lessee of such default;

(c) if Lessee fails to observe or perform any term, covenant, or condition on Lessee's part to be observed or performed under any agreement with Lessor or its affiliates, other than this Lease, and such default continues beyond any grace period set forth in such other agreement for the remedying of such default;

(d) if Lessee's interest or any portion thereof in this Lease devolves on or passes to any person, whether by operation of law or otherwise;

(e) if Lessee:

(i) does not, or is unable to, or admits in writing its inability to, pay its debts as they become due;

(ii) commences or institutes any case, proceeding, or other action seeking relief on its behalf as debtor, or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, or relief of debtors;

(iii) commences or institutes any case, proceeding, or other action seeking appointment of a receiver, trustee, custodian, or other similar official for it or for all or any substantial part of its property; or

(iv) makes a general assignment for the benefit of creditors;

(f) if a receiver, trustee, custodian, or other similar official is appointed for any substantial part of the assets of Lessee which appointment is not vacated or stayed within thirty (30) days;

(g) if any case, proceeding, or other action is commenced or instituted against Lessee (A) seeking to have an order for relief entered against it as debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, or relief of debtors, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for it or for all or any substantial part of its property, which in either of such cases (1) results in any such entry of an order for relief, adjudication of bankruptcy or insolvency or such an appointment, or the

issuance or entry of any other order having a similar effect or (2) remains undismissed for a period of thirty (30) days;

(h) if any case, proceeding, or other action is commenced or instituted against Lessee seeking issuance of a warrant of attachment, execution, distraint, or similar process against it or all or any substantial part of its property which results in the entry of an order for any such relief which is not vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof;

(i) if Lessee takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in Sections 17(e) through (h) above; or

(j) if Lessee sells, transfers, or disposes of all or substantially all of its assets or the Premises, or merges or consolidates or reorganizes with or to any other entity, or takes or is involved in any action that results in a change in ownership or voting control of Lessee.

18. Remedies. If an Event of Default occurs, then Lessor shall have the right to pursue and enforce, alternatively, successively and/or concurrently, any one or more of the following remedies:

- (a) recover from Lessee all accrued and unpaid Rent and other amounts due and owing on the date of the default;
- (b) recover from Lessee from time to time all Rent and other amounts as and when becoming due hereunder;
- (c) accelerate, cause to become immediately due and recover the present value of all Rent (with any further Net Sales Rent based on the highest Net Sales Rent payable during any previous calendar month) and other amounts due and/or likely to become due hereunder from the date of the default to the end of the Term using a discount rate of four (4%) percent;
- (d) cause to become immediately due and payable and recover from Lessee the stipulated loss value of the Equipment which Lessee agrees is not a penalty but rather the fair measure of Lessor's loss in or damage to Lessor's interests in the Equipment and Lease caused by Lessee's default hereunder;
- (e) terminate any or all of the Lessee's rights, but not its obligations, associated with the lease of Equipment under this Lease;
- (f) retake (by Lessor, independent contractor, or by requiring Lessee to assemble and surrender the Equipment in accordance with the

provisions of Section 11 hereinabove) possession of the Equipment without terminating this Lease, free from claims by Lessee which claims are hereby expressly waived by Lessee. Any taking of possession shall not constitute termination of this Lease as to any or all items of equipment unless Lessor expressly notifies Lessee in writing, and Lessee shall be and remain liable for the full performance of all obligations to be performed by Lessee under this Lease. Upon repossession of the Equipment, Lessor shall have the right to lease, sell or otherwise dispose of such Equipment in a commercially reasonable manner, with or without notice, at a public or private sale. Lessor's pursuit and enforcement of any one or more remedies shall not be deemed an election or waiver by Lessor of any other remedy. Lessor shall not be obligated to sell or re-lease the Equipment. Any sale or re-lease may be held at such place or places as are selected by Lessor, with or without having the Equipment present. Any such sale or re-lease, may be at wholesale or retail, in bulk or in parcels. Time and exactitude of each of the terms and conditions of this Lease Agreement are hereby declared to be of the essence. Lessor may accept past due payments in any amount without modifying the terms of this Lease Agreement and without waiving any rights of Lessor hereunder;

- (g) proceed by court action to enforce performance by Lessee of its obligations associated with this Lease; and/or .
- (h) pursue any other remedy Lessor may otherwise have, at law, equity or under any statute, and recover damages and expenses (including attorneys' fees) incurred by Lessor by reason of the Event of Default.

19. Bankruptcy. Neither this Lease nor any interest therein is assignable or transferable by operation of law. If any proceeding under the Bankruptcy Act is commenced by or against Lessee, or if Lessee is adjudged insolvent, or if Lessee makes any assignment for the benefit of creditors, or if a writ of attachment or execution is levied on any item or items of Equipment and not released or satisfied within ten (10) days, or if a receiver is appointed in any proceeding or action to which Lessee is a party with, authority to take possession or control of any item or items of Equipment, Lessor shall have and may exercise any one or more remedies; and this Lease shall, at Lessor's option, without notice, immediately terminate and shall not be treated as an asset of Lessee after the exercise of Lessor's choice of action.

20. Legal Fees and Costs. In the event of any default, claim, proceeding (including a bankruptcy proceeding), arbitration, mediation, counter-claim, action (whether legal or equitable), appeal or otherwise, whether initiated by Lessor or Lessee (or a debtor-in-possession or bankruptcy trustee), which arises out of, under, or is related in any way to this Lease, or any other document, agreement or instrument executed pursuant hereto or in connection herewith, or any governmental examination or investigation of Lessee,

which requires Lessor's participation (individually and collectively, the "Claim"), Lessee, in addition to all other sums which Lessee may be called upon to pay under the provisions of this Lease, shall pay to Lessor, on demand, all costs, expenses and fees paid or payable in connection with the Claim, including, but not limited to, attorneys' fees and out-of-pocket costs, including travel and related expenses incurred by Lessor or its attorneys, whether or not the Claim is pursued to judgment.

21. Assignment; Successors. Without Lessor's prior written consent of Lessor, which may be withheld by Lessor in its sole discretion, Lessee shall not assign, transfer, pledge, or hypothecate this Lease, the Equipment, or any part thereof, or any interest therein, or sublet or lend any or all Equipment, or permit any or all Equipment to be used by anyone other than Lessee or Lessee's employees. Consent to any of the foregoing prohibited acts applies only in the particular instance; and is not consent to any subsequent like act by Lessee or any other person. Lessor may assign this Lease or mortgage the Equipment and the assignee may assign the same in whole or in part. All rights of Lessor may be assigned, pledged, mortgaged, transferred, or otherwise disposed, in whole or in part, without notice to Lessee. If Lessor assigns this Lease or rentals due or to become due or any other interest, whether as security for indebtedness or otherwise, no breach or default by Lessor pursuant to this Lease or any other agreement, shall excuse performance by Lessee. An assignee of Lessor shall not be obligated to perform any duty, covenant or condition of Lessor under this Lease unless the assignee agrees to do so, but if the assignee agrees to do so, the original Lessor hereunder shall not be liable for any of the obligations of "Lessor" under this Lease thereafter arising. Subject to the foregoing, this Lease benefits and binds Lessor and Lessee and their heirs, legatees, personal representatives, successors, and permitted assigns.

22. Ownership. Lessee shall have no ownership right, title or interest in or to the Equipment except as expressly set forth in this Lease. Lessor shall have the right to file a UCC-1 Financing Statement and other statements and notices with government entities.

23. Personal Property. The Equipment is, and shall at all times be and remain personal property even though the Equipment or any part may now be, or hereafter become, affixed or attached to, imbedded in, or permanently resting on, real property or any building, or attached by cement, plaster, nails, bolts, screws, or otherwise to what is permanent.

24. Interest; Late Charge. Any monies due to Lessor by Lessee pursuant to this Lease shall be deemed delinquent if not paid on the date provided for in this Lease, time being of the essence. If Lessee fails to pay on time, the delinquent amount shall bear interest at the lesser of the maximum lawful rate of interest for a non-personal loan in the state where the Equipment is located or ten percent (10%) per annum from the date due until the date of payment. Lessee shall also pay Lessor a late charge equal to ten percent (10%) of the delinquent amount. Lessee agrees these amounts are reasonable compensation to Lessor for delayed use of funds and additional services and expenses required due to failure to pay on time. These payments do not excuse any breach.

25. Net Lease; No Offset. This Lease is a net lease and Lessee's obligation to pay all Rent and other amounts under this Lease is absolute and unconditional and is not subject to any abatement, counterclaim, defense, deferment, interruption, recoupment, reduction, or setoff for any reason whatsoever. To the extent that the Equipment includes intangible (or intellectual) property, Lessee understands and agrees that: (i) Lessor is not a party to and does not have any responsibility under any software license and/or other, agreement with respect to any software; and (ii) Lessee will be responsible to pay all of the Rent and perform all its other obligations under this Lease despite any defect, deficiency, failure, termination, dissatisfaction, damage or destruction of any software or software license. Except as expressly provided herein, this Lease shall not terminate for any reason, including any defect in the Equipment or Lessor's title thereto or any destruction or loss of use of any item of Equipment.

26. Non-waiver. No covenant or condition of this Lease can be waived except by written consent of Lessor. Forbearance or indulgence by Lessor shall not be a waiver of the covenant or condition to be performed by Lessee and Lessor shall be entitled to invoke any remedy available to Lessor under this Lease or by law or equity despite the forbearance or indulgence.

27. Hold-Over. If, with Lessor's consent, Lessee holds possession of the Equipment after expiration of the Term, Lessee shall become a lessee from month to month on the terms herein specified but at a monthly Rent of two hundred percent (200%) of the previous month's minimum monthly Rent.

28. Entire Agreement. This Lease contains all terms and conditions agreed by the parties regarding its subject. No other agreements, oral or otherwise, shall be deemed to exist or bind the parties and all prior agreements, understandings and representations are merged into and superseded by this Lease. Lessee represents that there are no other contemporaneous agreements or understandings between the parties that are stated herein. No officer or employee or agent of Lessor has authority to make any representation or promise not stated in this Lease, and Lessee acknowledges and agrees that Lessee executed this Lease without relying on any such purported representation or promise. This Lease cannot be modified or changed except by written instrument signed by all parties.

29. Governing Law; Jurisdiction. This Lease shall be governed by the laws of the State of California, without regard to it conflict of laws principles. The undersigned and the holder hereof hereby agree that all actions or proceedings arising directly or indirectly hereunder, whether instituted by the holder hereof or the undersigned, shall be brought exclusively in any federal or state court located within the State of California, County of Orange, and each of the undersigned and the holder hereof expressly consents to the exclusive jurisdiction of any state or federal court located within said state and county, and waives any defense of forum non convenience and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Lease.

30. Severability. Whenever possible, each provision of this Lease will be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of this Lease is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Lease.

31. No Strict Construction. The undersigned hereby waives the benefit of any statute or rule of law or judicial decision, including without limitation California Civil Code Section 1654, which would otherwise require that the provisions of this Lease be construed or interpreted most strongly against the party responsible for the drafting thereof.

32. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand, or when delivery is made by Federal Express or other overnight courier service, or three (3) business days after being mailed by registered or certified mail, return receipt requested, postage pre-paid, in each case addressed as follows: (i) if to Lessor, addressed to Lessor at the address set forth under its signature below; and (ii) if to Lessee, addressed to Lessee at the address set forth under its signature below. Notices signed by the respective attorneys of Lessor or Lessee shall be deemed sufficient without the signature of the parties themselves. Each party may change its notice address by notice to the other given in accordance with the foregoing.

33. Number. Whenever the context of this Lease requires, the singular number includes the plural. If more than one Lessee is named in the Lease, the liability of each shall be joint and several.

34. Titles. Titles to paragraphs of this Lease are solely for convenience, and are not an aid in the interpretation of the instrument.

35. Time. Time is of the essence of this Lease and each and all of its provisions.

36. Counterparts. This Lease may be executed in counterparts, each of which is deemed an original, but all of which together is deemed to be one and the same agreement. A signed copy of this Lease delivered by facsimile, email, or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Lease.

[Signature Page Follows]



IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease effective as of the date first above written.

LESSOR:

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: GALARDI GROUP FRANCHISE & LEASING, INC.,  
a California corporation, its Managing Member

By: \_\_\_\_\_  
General Counsel

ADDRESS:

7700 Irvine Center Drive, Suite 550  
Irvine, California 92618

LESSEE:

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

ADDRESS:

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

Exhibit "A"

List of Equipment

[to be attached]

Exhibit F

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT (DIRECT DEBIT)**

\_\_\_\_\_  
(COMPANY NAME)

NAME OF BANK \_\_\_\_\_

NAME OF BRANCH, IF ANY \_\_\_\_\_

ADDRESS OF BANK \_\_\_\_\_

ACCOUNT IN THEN AME OF \_\_\_\_\_

ACCOUNT # \_\_\_\_\_

The undersigned requests and authorizes you to pay and charge to the above account the undersigned's checks drawn on the account by and payable to the order of Galardi Group Franchise & Leasing, LLC, provided there are sufficient collected funds in the account to pay the same on presentation. Your rights with respect to any check so drawn shall be the same as if it were drawn on you and signed by the undersigned. It will not be necessary for any officer or employee of \_\_\_\_\_ to sign such checks. This authority remains in effect until revoked by me in writing and until you receive such notice, I agree that you shall be fully protected in honoring any such check.

If any such check is dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Bank Signature of Depositor)

(Attach Voided Check Here)

EXHIBIT G  
GUARANTY

## CONTINUING GUARANTY & SUBORDINATION AGREEMENT

### 1. CONTINUING GUARANTY.

\_\_\_\_\_ ("Guarantor(s)")  
whose address is \_\_\_\_\_ as a material  
inducement to and in consideration of GALARDI GROUP FRANCHISE & LEASING, LLC ("GGFL") and  
GALARDI GROUP FRANCHISE CORP. ("GGFC") entering into agreements with  
\_\_\_\_\_ ("Obligor"), including but not  
limited to the agreements described on attached Exhibit A, unconditionally guarantees and promises  
to and for the benefit of GGFL and GGFC the timely, full and faithful performance of all provisions of all  
agreements, any and all amendments and any and all addendums thereto, and any other agreements  
now or later after made between, on the one hand, GGFL and/or GGFC and on the other hand, Obligor  
(the "Agreements") and all obligations now or later undertaken or arising of Obligor to GGFL and/or  
GGFC. This is a CONTINUING GUARANTY of all present and future obligations of Obligor to GGFL  
and GGFC, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or  
undetermined, and whether Obligor may be liable individually or jointly with others, or whether recovery  
on the obligations may be or become barred by any statute of limitations, or by any estoppel, or whether  
such obligations may be or become unenforceable for any other reason.

a) Guarantor(s)' obligations under this Guaranty are joint and several and independent of the  
obligations of Obligor. Guarantor(s) consent that a separate action or actions may be brought and  
prosecuted against Guarantor(s) whether or not action is brought against Obligor or whether or not  
Obligor is joined in such action or actions. Guarantor(s) waive the benefit of and promise not to assert  
the defense of any statutes of limitations or defense of laches affecting their liability hereunder or  
enforcement hereof.

b) Guarantor(s) waive any right to require GGFL or GGFC to: (a) proceed first against Obligor;  
(b) proceed at all against Obligor; (c) proceed against or exhaust any security held from Obligor; or (d)  
pursue any other remedy in GGFL's or GGFC's power. Guarantor(s) waive any defense arising by  
reason of any disability or other defense of Obligor or by reason of the cessation from any cause  
whatsoever of the liability of Obligor or by reason of GGFL or GGFC having modified the obligations of  
Obligor, whether expressly or impliedly, orally or in writing, or by reason of GGFL or GGFC not having  
notified Guarantor(s) of Obligor's breach or impending breach or failure or impending failure to perform,  
or by reason of GGFL or GGFC negotiating resolution with Obligor, or by reason of any act of omission  
of GGFL or GGFC being claimed to affect Guarantor(s) right or remedies as against Obligor, or as  
against any other person or entity.

c) Until all obligations of Obligor to GGFL and GGFC have been satisfied in full, Guarantor(s)  
shall have no right of subrogation, and waive any right to enforce any remedy which GGFL or GGFC  
now have or may later have against Obligor, and waive any benefit of, and any right to participate in  
any security now or later held by GGFL or GGFC. GGFL and/or GGFC may foreclose, either by judicial  
foreclosure, or by exercise by power of sale, any security for the obligations. Even though foreclosure  
may destroy or diminish Guarantor(s)' rights against Obligor, Guarantor(s) shall be liable to GGFL and  
GGFC for any part and for all of the obligations remaining after foreclosure. Guarantor(s) waive all  
presentments, demands for performance, notice of non-performance, protest, notices of protest,  
notices of dishonor, and notices of acceptance of this Guaranty and of the existence, creation, or  
incurring of new or additional obligations, or modification of obligations, and statute of limitations and  
laches defenses.

d) In addition to all liens on, and rights of set-off against the monies, securities or other property of Guarantor(s) given to GGFL and GGFC by law, GGFL and GGFC shall have a lien on and right of set-off against all monies, securities and other property of Guarantor(s) now or later in the possession of or on deposit with GGFL and GGFC, whether held in a general or special account or deposit, or for safekeeping, or legally or equitably, directly or in trust, or otherwise; and every such lien and right of set-off may be exercised without demand on or notice to Guarantor(s). No lien or right of set-off shall be deemed to have been waived by any act or conduct on the part of GGFL or GGFC or by neglect to exercise such right of set-off or to enforce such lien, or by any delay in doing so or by any omission and every right of set-off and lien shall continue in full force and effect until such right of set-off or lien is specifically, expressly waived or released by an instrument in writing executed by GGFL and GGFC.

## 2. SUBORDINATION.

Any indebtedness or obligation of Obligor now or later held by or acquired by Guarantor(s) is hereby subordinated to the indebtedness or obligation of Obligor to GGFL and GGFC. Such indebtedness or obligation of Obligor to Guarantor(s), if GGFL and GGFC request, shall be collected, enforced and received by Guarantor(s) as trustees for GGFL and GGFC and shall be paid over to GGFL and GGFC on account of the indebtedness or other obligation of Obligor to GGFL and GGFC but without reducing or effecting in any manner the liability of Guarantor(s) under the other provisions of this Guaranty.

## 3. ATTORNEY'S FEES.

Guarantor(s) agree to pay reasonable attorney's fees and other costs and expenses which may be incurred by GGFL and/or GGFC in the enforcement of this Guaranty and or in collection and enforcement efforts against Obligor.

## 4. MISCELLANEOUS.

a) It is not necessary for GGFL and GGFC to inquire into the powers of Obligor or the members, managers, officers, directors or agents acting or purporting to act on behalf of the obligator, and any agreements or obligations made or created in reliance on the professed exercise of such power shall be guaranteed hereunder.

b) Any married person who signs this Guaranty agrees that recourse may be had against that person's separate property and that person's interest in community property for all obligations under this Guaranty.

c) This Guaranty shall bind and benefit the successors, assignees, transferees, personal representatives, heirs, or other persons or entity succeeding the rights or obligations of either party.

d) This Guaranty shall be interpreted and construed according to the laws of the State of California. The provisions of this Guaranty shall be interpreted according to their fair meanings with liberal construction to be given in favor of GGFL and GGFC as needed to advance the enforcement of this Guaranty against Guarantor(s) and not strictly for or against any party.

e) The following in this Section 4(e) is applicable only in the case of any Guarantor(s) having an interest in the Franchise that is subject to this Guaranty and completing a transfer of all Guarantor(s)'

interests in the Franchise and only if indicated by the blanks being filled in and this paragraph being specially initialed. Notwithstanding anything to the contrary in this Guaranty, Guarantor's obligations and liabilities under this Guaranty shall be limited so as not to exceed the extent of Guarantor(s)' obligations and liabilities in relation to the agreements as then exist on the effective date of the transfer (which is acknowledged to be \_\_\_\_\_, 20\_\_) and Guarantor's obligations and liabilities under this Guaranty shall terminate and be of no further force or effect after \_\_\_\_\_, 20\_\_.

Initials of Guarantor(s): \_\_\_\_\_

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

GUARANTOR(S):

PERCENTAGE OF OWNERSHIP  
IN FRANCHISE OWNER

\_\_\_\_\_

\_\_\_\_\_

EXHIBIT "A"

1. Franchise Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.
2. Sublease dated the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.
3. Advertising Association Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.
4. Equipment Lease dated the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.
5. Other agreement(s) and/or obligations (list here):

EXHIBIT G



**EXHIBIT H**  
**ADVERTISING ASSOCIATION AGREEMENT**

STORE # \_\_\_\_\_

## WIENERSCHNITZEL ADVERTISING ASSOCIATION AGREEMENT

This AGREEMENT is made and entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("Operator") and other participating operators in the area described below, collectively referred to as Wienerschnitzel Operators' Association of \_\_\_\_\_ ("Association") and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL") with reference to the following facts:

Operator is the franchisee under a Franchise Agreement that requires Operator to become a member of an advertising association approved by GGFL. Wienerschnitzel Operators' Association of \_\_\_\_\_ is approved by GGFL and was formed to develop and implement regional advertising for participating Wienerschnitzel units in its area. Accordingly, the parties have agreed as follows:

1. Purpose. The Association has been, or is hereby formed between Operator, other operators in the area described below and GGFL for the purpose of establishing, supervising, and implementing joint, region-wide advertising and promotion programs for the mutual benefit of all operators in the Association and for the benefit of GGFL.

2. Region. The area to be covered by the Association and this Agreement shall be the Designated Market Area ("DMA") as established from time to time by Nielsen, provided that GGFL shall always have the right to alter the area or specify an area with modified or different boundaries, which may be geographic, non-geographic, or a combination thereof.

3. Term. This Agreement shall be effective and Operator's obligations shall start on either the date of Operator's possession of a Wienerschnitzel unit or execution of this Agreement and shall expire on the earlier of: (i) expiration or termination of Operator's Franchise Agreement; (ii) termination (not vetoed by GGFL) by a two-thirds (2/3) majority vote of all operators that are then members of the Association; (iii) judicial determination, or (iv) notice of termination from GGFL.

4. Advertising Agency. From time to time the Association shall select an advertising agency to carry out the Association's programs. The appointment shall be subject to GGFL approval. GGFL shall have the right to impose conditions to approval and to later revoke approval. The advertising agency shall be required to conform to guidelines issued by GGFL.

5. Officers. The Association shall have a President, at least one Vice President, and a Treasurer, all of whom shall be elected at the Association's first meeting and shall hold office for one (1) year and until successors are elected. The President shall call and preside at all meetings and shall generally act as administrator of the Association. The Vice President shall assist the President. The Vice President (or, if there is more than one, the First Vice President) shall act as President in case of the President's death, disability that prevents the President from fulfilling the duties of President, resignation or removal of the President from office. The Treasurer shall maintain all records, financial or otherwise, of the Association and shall deposit all Association monies in the name of the Association in a federal, or state chartered, FDIC-insured bank. The Treasurer shall issue checks against these monies to pay the Association's debts. Checks shall be signed by the President or Vice President. The Association may, if it so chooses, require that all checks, or all checks above a specified amount, must be signed by at least two officers.

6. Advertising Committee. The President, any Vice President(s) and Treasurer shall be designated as the Advertising Committee for the Association. The Committee shall have responsibility for:

- (a) Coordinating meetings of the Association;
- (b) Making recommendations to the Association for advertising campaigns;
- (c) Approving media schedules in support of advertising campaigns;
- (d) Budgeting Association monies in coordination with the advertising agency;
- (e) Reviewing national and local campaigns and sales promotion activities for use by the Association;
- (f) Developing specific advertising and promotion activities on a regular basis for the Association;
- (g) Reviewing and/or auditing and overseeing the Treasurer's reporting on the Association's revenues and expenditures;
- (h) Causing the Association to pursue enforcement and collection activities and actions.

On approval of advertising activities as provided below, the Advertising Committee may spend the necessary money on one, or more than one, of the programs recommended nationally by GGFL and such locally developed Association programs as may be approved in writing by GGFL.

7. Meetings. The Association shall meet at regular intervals, as determined by the President, approximately every ninety (90) days. In any given calendar year at least four (4) meetings shall be held.

8. Quorum. A majority of the members entitled to vote shall constitute a quorum. A quorum of the Association may conduct all business the Association is empowered to conduct.

9. Vote. Each operator will be entitled to one (1) vote regardless of the number of units operated.

10. Approval of Advertising Activities. Association members shall vote on advertising campaigns, promotions and related activities that are presented by the Advertising Committee in conjunction with the advertising agency. A majority vote of a quorum of operators entitled to vote at a duly called meeting will be required to approve promotions, campaigns and related activities. In case of a tie vote, a representative of GGFL may place the deciding vote.

11. Participation. Each operator has the option to participate in any advertising and promotion programs which may include but are not necessarily limited to, use of point of sale signs and posters, purchase and distribution of premiums, and acceptance of redeemable coupons. Each operator must pay the contribution as provided herein whether or not the operator elects to participate in various advertising activities.

12. Assessments and Contributions. Each operator shall contribute to the Association, or its designee, on a monthly basis, or more frequently as may be determined by the Association, an amount

equal to three percent (3%) of the net sales of the prior month (or, for more frequent contributions, prior shorter period determined by the Association), or an amount equal to the percentage contribution then in effect and required to be paid by members of the Association, whichever is higher, of the net sales of the prior month (or other shorter period as determined by the Association). Such payment shall be due and payable by the fifteenth (15<sup>th</sup>) day of the calendar month (or other more frequent due date as determined by the Association) following the month (or other applicable period) for which the contribution is required.

In addition to the above, Operator shall contribute one percent (1%) net sales to GGFL for national/regional advertising. This sum shall be paid directly to GGFL on or before the seventh (7<sup>th</sup>) day of the calendar month following the month for which the contribution is required, and pursuant to the terms of Operator's Franchise Agreement with GGFL. GGFL reserves the right to designate shorter periods and more frequent due dates for payment of the contribution for national/regional advertising.

The Association may vote to increase or decrease the percentage contribution due to the Association. But, in no event shall the percentage contribution be less than three percent (3%) of the prior month's net sales. Any change in the percentage contribution will not relieve Operator of the advertising obligations in the Franchise Agreement with GGFL.

If any contribution is not received by the Association within ten (10) days after the due date, Operator agrees to pay a late charge equal to ten percent (10%) of the amount due and interest on the principal amount at the rate of one-and-one-half percent (1½%) per month (18% per year) or, if less, the highest legal rate of interest in the state in which the delinquent operator's unit(s) are located, or if located in more than one state, the state in which Operator is a resident.

The Association may vote to require contributions to be made by automated clearing house (ACH) or other electronic and/or automatic means of payment. GGFL shall have the right to require contributions for national/regional advertising to be made by automated clearing house or other electronic and/or automatic means of payment.

13. Financial Accountability. All members of the Association will be provided, on a regular and timely basis, but, at least quarterly, a financial statement to include, but not limited be to, a statement of receipts and disbursements and a complete list of Association accounts receivable and accounts payable. The Treasurer, under supervision of the Advertising Committee, will be responsible for issuance and accuracy of these reports.

14. Taxes. The Association shall be responsible to pay any federal or state income taxes and any other taxes chargeable to the Association or its members by reason of membership in or participation in the activities of the Association.

15. Defaults. Operator acknowledges and agrees that any violation of this Agreement shall be a default under the Franchise Agreement between Operator and GGFL and shall entitle GGFL to pursue any and all remedies available on account of such default.

16. Enforcement. The Association shall enforce the collection of all sums due to the Association pursuant to this Agreement. The Association is authorized to expend such sums as may be required to carry out such duties.

17. Attorney's Fees. Operator agrees to pay the Association reasonable attorney's fees and costs if the Association is the prevailing party in any action brought between the Association and Operator.

18. Replacement. This Agreement supersedes and replaces all prior advertising agreements in the region described in Paragraph 2 above.

19. Benefit. This Agreement shall bind and benefit the parties and their heirs, executors, administrators, or permitted assigns.

20. Conflict. If there is an Association that covers the DMA in which this restaurant is located, and such Association has bylaws, or minutes, that conflict with any of the terms and conditions of this Agreement, then the language of such bylaws or minutes shall control.

21. Counterparts. This Agreement may be executed in any number of counterparts, with the same effect as if all parties executed a single instrument.

This Agreement shall be deemed to have been executed at \_\_\_\_\_, the day and year first above written.

PARTICIPATING OPERATOR:

WIENERSCHNITZEL OPERATORS'  
ASSOCIATION OF

WIENERSCHNITZEL NO. \_\_\_\_\_

\_\_\_\_\_

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

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

GGFL:

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING, INC.

By: \_\_\_\_\_  
Thomas J. Haldorsen, General Counsel

\_\_\_\_\_  
Address

**EXHIBIT I**  
**PROMOTIONAL ALLOWANCE ASSIGNMENT**

## PROMOTIONAL ALLOWANCE ASSIGNMENT AGREEMENT

This AGREEMENT is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between GALARDI GROUP FRANCHISE & LEASING, LLC ("GGFL") and the following  
Wienerschnitzel franchisee or limited franchisee:  
\_\_\_\_\_  
("Franchisee").

### APPLICABLE IF FRANCHISEE IS A WIENERSCHNITZEL FULL FRANCHISEE:

1. Pursuant to Section 9 of the Franchise Agreement between the parties, Franchisee is obligated to pay a percentage of Net Sales of the restaurant toward advertising and marketing promotions. For this Agreement, Net Sales has the meaning in the Franchise Agreement.

2. As an additional advertising and marketing obligation, Franchisee transfers, assigns and conveys to GGFL all Franchisee's right, title and interest in and to any marketing or promotion allowances which Franchisee is or may become entitled to from any manufacturer, supplier, distributor, purveyor, vendor or other provider of products or services ("Supplier"). Each Supplier and its subsidiaries, agents or assigns is hereby directed and authorized to remit and deliver all marketing or promotion allowance payments directly to GGFL, unless otherwise notified in writing by GGFL.

### APPLICABLE IF FRANCHISEE IS A WIENERSCHNITZEL LIMITED FRANCHISEE:

3. In consideration for GGFL implementing an overall marketing plan in accordance with Section 7 of the Operator Agreement between the parties, Franchisee transfers, assigns and conveys to GGFL all Franchisee's right, title and interest in and to any marketing or promotion allowances which Franchisee is or may become entitled to from any manufacturer, supplier, distributor, purveyor, vendor or other provider of products or services ("Supplier"). Each Supplier and its subsidiaries, agents or assigns is hereby directed and authorized to remit all marketing or promotion allowance payments directly to GGFL unless otherwise notified in writing by GGFL.

### APPLICABLE TO BOTH FULL FRANCHISEES AND LIMITED FRANCHISEES:

4. The funds may be co-mingled with GGFL's general revenues and funds; but such amounts shall be used and disbursed by GGFL for advertising, public relations and/or promotion activities and/or creation and development of advertising and promotion programs seeking to promote, enhance and/or advertise the chain on a national, regional and/or local basis. The fees shall also be used to reimburse GGFL for administrative costs, advertising agency fees, legal and overhead expenses connected with administration of advertising, public relations and promotion.

5. This Agreement is binding on the parties for the entire period of Franchisee's current franchise term, any extensions or renewals, or any future Franchise Agreements to which Franchisee may be or become a party.

6. Any election by GGFL not to enforce or any delay in enforcing this Agreement or any particular term(s) of this Agreement shall not constitute a waiver of the right to future enforcement of this Agreement or such term(s). Franchisee waives any defense or claim of waiver, waiver by delay, waiver by laches or the like.

## EXHIBIT I

7. Franchisee shall execute further instruments and documents and take further actions that GGFL requests from time to time to affirm, reaffirm and assist in giving effect to this Agreement, including but not limited to executing further instructions to manufacturers, suppliers, distributors, purveyors and vendors of products and services.

8. In the event of any act or omission by Franchisee that disrupts or delays delivery of the funds to GGFL, or receipt or retention by Franchisee of any such funds without immediately turning the funds over to GGFL, Franchisee shall be obligated to compensate GGFL for delay by delivering the funds and paying interest on the funds at the rate of one-and-one-half percent (1½%) per month (which equates to 18% per year) from the date when the funds would or should have been received by GGFL absent such act or omission, whichever is earlier, until GGFL actually receives possession of the funds.

9. If any legal action or other proceeding is brought for the enforcement of this Agreement, or for a declaration of rights or duties, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

10. Headings in this Agreement are part of the Agreement to explain which provisions are applicable.

EXECUTED at Irvine, California on the date stated in the introductory paragraph.

**GGFL:**

**FRANCHISEE:**

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

WIENERSCHNITZEL NO. \_\_\_\_\_

By: Its Managing Member

GALARDI GROUP FRANCHISE &  
LEASING, INC., a California corporation

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

By: \_\_\_\_\_  
Its: General Counsel

\_\_\_\_\_  
City and State



**EXHIBIT J**  
**CONSENT TO TRANSFER**

## **CONSENT TO TRANSFER AGREEMENT**

GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL"), and GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC"), consent to the transfer by \_\_\_\_\_ ("Transferor"), of all Transferor's right, title and interest in the assets of Wienerschnitzel Unit No. \_\_\_\_\_, located at \_\_\_\_\_, to \_\_\_\_\_, Social Security # \_\_\_\_\_ ("Transferee") but these consents of GGFL and GGFC are subject to the following conditions:

1. As of the closing date, the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, as amended, between GGFL and GGFC and Transferor is terminated and Transferee shall execute GGFL and GGFC's current form of Franchise Agreement ("Current Franchise Agreement") in the form attached as Exhibit "A."

2. As of the closing date, the Sublease dated \_\_\_\_\_, \_\_\_\_\_, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Sublease ("Current Sublease") in the form attached as Exhibit "B."

3. As of the closing date, the Equipment Lease dated \_\_\_\_\_, \_\_\_\_\_, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Equipment Lease ("Current Equipment Lease") in the form attached as Exhibit "C."

4. As of the closing date, the Advertising Association Agreement dated \_\_\_\_\_, \_\_\_\_\_, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Advertising Association Agreement ("Advertising Agreement") in the form attached as Exhibit "D."

5. As of the closing date, the Promotional Allowance Assignment dated \_\_\_\_\_, \_\_\_\_\_, as amended, between GGFL and Transferor is terminated and Transferee shall execute the current form of Promotional Allowance Assignment ("Promotional Allowance Assignment") in the form attached as Exhibit "E."

6. If Transferee is a corporation, limited liability company, limited or general partnership or other entity, then as of the closing date, Transferee shall execute the Continuing Guaranty ("Continuing Guaranty") in the form attached as Exhibit "F."

7. As of the closing date, Transferor shall execute the Continuing Guaranty and Subordination Agreement ("Continuing Guaranty and Subordination Agreement") in the form attached as Exhibit "G."

8. Transferor shall indemnify, defend and hold harmless GGFL and GGFC and the respective owners, shareholders, members, managers, directors, officers, employees, Franchisees, and personnel of each of them from and against any causes of action, claims or actions brought by third parties, including but not limited to federal, state and local governments, vendors and suppliers, on account of obligations for any actions or conduct or omissions of Transferor or liabilities of Transferor occurring without act or omission, arising from or relating to the operation or related activity or omission, of Unit No. \_\_\_\_\_ by Transferor. Transferor represents and warrants that all third parties shall be timely

paid any sums due them. This indemnity shall extend to and also include attorney's fees and costs that may be incurred by GGFL and/or GGFC on account of claims or causes brought by any such third parties.

9. Except for warranties, representations, indemnities, defense and hold harmless obligations, and except for covenants in this Agreement and/or in any other written agreements between GGFL and/or GGFC and Transferor not expressly terminated herein, Transferor, GGFL and GGFC release and discharge each other and each and all persons acting by, through, under or in concert with them, or any of them, from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense of any nature whatsoever, known or unknown, fixed or contingent, which the undersigned now have or may later have from the beginning of time to the date of this Agreement, including but not limited to the matters, causes or things pertaining to or arising out of the Franchise Agreement, Sublease, Equipment Lease, Advertising Association Agreement and Wienerschnitzel Promotional Allowance Assignment dated \_\_\_\_\_, \_\_\_\_\_, referenced above.

10. Each party is familiar with Section 1542 of the California Civil Code, which provides:

"A General Release does not extend to claims which his 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."

11. The parties intend that this Agreement be construed as a General Release, and the parties expressly waive the provisions of Section 1542 of the California Civil Code and any right they may have to invoke the provision or any similar provision or common law rule now or in the future. Each party acknowledges that it or he or she cannot later make any further claims or seek any further recovery of any nature from the other for any matter, cause or thing, including those based on, arising out of, or in connection with the Agreements referenced above.

12. The parties intend this Agreement to be effective as the full and final accord and satisfaction of all matters described herein.

13. This Agreement benefits and binds the undersigned parties and their heirs, assigns and other successors-in-interest.

14. Transferor and Transferee each acknowledge that he or she or it may and should consult independent legal counsel for advice in connection with the negotiation and execution of this Agreement. Transferor and Transferee either (a) consulted independent legal counsel, or (b) made the decision not to do so.

15. The provisions of this Agreement shall be interpreted and construed according to their fair meanings and not strictly for or against any party.

16. Transferee agrees to execute prior to and after closing and such agreements, documents and other instruments as may be necessary or helpful to confirm or further carry out the provisions of this Agreement.

17. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby.

18. This Agreement is the entire agreement and understanding between the parties concerning its subject matter, and merges and supersedes all prior negotiations, proposed agreements and agreements, written and oral, relating thereto. Each party acknowledges that no other party nor any agent or attorney of any party, made any promise, representation or warranty whatever, express or implied, not stated herein concerning the subject matter hereof, to induce any party to execute this Agreement.

19. If any legal action or other proceeding is brought for the enforcement of this Agreement, or for a declaration of rights or duties, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

20. Time is of the essence of each agreement and covenant contained herein.

21. This Agreement shall in all respects be interpreted, enforced and governed by the laws of the State of California.

The parties have executed this Agreement on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

GGFL & GGFC:

TRANSFEROR:

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

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

By: Its Managing Member

\_\_\_\_\_  
GALARDI GROUP FRANCHISE & LEASING, INC.,  
a California corporation

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

\_\_\_\_\_  
General Counsel

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

TRANSFeree:

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

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

\_\_\_\_\_  
General Counsel

## Attachments – Exhibits

Attach as Exhibit A, the Current Franchise Agreement

Attach as Exhibit B, the Current Sublease

Attach as Exhibit C, the Current Equipment Lease

Attach as Exhibit D, the Advertising Agreement

Attach as Exhibit E the Promotional Allowance Assignment

Attach as Exhibit F the Continuing Guaranty

Attach as Exhibit G the Continuing Guaranty and Subordination Agreement

**EXHIBIT K**

**FRANCHISOR'S RIGHT TO CURE DEFAULT**  
**(LENDER)**

## **RIGHT TO CURE DEFAULT** **(LENDER)**

This AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("Franchisee"), \_\_\_\_\_ ("Lender"), GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC") and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL"), with reference to the following facts:

### **BACKGROUND**

Franchisee owns a certain parcel of real property on which a Wienerschnitzel® restaurant shall be constructed and operated by Franchisee. To construct the Wienerschnitzel® restaurant on that property, Franchisee obtained financing from Lender. Lender placed or will place encumbrances against the property and restaurant to be constructed there. To maintain continuity of operations of the restaurant and protect and maintain the reputation of the Wienerschnitzel® trademarks and of GGFC and GGFL in the restaurant business, GGFC and GGFL require that Franchisee agree and obtain Lender's agreement concerning certain rights which GGFC and GGFL shall have if Franchisee defaults under the financing and encumbrance. Accordingly, the parties have agreed as follows:

### **AGREEMENT**

1. Lender shall give GGFC and GGFL written notice of any default by Franchisee under the financing and encumbrance no later than when Lender notifies Franchisee.
2. In any default by Franchisee, GGFC and GGFL shall have the right, but not the obligation, to perform any or all of the following acts:
  - a. Make any payment required or cure any default of Franchisee under the note or other document, within thirty (30) days after GGFC's and GGFL's receipt of the Notice of Default;
  - b. Take possession of the Wienerschnitzel® restaurant and premises, provided the default is then or thereafter cured;
  - c. Assume the position of Franchisee with respect to the financing; and
  - d. Regardless of any restriction against assignment in the instruments pertaining to the financing, assign Franchisee's rights and obligation in the financing, following which GGFC and GGFL shall have no liability to further perform such obligation(s) of Franchisee, provided that GGFC and GGFL have cured any default of Franchisee and perform Franchisee's obligations to and including the date of assignment.
3. If GGFC and/or GGFL make such payment, Franchisee agrees to pay such sum to GGFC or GGFL, on demand of GGFC or GGFL, together with interest on such amount at the rate of one-and-one-half percent (1½%) per month (which equates to 18% per year) until paid in full.

4. If any party brings any action or proceeding to enforce, protect or establish any right or remedy under this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees to be fixed by the court wherein such judgment is entered.

5. This Agreement shall bind and benefit the parties, and their respective heirs, executors, administrators, personal representatives and assigns and successors-in-interest.

6. The provisions of this Agreement shall be interpreted and construed according to their fair meanings and not strictly for or against any party.

Executed as of the date stated in the introductory paragraph:

FRANCHISEE:

GGFC & GGFL:

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

By: \_\_\_\_\_  
General Counsel

LENDER:

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING,  
INC., a California corporation

By: \_\_\_\_\_  
General Counsel



## EXHIBIT L

FRANCHISOR'S RIGHT TO CURE DEFAULT &  
CONSENT TO ASSIGNMENT (LANDLORD)

**RIGHT TO CURE DEFAULT AND CONSENT TO ASSIGNMENT AGREEMENT**  
**(LANDLORD)**

This AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("Franchisee"), \_\_\_\_\_ ("Landlord"), GALARDI GROUP FRANCHISE CORP., a California corporation ("GGFC"), and GALARDI GROUP FRANCHISE & LEASING, LLC, a California limited liability company ("GGFL"), with reference to the following facts:

**BACKGROUND**

Landlord and Franchisee have or shall enter into a lease dated \_\_\_\_\_, 20\_\_\_\_ for certain premises where a Wienerschnitzel® restaurant shall be operated, located at \_\_\_\_\_ ("Lease"). To establish the restaurant on the premises and maintain continuity of operations of the restaurant and to protect and maintain the reputation of the WIENERSCHNITZEL trademarks and of GGFC and GGFL in the restaurant business, GGFC and GGFL require Franchisee to agree and obtain the agreement of Landlord concerning certain rights which GGFC and GGFL shall have if Franchisee defaults under the Lease or under any agreements between Franchisee and GGFC and/or GGFL. Accordingly, the parties have agreed as follows:

**AGREEMENT**

1. Landlord and Franchisee agree that the lease shall contain and is hereby deemed to be amended to include the following provision:

"If Tenant is at any time in breach of default or noncompliance under this lease, Landlord shall give written notice of the default, breach or noncompliance ("Default") to GGFC and GGFL, at the following address; and wherever in this lease it shall be required or permitted that notice or demand shall be given or served by Tenant or Landlord, such notice or demand shall also be given or served at the same time to:

Galardi Group Franchise Corp. and  
Galardi Group Franchise & Leasing, LLC  
7700 Irvine Center Drive, Suite 550  
Irvine, California 92618

The notice shall state conspicuously "Notice of Default at Wienerschnitzel Franchise Location." On notification by Landlord to GGFC and GGFL that Tenant is in Default, GGFC and GGFL shall have the right to cure the Default within forty-five (45) days after, and GGFC and GGFL shall have the right to take possession of the premises provided the Defaults are cured; provided further that so long as GGFC and GGFL perform the obligations of Tenant hereunder, no foreclosure of, deed given in lieu of foreclosure of, or sale under any encumbrance created by Landlord shall affect GGFC's or GGFL's assumption of Tenant's rights under this lease and Landlord will attorn GGFC and GGFL. GGFC and GGFL shall be permitted to assign this lease following which GGFC and GGFL shall have no liability to further perform the obligations of Tenant hereunder, provided that GGFC and GGFL have cured any default of Tenant and continue to pay the rent to and including the date of such assignment."

2. Franchisee grants to GGFC and GGFL the right, but not the obligation, to invoke and effect an assignment of the lease to GGFC and/or GGFL in the event Franchisee is in default under any agreement between Franchisee and GGFC and/or GGFL, including but not limited to the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, the Advertising Association Agreement dated \_\_\_\_\_, 20\_\_\_\_, the Equipment Lease dated \_\_\_\_\_, 20\_\_\_\_ or other agreement

(all such agreements collectively referred to as "GGFL Agreements"). Landlord consents to such assignment.

3. So long as there shall exist no default by Franchisee in the payment of any indebtedness or performance of any obligation under the GGFL Agreements or other instruments securing such indebtedness or obligations, Franchisee shall have the right to quiet possession as set forth in the lease and all other rights and obligations pursuant to the lease. Upon such default, however, GGFC and/or GGFL may invoke and effect the assignment, and Landlord consents to the assignment, and GGFC and/or GGFL shall have the right to possession of the premises and have all rights and obligations of Tenant under the lease, provided that GGFC and/or GGFL notify Landlord in writing of the date that the assignment is effective.

4. Franchisee waives any notice requirements regarding the assignment provided for in Sections 2 and 3 above. After the assignment, GGFC and GGFL shall have the right to re-assign the lease or sublease the premises, provided that GGFC or GGFL remain liable under the lease.

5. The lease is hereby deemed to be amended by and as provided in this Agreement. Landlord and Franchisee shall amend or execute any documents (including but not limited to the lease) as necessary to effectuate the purposes of this Agreement. Absence of such separate amendment to such documents shall not vitiate the amendment accomplished by this Agreement.

6. Franchisee shall perform each and every condition and covenant of the lease and give prompt notice to GGFL and GGFC of any notice of default by Landlord received by Franchisee under the lease. Franchisee shall, at Franchisee's sole cost and expense, enforce, short of termination of the lease, Landlord's performance or observance of each and every covenant and condition of the lease. Franchisee shall not modify nor in any way alter the terms of the lease or terminate the term of the lease nor accept a surrender thereof unless required to do so by the terms of the lease. Franchisee shall appear and defend any action growing out of or in any manner connected with the lease or the obligations or liabilities of Franchisee pursuant thereto.

7. If Franchisee fails to make a payment pursuant to the lease or do any act as herein provided, GGFC and GGFL, without obligation to do so and without notice to or demand on Franchisee and without releasing Franchisee from any obligation, may make or do the same, including specifically, without limiting its general powers, appearing in and defending any action purporting to effect the lease or the rights and powers of GGFC or GGFL and performing any obligation of the Franchisee in the lease, and in exercising any such powers, paying necessary costs and expenses, employing counsel and incurring and paying reasonable attorneys' fees. Franchisee shall pay immediately on demand all sums expended by GGFC and GGFL under this section, together with interest on those sums at the lower of one-and-one-half percent (1½%) per month (which equates to 18% per year) or the highest rate permitted under applicable law.

8. The rights of GGFC and/or GGFL pursuant to this Agreement are cumulative and additional to any rights GGFC and/or GGFL may have in law or in equity.

9. At the request of any of the parties, the signatures of the parties shall be duly notarized and this Agreement shall be recorded as necessary.

10. If any party brings any action or proceedings to enforce, protect or establish any right or remedy under this Agreement, the prevailing party shall be entitled to recover the costs of suit, including but not limited to reasonable attorney's fees and reasonable interest at the applicable rate stated in Section 7.

11. This Agreement shall bind and benefit the parties, and also their respective heirs, executors, administrators, personal representatives, and assigns and successors-in-interest.

Executed as of the date stated in the introductory paragraph.

FRANCHISEE:

GGFC & GGFL:

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

By: \_\_\_\_\_  
Thomas J. Haldorsen, General Counsel

GALARDI GROUP FRANCHISE & LEASING, LLC,  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING, INC.,  
a California corporation

By: \_\_\_\_\_  
Thomas J. Haldorsen, General Counsel

LANDLORD:

EXHIBIT M  
DIRECT DEBIT AGREEMENT

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT (DIRECT DEBIT)**

\_\_\_\_\_  
(COMPANY NAME)

NAME OF BANK \_\_\_\_\_

NAME OF BRANCH, IF ANY \_\_\_\_\_

ADDRESS OF BANK \_\_\_\_\_

ACCOUNT IN THE NAME OF \_\_\_\_\_

ACCOUNT # \_\_\_\_\_

The undersigned requests and authorizes you to pay and charge to the above account the undersigned's checks drawn on that account by and payable to the order of Galardi Group Franchise & Leasing, LLC, provided there are sufficient collected funds in the account to pay the same on presentation. Your rights with respect to any check so drawn shall be the same as if it were drawn on you and signed by the undersigned. It will not be necessary for any officer or employee of \_\_\_\_\_ to sign such checks. This authority remains in effect until revoked by me in writing and until you receive such notice, I agree that you shall be fully protected in honoring any such check.

If any such check is dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever.

\_\_\_\_\_

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Bank Signature of Depositor)

(Attach Voided Check Here)

**EXHIBIT N**

**EXCLUSIVE RIGHT TO  
DEVELOP AGREEMENT**



## EXCLUSIVE RIGHT TO DEVELOP AGREEMENT

This Exclusive Right to Develop Agreement ("Agreement") is made and entered into on \_\_\_\_\_, 202\_\_ by and between by and between Galardi Group Franchise Corp., a California corporation ("Franchisor") and Galardi Group Franchise & Leasing, LLC, a California limited liability company ("Service LLC"), with their address at 7700 Irvine Center Drive, Suite 550, Irvine, California, 92618 and \_\_\_\_\_, a \_\_\_\_\_ ("Developer"), with business address at \_\_\_\_\_, with reference to the following facts:

### RECITALS

A. Franchisor and Service LLC developed and own a unique system (the "System") for establishing, developing and operating distinctive restaurants ("Wiener Schnitzel Restaurants") featuring a limited menu of quality hot dogs, burgers, desserts and other products and quick, quality service, identified by the distinctive Wiener Schnitzel® trademarks and using other trademarks specified by Franchisor (the "Marks"). Service LLC provides services to franchisee operators of Wiener Schnitzel restaurants. Franchisor and Service LLC have established an excellent reputation, distinctive identity and valuable goodwill associated with Wiener Schnitzel restaurants. Some elements of the System may remain and some will be changed, improved and further developed by Franchisor and/or Service LLC over time.

B. Franchisor and Service LLC grants to persons who are able to meet their qualifications and will undertake the necessary investment and effort, and Developer applied for, the right to develop and operate a mutually agreed number of Wiener Schnitzel Restaurants in a designated geographic area and within a certain time period, pursuant to the Wiener Schnitzel System and requirements and obligations in this Agreement. Accordingly, the parties have agreed as follows:

### AGREEMENT

#### 1. DEVELOPMENT RIGHTS, OBLIGATIONS AND FEES.

1.1. Grant of Rights. Franchisor and Service LLC grant Developer, and Developer accepts, the exclusive right to develop Wiener Schnitzel Restaurants in the following geographic area ("Developer's Territory"), on the terms and subject to the conditions of this Agreement:

1.2. Developer's Territory. The Development Territory rights granted to the Developer are outlined and attached as Exhibit "A".

#### 1.3. Development Fee.

1.3.1. On signing this Agreement, Developer shall pay Franchisor a Development Fee of \_\_\_\_\_ (\$\_\_\_\_\_) (the "Development Fee"). The Development Fee shall be paid by check payable to "Galardi Group Franchise Corp."



1.3.2. The Development Fee has been calculated as follows. It is an amount equal to the sum of (a) the initial franchise fee for the first Franchise Agreement to be entered into, and (b) one-half (½) of Franchisor's standard initial franchise fee x the number of additional Franchise Agreements to be entered into pursuant to this Agreement. Stated differently, for this Agreement, the Development Fee consists of (i) thirty-two thousand dollars (\$32,000) (initial franchise fee for the first Franchise Agreement to be entered into), and (ii) sixteen thousand dollars (\$16,000) x the number of additional Franchise Agreements to be entered into pursuant to the Development Quota in Section 1.5 below.

1.3.3. The Development Fee is fully earned by Franchisor and Service, LLC when paid. It represents consideration for Franchisor and Service LLC's administrative and other expenses incurred, and for opportunities foregone in granting rights to Developer. The Development Fee is not refundable in whole or in part, except in the limited circumstances and amounts stated in Section 1.4.

1.4. Credit Toward Initial Franchise Fees. On signing the first Franchise Agreement to be entered into pursuant to this Agreement, Franchisee shall be entitled to a credit of \$32,000 against the initial franchise fee due under such agreement. On signing each additional Franchise Agreement to be entered into pursuant to this Agreement, Franchisee shall be entitled to a credit of \$16,000 against the initial franchise fee due under each such agreement. No representation is made by Franchisor and/or Service LLC as to what will be the amount of the initial Franchise Fee at the time of entering into a Franchise Agreement; Franchisor and Service LLC are not restricted from increasing, lowering or otherwise changing the amount of the initial Franchise Fee or how such amount is determined. Each credit provided in this Section 1.4 is subject to the condition that Franchisee is in full compliance with this Agreement at the time of entering into such Franchise Agreement and is in full compliance with all payment obligations to Franchisor, Service LLC and any entities affiliated with them. The sum total of all credits granted to Franchisee pursuant to this Section 1.4 shall not exceed the amount of the Development Fee actually paid and received by Franchisor. Nothing in this Section 1.4 entitles Franchisee to any refund of all or any portion of the Development Fee.

1.5. Limited Refund Ability if Multiple Proposed Locations Are Not Approved. With regard to each Franchise Agreement that is entered into pursuant to this Agreement, if the franchisee under such Franchise Agreement (the "Franchisee") diligently proposed, by fully completed Site Evaluation Forms, at least three (3) site locations to Franchisor and/or Service LLC, but after twelve (12) months from entering into the Franchise Agreement, Franchisor and Service LLC did not approve any location proposed by the Franchisee, and Franchisor and/or Service LLC did not identify any proposed location satisfactory to the Franchisee, then at the Franchisee's or Service LLC's written request the Franchise Agreement shall be cancelled. In that event, Franchisor and Service LLC will retain five thousand dollars (\$5,000) and return to the Franchisee the initial franchise fee under such Franchise Agreement, if any, less such \$5,000, but will not return any of the Development Fee and thus will not return any amount credited toward the initial franchise fee for that Franchise Agreement pursuant to Section 1.4 above. Franchisee's written request to cancel the Franchise Agreement must be made in writing not later for the end of the thirteenth (13th) month after entering into the Franchise Agreement, and Franchisor's and/or Service LLC's written request to cancel the Franchise Agreement may be made at any time after twelve (12) months from entering into the Franchise Agreement. At the end of the 13th month after entering into the Franchise Agreement, the full franchise fees are not refundable without there being a written request from the Franchisee prior to the end of the thirteenth (13th) month.

1.6. Developer's Territory. During the Development Term (defined below), provided Developer is in full compliance and not in default under this Agreement, Franchisor and Service, LLC shall not operate, or grant others the right to operate, a Wienerschnitzel Restaurant in Developer's Territory, except for a restaurant that was already in existence or development at the time of entering into this Agreement.

1.7. Reserved Rights in Developer's Territory. Nothing in this Agreement prohibits Franchisor and/or Service LLC from engaging in the following activities in Developer's Territory, and Developer understands, acknowledges and agrees it has no right to engage in such activities on its own or participate, directly or indirectly, in such activities to the extent Franchisor and/or Service LLC engages in any of them:

1.7.1. Selling and permitting others to sell any menu items sold at Wienerschnitzel Restaurants, under the Wienerschnitzel Marks or under other names, to grocery stores, convenience stores, specialty food stores, restaurants, or department stores selling foods, located in Developer's Territory. For illustration only, the foregoing permits Franchisor and Service, LLC to sell or license others to sell pre-packaged Wienerschnitzel brand products to grocery stores, convenience stores, specialty food stores, restaurants or department stores selling food for resale by such stores and restaurants under the Wienerschnitzel Marks or under other names from locations in Developer's Territory;

1.7.2. Advertising and promoting the sale of, and selling, menu items sold at Wienerschnitzel Restaurants through the Internet or Internet web sites, or by using any other public computer network, electronic communication method, social media, or by mail order, direct mail, catalog sales or comparable or other methods that solicit orders and business from customers without requiring the customer's physical presence in a Wienerschnitzel Restaurant to complete the transaction.

1.8. Further Re Reserved Rights. Developer acknowledges that Franchisor and Service LLC, entities related to either or both of them through common ownership (collectively, "Franchisor Affiliates"), and their respective officers, directors, employees and agents, may engage in any, and every, activity, within or outside Developer's Territory, which is not expressly prohibited by this Agreement. Except for the restriction in Section 1.6, this Agreement does not limit Franchisor's or Service LLC's right to use or license the Wienerschnitzel Marks or the Wienerschnitzel System, or to engage in, or license, any other type of business activity, whether similar to or different from the Wienerschnitzel System. Additionally:

1.8.1. Developer understands, acknowledges and agrees it has no right to participate, directly or indirectly, in any activity reserved by Franchisor and/or Service LLC, and no right to object to the issuance of franchise rights to others.

1.8.2. Franchisor and/or Service LLC, in its or their sole discretion, reserve the absolute right to approve exceptions or deviations from the Wienerschnitzel System. Developer acknowledges it has no right to object to any variances granted to others and no claim against Franchisor and/or Service LLC for failing to enforce standards of the Wienerschnitzel System against others permitted to use it.

1.9. Licensing Others Prohibited. Developer shall have no right under this Agreement to license others to use the Wienerschnitzel Marks or the Wienerschnitzel System.

## 2. TERM AND OPTION TO EXTEND.

2.1 Term. The term of this Agreement (“Development Term”) starts on the date written in the introductory paragraph of this Agreement. Unless this Agreement is earlier terminated as provided below, the Development Term expires on the \_\_\_\_\_ (\_\_\_\_) anniversary of that date.

2.2 Option to Extend. Provided and subject to the conditions precedent that Developer satisfies the Development Quota and is in full compliance with all provisions of this Agreement throughout the Development Term and at the expiration of the Development Term, then at the end of the Development Term Developer will have an option to extend the Development Term for an additional \_\_\_\_\_ (\_\_\_\_) years.

2.3 Manner of Exercise of Option. Developer shall exercise the option in Section 2.2 by delivering written notice to Franchisor and Service LLC, at least 60 days but not more than 180 days before expiration of the Development Term, stating that (a) Developer wishes to exercise the option to extend the Development Term for five (5) additional years and (b) Developer has been at all times and is at the time of delivery of the notice and will continue to be through the expiration of the Development Term, in full compliance with all provisions of this Agreement. Within thirty (30) days after receipt of the notice, Franchisor and Service, LLC shall provide Developer a copy of Franchisor’s and Service LLC’s then Exclusive Right to Develop Agreement. The parties shall mutually agree on the number of restaurants and time schedule for opening them, to be stated in the Agreement. The parties shall execute the agreement, provided that Franchisor and Service LLC shall have the right to defer execution until on or about expiration of the Development Term. If executed on or before the expiration date of this Agreement, then such agreement shall take effect on expiration of this Agreement. If not executed by Developer and returned to Franchisor and Service LLC before expiration of this Agreement, that shall be deemed an election by Developer not to extend the term of this Agreement.

## 3. DEVELOPMENT OBLIGATIONS.

3.1 Development Quota; Deadline. Developer agrees to open and operate, within Developer’s Territory, \_\_\_\_\_ (\_\_\_\_) Wienerschnitzel Restaurants (the Development Quota”) during the Development Term. The deadline to develop these restaurants is the expiration date of this Agreement and is sometimes referred to as the “Development Deadline.” The Development Quota Schedule is outlined and attached as Exhibit “B”.

3.2 Failure to Meet Development Conditions. If Developer does not satisfy the Development Quota by the Development Deadline, then Developer shall have no right or power to extend the term of this Agreement and it shall expire at the close of business on the anniversary stated in Section 2.1.

3.3 Closures. If a Wienerschnitzel Restaurant closes for any reason after opening, and as a result of closure, at expiration of this Agreement Developer has not achieved, or falls below the Development Quota, then Developer shall be deemed not to have met the Development Quota.

## 4. GRANT OF FRANCHISES TO DEVELOPER.

4.1 Site Selection and Designation of Territory. Following execution of this Agreement, Franchisor/Service LLC shall provide Developer with a copy of Franchisor/Service LLC’s current site proposal guidelines, including demographic, design and construction guidelines for

selection and build-out of the franchise location and other requirements applied by Franchisor/Service LLC in site review and approval. Franchisor/Service LLC shall provide Developer with updates to such information which may be made from time to time. Developer shall propose to Franchisor/Service LLC, for approval, specific locations in Developer's Territory for each Wienerschnitzel Restaurant which Developer believes meets the site proposal package guidelines. Each location proposed by Developer shall be subject to Franchisor/Service LLC's approval, which shall not be unreasonably withheld. Before Franchisor and Service LLC shall be obligated to offer Developer a Franchise Agreement for any proposed location, Developer shall comply with all the following conditions:

4.1.1. Developer shall submit a written site proposal, which shall contain all the information required by the then-current site proposal package guidelines.

4.1.2. Franchisor/Service LLC shall have forty-five (45) days following receipt of the completed site proposal to approve the proposed site by giving written notice to Developer; failure to give timely notice constitutes disapproval. Developer acknowledges that approval of a proposed site is not a guaranty or warranty or any assurance that a Wienerschnitzel Restaurant at that site will be successful or profitable or achieve any particular results. Approval signifies acceptance of the site as meeting the site guidelines and/or election to waive guidelines the site does not meet.

4.2 Franchise Agreement. If the parties agree on the proposed location for a Wienerschnitzel Restaurant, Franchisor and Service LLC shall offer Developer a franchise to operate a Wienerschnitzel Restaurant at that location by providing a Franchise Agreement and ancillary agreements for such site. Franchisor and/or Service LLC may also provide Developer with an applicable Franchise Disclosure Document.

4.2.1 The form of Franchise Agreement shall be Franchisor's then standard form of Franchise Agreement (the "Franchise Agreement").

4.2.2 Unless otherwise stated in Franchise Agreement, the Initial Franchise Fee for each Wienerschnitzel franchise shall be the initial franchise fee that Franchisor and Service, LLC then customarily charge according to the then current Franchise Disclosure Document. Franchisor and Service LLC shall credit Developer with thirty-two thousand dollars (\$32,000) for the first Wienerschnitzel restaurant, and sixteen thousand dollars (\$16,000) for each of the second and subsequent Wienerschnitzel restaurants.

4.3 Applicable Agreement. Except as expressly set forth in this Agreement, after the parties execute the Franchise Agreement and ancillary agreements for an approved site, their relationship, and the parties' rights and obligations, as to development, ownership and operation of that site, shall be exclusively governed by the Franchise Agreement and any other agreements entered into by them pursuant to the Franchise Agreement.

## 5. WIENERSCHNITZEL MARKS AND SYSTEM.

Developer acknowledges that this Agreement does not grant a franchise and does not grant Developer any right to use the Wienerschnitzel Marks or Wienerschnitzel System. Developer's right to use the Wienerschnitzel Marks and Wienerschnitzel System is derived solely from each Franchise Agreement which may be entered into pursuant to this Agreement.

## 6. FULL TIME AND ATTENTION; TRAINING.

6.1 Full Time; Attention. Developer shall devote full time and best efforts to the development obligations under this Agreement.

6.2 Training. In addition to the training requirements in each individual franchise agreement between Franchisor, Service LLC, and Developer, Developer is required to satisfactorily complete the following training:

- 6.2.1 For restaurants 1 through 5 in the Developer's Territory, Developer shall have 1 more Certified General Manager than the number of restaurants Developer then has open and operating in Developer's Territory.
- 6.2.2 Starting with Developer having 4 restaurants open and operating in Developer's Territory, Developer shall have 1 Certified General Manager/Training Manager in Developer's Territory.
- 6.2.3 Starting with Developer having 6 restaurants open and operating in Developer's Territory, Developer shall have 2 more Certified General Managers than the number of restaurants Developer then has open and operating in Developer's Territory.
- 6.2.4 Developer ownership, defined as any party having 10% or more ownership in the Developer entity, shall satisfactorily complete Ownership Training consisting of approximately 2 weeks of general training in the process and procedures of operating a Wienerschnitzel restaurant.

6.3 Developer's Cost of Training. After training of a Certified General Manager for any single restaurant, as described in each individual franchise agreement, Developer's cost of training for any additional Certified General Manager is \$2,500, plus expenses, subject to normal brand adjustments over time, and as determined in Franchisor's and Service LLC's sole discretion to increase or decrease such charges.

## 7. EARLY TERMINATION OF DEVELOPMENT AGREEMENT.

7.1 Procedure for Terminating Agreement. Franchisor and/or Service LLC may terminate this Agreement, in their discretion and election, for default by Developer, effective on Franchisor and/or Service LLC's delivery of written notice of termination to Developer, or on such other date as is stated in the written notice of termination. The notice will state the grounds of default and be based on any one or more of the following events, and Developer shall have no opportunity to cure a default based on any of the following events:

7.1.1 If Developer makes a general arrangement or assignment for the benefit of creditors or become a "debtor" as defined in 11 U.S.C. §101 or any successor statute, unless, in the case where a petition is filed against Developer, Developer obtains an order dismissing the proceeding within 60 days after the petition is filed; or if a trustee or receiver is appointed to take possession of all, or substantially all, the assets of the Wienerschnitzel Restaurant, unless possession of the assets is restored to Developer within thirty (30) days following such appointment; or if all, or substantially all, of the assets of Developer become subject to an order

of attachment, execution or other judicial seizure, unless the order or seizure is discharged within 30 days;

7.1.2 Developer breaches or fails to comply with any of the conditions governing transfer of rights under this Agreement;

An order is made or resolution passed for winding-up or liquidation of Developer (if a corporation, LLC, partnership or other entity) or Developer adopts or takes any action for its dissolution or liquidation;

7.1.3 Developer, or any authorized representative of Developer, makes or made a material misrepresentation or omission in obtaining rights granted hereunder, or Developer or any officer, director, shareholder, member, manager, or general partner of Developer is convicted of or pleads no contest to a felony charge or engages in any conduct or practice that, in Franchisor's reasonable opinion, reflects unfavorably on or is detrimental or harmful to the name, goodwill or reputation of Franchisor or Service LLC or to the business, reputation or goodwill of the Wienerschnitzel System or any of the Wienerschnitzel Marks;

7.1.4 Developer fails or refuses to pay, on or before the due date, any fee or other amount payable to Franchisor or Service LLC under this Agreement, and if the default continues for a period of ten (10) days after written notice of default is given by Franchisor or Service LLC to Developer;

7.1.5 Developer fails to satisfy the Development Quota;

7.1.6 Any other agreement by and between Developer and either Franchisor or Service, LLC or any of the Affiliates of either of them, including, without limitation, any Franchise Agreement for a Wienerschnitzel Restaurant, is terminated for any reason;

7.1.7 After curing any default, Developer engages in the same noncompliance, whether or not the later default is timely corrected after notice is delivered to Developer, or, alternatively, if on three or more occasions within any twelve (12) consecutive months during the Development Term, Developer fails to comply with one or more requirements of this Agreement whether or not each separate default (which need not be the same act of noncompliance) is timely corrected after notice is delivered to Developer; or

7.1.8 Developer fails to comply with any other provision of this Agreement and does not correct the default within ten (10) days after Franchisor or Service LLC gives Developer written notice of the default, which notice must describe the action that Developer must take to cure the default.

## 7.2 Effect of Termination on Franchise Agreements.

7.2.1 Termination of this Agreement pursuant to Section 7.1, or expiration of this Agreement shall not, by itself, terminate any Franchise Agreement or other agreement then in effect by and between Developer on the one hand and on the other hand Franchisor and/or Service LLC, unless such event is provided for as a ground for termination in such other agreement, or unless the grounds on which termination is predicated also are grounds for terminating the other agreement(s) and Franchisor and Service LLC has satisfied all requirements to effect a termination of the other agreement(s).

7.2.2 If this Agreement is terminated or expires, Developer shall have no further right to develop Wienerschnitzel Restaurants in Developer's Territory, nor shall Developer have any right to prevent Franchisor and/or Service LLC, or others, from owning and operating, or granting franchises to others to own and operate, Wienerschnitzel Restaurants in Developer's Territory, subject, however, to the territorial rights, if any, granted to Developer under each Franchise Agreement then in effect between the parties pertaining to a Wienerschnitzel Restaurant owned by Developer.

## 8. TRANSFER.

8.1 Assignment by Franchisor and Service LLC. This Agreement is fully assignable by Franchisor and Service, LLC and shall benefit Franchisor and Service LLC's successors and assigns.

8.2 Assignment by Developer. The provisions of this Agreement are personal to Developer. Developer represents and warrants that at the date of executing this Agreement, the owners of all ownership interest, legal and beneficial, voting and non-voting in Developer, and their positions as officers of Developer, are as follows:

Name	Percentage Ownership	Officer Position
_____	_____	_____
_____	_____	_____
_____	_____	_____

Franchisor and Service LLC enter into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer, and, if Developer is a corporation, LLC or other entity, that of its above identified owners, officers, directors, shareholders, managers, members, trustees or owners. Accordingly, Developer agrees that:

8.2.1 Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, the rights granted pursuant to this Agreement or any interest in this Agreement, unless Developer obtains Franchisor and Service LLC's prior written consent, which shall not unreasonably be withheld and shall be subject to the further conditions stated in this Section 8. The restrictions on assignment include, without limitation, transfers due to consolidation or merger, issuance of additional securities representing an interest in the equity or voting interests of Developer, an order of dissolution of marriage, death of Developer or of the person owning a Controlling Interest (defined below) in the equity or voting interests of Developer, creation of a trust, or otherwise, all of which are considered interchangeable events of assignment or transfer for purposes of this Agreement;

8.2.2 If Developer is a corporation, LLC, partnership or other entity, then the sale, assignment, transfer, pledge, donation, encumbrance or other alienation of (a) more than a thirty percent (30%) interest in the outstanding securities of a Publicly Held Entity, (b) securities of Developer offered pursuant to a transaction which is subject to registration under federal or state securities laws or is offered as a private offering pursuant to a written private placement memorandum of any kind, or (c) a Controlling Interest in the equity or voting interests of Developer which is not a Publicly Held Entity, shall also constitute an assignment, shall not be attempted or consummated unless Developer obtains Franchisor and Service LLC's prior written

consent, which shall not unreasonably be withheld and shall be subject to the further conditions stated in this Section 8. Developer is a “Publicly Held Entity” if Developer is registered to sell its securities under the Securities Exchange Act of 1934.

8.2.3 “Controlling Interest” means possession, directly or indirectly, of power to direct, or cause a change in the direction of, the management and policies of a party. A “Controlling Interest” shall be presumed to be transferred if a transfer, alone or together with other prior, simultaneous or proposed transfers, would have the effect of transferring, in the aggregate, more than thirty percent (30%) of the equity or voting interests in a Franchisee which is a corporation, LLC, partnership or other entity; and

8.2.4 Any attempted or purported assignment or transfer which fails to comply with the requirements of this Agreement shall be null and void and shall constitute a default under this Agreement.

8.3 Franchisor and Service LLC’s Right of First Refusal. Except as otherwise provided in this Section 8.3, if a written offer (“Third Party Offer”) is made to purchase or otherwise acquire: (a) Developer’s rights under this Agreement, (b) more than a 30% interest in the outstanding securities of a Publicly Held Entity, (c) any securities of Developer offered pursuant to a transaction which is subject to registration under federal or state securities laws or is offered as a private offering pursuant to a written private placement memorandum of any kind, or (d) a Controlling Interest in the equity or voting interests of Developer which is not a Publicly Held Entity, Developer, or the person receiving the offer (the “Individual Transferor”), shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor and Service LLC in writing for Franchisor and Service LLC’s consent to the proposed assignment. Developer, or the Individual Transferor, shall attach to the application a copy of the Third Party Offer together with (x) detailed information on the proposed transferee’s experience and qualifications, (y) a copy of the proposed transferee’s current financial statement, and (z) other information Franchisor and Service LLC may require, which Franchisor and Service LLC deem to be relevant or material to the Third Party Offer, proposed transferee and proposed assignment.

8.3.1 Franchisor and/or Service LLC or the nominee of both or either of them shall have the right, exercisable by written notice (“Notice of Exercise”) delivered to Developer, or the Individual Transferor, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Developer or the Individual Transferor that it will purchase or acquire the rights, equity and/or interests proposed to be assigned on the terms in the Third Party Offer, except that Franchisor and Service LLC may (a) substitute cash for any form of payment proposed in the offer discounted to present value based on the rate of interest stated in the Third Party Offer, and (b) deduct from the purchase price the amount of any commission or fee that would otherwise be payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing or to become due from Developer to Franchisor and Service LLC.

8.3.2 The closing for any purchase by Franchisor and/or Service LLC shall be consummated and closed in Franchisor and Service LLC’s principal office at a mutually agreed date and time, provided that the closing shall be held no later than sixty (60) days after receipt of the Third Party Offer, all supporting information, and the application for consent. At the closing, Developer or the Individual Transferor shall deliver to Franchisor and/or Service LLC, as applicable such documents, affidavits, warranties, indemnities and instruments as would have



been delivered by Developer or the Individual Transferor to the proposed transferee pursuant to the Third Party Offer. All costs, fees and other expenses incurred in the transfer shall be allocated between Developer on the one hand and on the other hand Franchisor and/or Service LLC in accordance with the terms of the Third Party Offer, and any costs not allocated shall be paid by Developer or the Individual Transferor.

8.3.3 If Franchisor or Service LLC give timely Notice of Exercise but, through no fault of Developer or the Individual Transferor, fails to close the purchase of the interest which is the subject of the Third Party Offer, the transfer may not be completed unless Franchisor and Service, LLC's consent is obtained and all other conditions stated in this Section 8 are satisfied.

8.3.4 Franchisor and Service LLC's right of first refusal shall not apply to any of the following transfers ("Qualified Transfers"): (a) the transfer or assignment of equity or voting interests constituting less than a Controlling Interest of the equity or voting interests of a Developer which is not a Publicly Held Corporation, (b) if Developer is an individual, the transfer by Developer all of his or her rights under this Agreement to a newly-formed corporation, LLC or other entity provided all the equity or voting interests of such entity are owned by the individual, or (iii) a transfer following death or permanent incapacity of Developer, or of the person owning a Controlling Interest in the equity or voting interests of Developer, to the spouse, adult children, heirs or legal representative of the deceased or incapacitated person.

8.4 Conditions of Assignment to Third Party. If Franchisor and/or Service LLC do not exercise the right of first refusal or complete the purchase of the interest which is the subject of a Third Party Offer, or in the event of a Qualified Transfer or other transfer requiring Franchisor and Service LLC's consent, Franchisor and Service LLC shall determine whether or not to consent to the proposed transfer, and shall notify Developer of the decision by no later than the following dates: (x) if Franchisor and/or Service LLC give timely Notice of Exercise but do not consummate the transfer through no fault of Developer or the Individual Transferor, notice shall be given by either ten (10) days after the scheduled closing date for Franchisor and/or Service LLC's purchase of the interest, or thirty (30) days after Notice of Exercise is given, whichever occurs last, or (y) in all other cases, notice shall be given thirty (30) days following Franchisor and/or Service LLC's receipt of the Third Party Offer (if any), all supporting information and the application for consent. As a condition to consenting to the transfer, Franchisor and/or Service LLC may, in its or their sole discretion, require that any or all of the following conditions be satisfied:

8.4.1 Developer shall pay to Franchisor a transfer fee equal to three thousand dollars (\$3,000) when Developer applies to Franchisor and Service LLC for their consent to transfer. This shall be additional to the payment of any transfer fee(s) due under any Franchise Agreement(s). If consent is denied, Franchisor and Service LLC may retain an amount equal to three thousand dollars (\$3,000) of the Territorial Rights Fee as compensation for expenses in reviewing the proposed transfer;

8.4.2 The proposed transferee must meet Franchisor and Service LLC's then-current qualifications for an area developer of a territory similar in size and demographic characteristics to Developer's Territory, including qualifications pertaining to financial condition, credit rating, business experience, moral character and reputation.

8.4.3 Developer must execute and deliver a general release, in form satisfactory to Franchisor and Service LLC, of any and all claims against Franchisor and Service LLC and their shareholders, members, directors, officers, managers, employees and agents;

8.4.4 The proposed transferee must execute all other documents and agreements required by Franchisor and Service LLC to evidence the assumption of Developer's obligations hereunder and under any other agreements which are contemporaneously being assigned; provided, however, that nothing in this Agreement requires that, in connection with the transfer and assignment of this Agreement, Developer also assign and transfer to the same proposed transferee any or all other agreements then in effect by and between Developer on the one hand and on the other hand Franchisor and Service LLC and their respective Affiliates. In no event may other agreements be contemporaneously assigned either to the same or to other transferees unless Developer satisfies all conditions for transfer imposed under such other agreements;

8.4.5 If the proposed transferee is a corporation, LLC or other entity, each person who at the time of such assignment, or later, owns or acquires, either legally or beneficially, thirty percent (30%) or more of the equity or voting interests of the proposed transferee must execute Franchisor and Service, LLC's form of personal guaranty.

8.4.6 Developer's right to receive sales proceeds from the proposed transferee in consideration of the transfer, or otherwise, shall be subordinate to the proposed transferee's and Developer's duties owed to Franchisor and Service LLC, or to any assignee or affiliate of Franchisor and/or Service LLC, under, or pursuant to, this Agreement or any other agreement, including under any Franchise Agreement, Lease or Sublease. All contracts by and between Developer and the proposed transferee shall provide for such subordination and may further provide that so long as the proposed transferee is not in default or in a circumstance of impending or threatened default to Franchisor and/or Service LLC in the performance of all its obligations, the proposed transferee may pay such sales proceeds to Developer;

8.4.7 Developer and its owner(s) shall enter into an agreement with Franchisor and Service LLC which provides that all obligations of the proposed assignee to make installment payments of the purchase price to Developer or its owner(s) shall be subordinate to the proposed assignee(s) obligations to pay to Franchisor, Service LLC and their Affiliates service fees, advertising contributions and any other payment obligations imposed by any Franchise Agreement or other agreement which is contemporaneously being assigned and assumed; and

8.4.8 As of the date consent is requested and through the date of closing of the proposed transfer and assignment, Developer must not be in default under this Agreement or under any other agreements with Franchisor and/or Service LLC, including Franchise Agreements for Wienerschnitzel Restaurants owned by Developer, and must be current with all monetary obligations owed to third parties.

8.5 Additional Conditions Re Securities. Whenever the issuance, offer or sale of securities of Developer (whether or not a Publicly Held Entity) is subject to registration under federal or state securities laws or is offered as a private offering pursuant to a written private placement memorandum of any kind, Developer shall, (i) at least forty-five (45) days before the proposed effective date of registration or delivery of any private placement memorandum, submit all offering or registration materials to Franchisor and Service LLC for prior review; (ii) reimburse Franchisor and Service LLC's actual expenses incurred in connection with reviewing the offering or registration materials, including (without limitation) attorneys' fees, accountants' fees and travel expenses, in an amount not to exceed twenty-five thousand dollars (\$25,000) (the "Securities Review Fee"); (iii) provide Franchisor and Service LLC a written opinion of counsel, in the form and covering the matters prescribed by Franchisor and Service LLC, that the offering or registration complies with all federal and state laws; and (iv) agree in writing to fully

indemnify and hold Franchisor and Service LLC harmless from and against any claims, demands, liability, costs or expenses of any kind arising out of the private or public offering and avoid any implication that Franchisor and/or Service LLC participate in, or endorse, the offering.

8.5.1 Developer shall promptly delete or correct any statements concerning the Wienerschnitzel System, Wienerschnitzel Marks or experience of Wienerschnitzel Restaurants that Franchisor and/or Service LLC may object to following notice from Franchisor and/or Service, LLC.

8.5.2 The Securities Review Fee shall automatically increase January 1 each year by an amount equal to the percentage increase, if any, in the Consumer Price published by the United States Department of Labor, Bureau of Labor Statistics for the Los Angeles-Anaheim-Riverside, All Urban Consumers (All Items 1982 = 100), or if that index is no longer published then by a comparable index selected by Franchisor (the "Index"), comparing the Index level existing on January 1 of each subsequent year during the Term with the Index level existing on January 1 of the year in which the Term commenced.

8.6 Closing of Sale to Third Party. If Franchisor and Service LLC consent to an assignment to a third party, Developer, or the Individual Transferor, may complete the transfer to the proposed transferee only on the terms in the Third Party Offer or as otherwise stated in Developer's application for consent. If there is any material change in terms of the Third Party Offer, Franchisor and Service LLC have a right of first refusal to accept the new terms subject to the conditions in this Section 8. If Franchisor and Service LLC consent to the assignment, the transfer to the proposed transferee must close within sixty (60) days from the date the Third Party Offer is first submitted to Franchisor and Service, LLC unless Franchisor and/or Service LLC grant an extension of time in writing; otherwise, it must again be offered to Franchisor and Service LLC.

8.7 Corporate/Entity Developer. If Developer is a corporation, LLC, partnership, or other entity, it shall furnish to Franchisor and Service LLC, on execution of this Agreement or at such other time as transfer to the entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, as appropriate, and a list of all persons owning an interest in the equity or voting interests of the entity. Developer shall promptly provide Franchisor and Service LLC with a copy of any amendments to, or changes in, such information during the Development Term.

8.7.1 During the Development Term, each person who now or later owns or acquires, either legally or beneficially, ten percent (10%) or more of the equity or voting interests of Developer must execute Franchisor and Service LLC's form of personal guaranty.

8.7.2 Developer shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Developer shall bear a legend stating that such interest is held, and further assignment or transfer is subject to all restrictions imposed on transfer set forth in this Agreement. The chief financial officer of Developer shall deliver a certificate to Franchisor and Service LLC annually, on or before January 15 each year, which lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Developer as of the end of the most recent calendar year and identifies all transfers of equity or voting interests in Developer which occurred during such calendar year.

8.8 Death or Incapacity. In the event of the death or incapacity of Developer, or any person owning a Controlling Interest in the equity or voting interests of Developer, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or owners (collectively, the “Successor”) shall have one hundred eighty (180) days from the date of death or incapacity to (i) purchase the interest of the deceased or incapacitated person in this Agreement or in Developer, or (ii) complete the sale or assignment of such interest to a qualified, approved third party, provided, in either case, the purchase or assignment complies with all of the terms and conditions for assignment stated in this Section 8.

8.8.1 The development obligations in this Agreement shall be tolled until the events described in (i) or (ii) of the preceding section occur, or, if neither occurs, for one hundred eighty (180) days. At the end of the one hundred eighty (180) day period, if the Successor has not purchased the interest of the deceased or incapacitated person in this Agreement or in Developer or obtained Franchisor and Service LLC’s consent to an assignment to a third party, Franchisor and Service LLC may, at their election, terminate this Agreement.

8.8.2 For this Agreement, “incapacity” means inability due to medical reasons to devote full time and attention to the development obligations under this Agreement for at least four (4) months in the aggregate during any consecutive twelve (12) month period during the Development Term, based on the examination and findings of a physician selected by Franchisor and/or Service LLC. A period of incapacity shall continue without interruption unless and until the person suffering the incapacity resumes his or her duties under this Agreement on a full time basis for thirty (30) consecutive business days.

8.9 Transfer of Individual Franchise Agreements. Developer’s right to transfer its interest in any Franchise Agreement shall be governed by the terms of that Franchise Agreement.

## 9. RELATIONSHIP OF PARTIES.

9.1 Independent Contractor. This Agreement does not create a fiduciary relationship between the parties. The parties are independent contractors. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Franchisor and Service LLC shall neither regulate nor be responsible for hiring or firing of Developer’s agents or employees or for Developer’s contracts with third parties, except to the extent necessary to protect Franchisor and Service LLC’s names, reputation and goodwill, the Wienerschnitzel Marks, or the confidentiality of information which may be imparted to Developer.

9.2 No Liability. None of the parties shall be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized in this Agreement. Franchisor and Service LLC shall not be obligated for damages to any person or entity directly or indirectly arising out of the operation of any Wienerschnitzel Restaurant in which Developer owns an interest, whether caused by Developer’s negligence, willful action or failure to act.

9.3 Indemnification. Developer shall indemnify, defend and hold Franchisor and Service LLC and each of Franchisor and Service LLC’s shareholders, members, directors, officers, managers, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, liabilities, damages, actions, causes of action, claims and demands whatsoever, arising, directly or indirectly, out of the existence of this Agreement or Developer’s possession of or exercise of rights granted hereunder. Franchisor and Service LLC shall have the

right to retain their own counsel to defend any third party claim against either or both of them which is covered by this indemnification agreement. This indemnity shall continue in effect subsequent to, and notwithstanding, expiration or termination of this Agreement.

#### 10. CHOICE OF LAW, VENUE FOR LITIGATION.

10.1 THIS AGREEMENT AND THE RIGHTS OF THE PARTIES TAKE EFFECT ON ACCEPTANCE AND EXECUTION BY FRANCHISOR AND SERVICE, LLC AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF CALIFORNIA, WHICH LAWS SHALL PREVAIL IN THE EVENT OF ANY CONFLICT OF LAW. IF ANY PROVISION OF THIS AGREEMENT WOULD NOT BE ENFORCEABLE UNDER CALIFORNIA LAW, AND WOULD BE ENFORCEABLE UNDER THE LAWS OF THE STATE WHERE DEVELOPER IS LOCATED, THEN SUCH PROVISION SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF THAT STATE. NOTHING IN THIS SECTION IS INTENDED TO SUBJECT THIS AGREEMENT TO ANY FRANCHISE OR SIMILAR LAW, RULES, OR REGULATION OF THE STATE OF CALIFORNIA TO WHICH IT WOULD NOT OTHERWISE BE SUBJECT.

10.2 DEVELOPER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT IS ENTERED INTO IN ORANGE COUNTY, CALIFORNIA, AND THAT ANY ACTION BY EITHER PARTY SHALL BE BROUGHT EXCLUSIVELY IN THE U.S. DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA OR SUPERIOR COURT OF CALIFORNIA IN AND FOR ORANGE COUNTY, CALIFORNIA. THE PARTIES CONSENT TO AND WAIVE ANY OBJECTION TO PERSONAL JURISDICTION AND VENUE IN THOSE COURTS.

10.3 NO RIGHT OR REMEDY CONFERRED ON OR RESERVED TO FRANCHISOR AND/OR SERVICE LLC OR DEVELOPER BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY IN THIS AGREEMENT OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.

#### 11. MISCELLANEOUS.

11.1 Notices. All communications required or permitted to be given to a party shall be in writing and shall be deemed given on the earlier of: (a) the date when delivered by hand; (b) the date when delivered by fax if confirmation of transmission is received or can be established by the sender; (c) one (1) business day after delivery to a reputable national overnight delivery service; or (d) three (3) business days after being placed in the United States Mail and sent by certified or registered mail, postage prepaid, return receipt requested. All notices shall be addressed to Developer, Franchisor and/or Service LLC as applicable at the address in the introductory paragraph of this Agreement, provided that either party may change its address for receiving notices by written notice to the other. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment not actually received by Franchisor and/or Service, LLC during regular business hours on the date it is due shall be deemed delinquent.

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

11.3 Withholding of Consent. Except where this Agreement expressly obligates Franchisor and/or Service LLC to reasonably approve or not unreasonably withhold approval of any action or request by Developer, Franchisor and Service LLC have the absolute right to refuse any request by Developer or to withhold approval of any action by Developer. Further, whenever the consent or approval of Franchisor and/or Service LLC is required under this Agreement such consent or approval must be in writing unless this Agreement specifies otherwise.

11.4 Waiver. Any waiver granted by Franchisor and/or Service LLC to Developer excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing and shall be effective on delivery of the writing by Franchisor and/or Service LLC to Developer or on such other effective date specified in the writing, and only to the extent specifically allowed in the writing. No waiver granted by Franchisor and/or Service LLC, and no action taken by Franchisor and/or Service LLC, with respect to any third party shall limit Franchisor or Service LLC's discretion to take action of any kind, or not to take action, with respect to Developer. Any waiver granted by Franchisor and/or Service LLC to Developer shall be without prejudice to any other rights Franchisor and Service LLC may have. No delay by Franchisor and/or Service LLC in exercising any right or remedy shall operate as a waiver, and no single or partial exercise by Franchisor and/or Service LLC of any right or remedy shall preclude Franchisor and/or Service LLC from fully exercising that right or remedy or any other right or remedy. Franchisor and/or Service LLC's acceptance of any payments made by Developer after a breach of this Agreement shall not be, nor be construed as, a waiver by Franchisor or Service LLC of any breach by Developer of any term, covenant or condition of this Agreement. The rights of Franchisor and Service LLC are cumulative and no exercise or enforcement by Franchisor and/or Service LLC of any right or remedy shall preclude the exercise or enforcement by Franchisor and/or Service LLC of any other right or remedy to which Franchisor and/or Service LLC is entitled by law to enforce.

11.5 Capitalized Terms. Except as expressly provided herein, to the extent any capitalized term is also defined in the Franchise Agreement, the term shall have the same meaning given to it in the Franchise Agreement and such definitions are incorporated herein by this reference. All other capitalized terms shall have the meaning given to them herein.

11.6 Section Headings; Language. Section headings in this Agreement are for convenience only and shall be deemed not to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall be construed according to its fair meaning and not strictly for or against Franchisor, Service LLC or Developer. The term "Developer" herein is applicable to one or more persons, corporations, entities or partnerships, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Developer, whether or not as partners or joint venturers, their obligations and liabilities shall be joint and several. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies on any person or entity not a party hereto. No agreement between Franchisor and/or Service LLC and anyone else is for the benefit of Developer. Whenever this Agreement refers to "business days," it shall mean weekdays only, excluding Saturdays, Sundays and holidays.

11.7 Binding on Successors. Subject to the restrictions on assignment by Developer, the covenants, agreements, terms and conditions in this Agreement shall be binding on, and shall benefit, the successors, assigns, heirs and personal representatives of the parties.

11.8 Validity; Conformity with Applicable Law. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the rest of the provision or the remaining provisions of this Agreement. To the extent the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination other than according to applicable law, such provisions shall be deemed to be automatically amended to conform to the provisions of applicable law.

11.9 Amendments. No amendment, change, modification or variance to or from the terms and conditions in this Agreement shall be binding on any party unless it is set forth in writing and executed: (i) on behalf of Developer by Developer or, if Developer is not a natural person, by an authorized agent or officer of Developer; and (ii) on behalf of Franchisor and/or Service LLC, by a duly authorized officer of Franchisor and/or Service LLC.

11.10 Complete Agreement. This Agreement, including the exhibits, is the entire agreement between the parties on its subject, superseding any and all prior agreements or understandings between them pertaining to the subject matter. The recitals in this Agreement, and exhibits, are incorporated here by reference. There are no representations, warranties, promises or inducements, either oral or written, except those in this Agreement. However, nothing in this Agreement, exhibits or related agreement or document is intended to disclaim representations made in Franchisor and Service LLC's Franchise Disclosure Document which Developer acknowledges was furnished to Developer.

11.11 Independent Investigation. Developer acknowledges that Developer is entering into this Agreement as a result of its independent investigation of the opportunity and not as a result of any representations about Franchisor and/or Service LLC made by any of Franchisor and/or Service LLC's officers, directors, shareholders, employees, agents, representatives or independent contractors or by any family members of any of the foregoing that are contrary to the terms in this Agreement or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee under applicable law.

11.12 Covenant and Condition. Each provision of this Agreement performable by Developer shall be construed to be both a covenant and a condition.

11.13 Submission of Agreement. The submission of this Agreement to Developer is not an offer to Developer and this Agreement shall become effective only on execution by Franchisor and Service LLC and Developer.

Executed as of the date stated in the introductory paragraph:

“FRANCHISOR”

“DEVELOPER”

Galardi Group Franchise Corp.  
a California corporation

By: \_\_\_\_\_  
Thomas J. Haldorsen  
Its: General Counsel

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

SERVICE LLC

Galardi Group Franchise & Leasing, LLC  
By its Managing Member

Galardi Group Franchise & Leasing, Inc.

By: \_\_\_\_\_  
Thomas J. Haldorsen  
Its: General Counsel



## **Exhibit “A”**

### **Development Territory Rights**

Franchisor grants Developer the Territory rights to Develop within certain areas situated in \_\_\_\_\_, and more particularly described within the following Counties:

Territory Map:



EXHIBIT O

ADDENDUM TO FRANCHISE  
AGREEMENT

**ADDENDUM TO FRANCHISE AGREEMENT  
(SINGLE-RESTAURANT INCENTIVE)**

This Addendum is made and entered into on \_\_\_\_\_, 20\_\_, by and between Galardi Group Franchise Corp., a California corporation ("Franchisor"), Galardi Group Franchise & Leasing, LLC, a California limited liability company ("Service LLC") and \_\_\_\_\_ ("Franchisee") with reference to the following facts:

**RECITALS**

A. On or about the above date, Franchisor, Service LLC, and Franchisee entered into that certain Franchise Agreement, regarding a new Wienerschnitzel location; and,

B. Franchisor, Service LLC, and Franchisee now desire to modify certain terms and conditions of the Franchise Agreement as more fully outlined below:

Accordingly, the parties have agreed as follows:

**AGREEMENT**

**1. SERVICE FEE.**

Prior to the 18-month anniversary of signing the Franchise Agreement and this Addendum, Franchisee shall complete construction and all other requirements, and shall open Franchisee's Wienerschnitzel, and remain open for business. If Franchisee completes the 18-month requirements above, all to Franchisor's and Service LLC's reasonable satisfaction, then so long as Franchisee is in full and complete compliance with its Franchise Agreement, the Franchisee's Service Fee rate provided in Section 6 of the Franchise Agreement shall be reduced to one percent (1%) of Net Sales for the first one (1) year of the Franchise Term and two percent (2%) of Net Sales for the second year of the Franchise Term. If Franchisee is not in compliance with the Franchise Agreement, including this Addendum, the Service Fee rate reduction shall end and Franchisee shall pay Service Fees at the rate provided in the Franchise Agreement without consideration of this Addendum.

A "Qualifying New Restaurant" is a new Wienerschnitzel restaurant location, not the reopening of a prior Wienerschnitzel restaurant, that is a free-standing restaurant, a conversion of another free-standing business, or is an end-cap with drive-thru Wienerschnitzel restaurant.

**2. MARKETING SUPPORT**

If Franchisee complies with the Wienerschnitzel opening requirements contained in Paragraph 1 of this Addendum, and its Franchise Agreement, then Franchisor and/or Service LLC, no later than 4 months on or before the opening of Franchisee's restaurant, shall spend no less than five thousand dollars (\$5,000) to support Franchisee's restaurant opening.

**3. TRAINING**

With reference to Section 7(b) of the Franchise Agreement, Franchisor and/or Service LLC shall waive the initial training fee of Five Thousand and 00/100 Dollars (\$5,000) for the first individual trained. However, if Franchisee is not in compliance with the Franchise Agreement or is not in compliance with this Addendum, then Franchisee shall pay Franchisor and Service LLC any training fee amount (i.e., \$5,000) previously waived by Franchisor and Service LLC.

#### **4. DEFAULT**

The following is added to the Franchise Agreement as a new Section 14(a)18:

Franchisee fails to open prior to the 18-month anniversary of signing the Franchise Agreement and this Addendum.

#### **5. DEFINED TERMS**

Terms not defined in this Addendum, shall have the definitions contained in the Franchise Agreement, or Exclusive Right to Develop Agreement.

Executed on the date stated in the introductory paragraph to this Addendum.

#### **FRANCHISOR:**

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

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

#### **FRANCHISEE:**

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

#### **SERVICE LLC:**

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING, INC.

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

EXHIBIT P

2023-2024 ADDENDUM TO  
FRANCHISE AGREEMENT  
(MULTI-RESTAURANT  
INCENTIVE)

**ADDENDUM TO FRANCHISE AGREEMENT  
(MULTI-RESTAURANT EXCLUSIVE INCENTIVE)**

This Addendum is made and entered into on \_\_\_\_\_, 20\_\_, by and between Galardi Group Franchise Corp., a California corporation ("Franchisor"), Galardi Group Franchise & Leasing, LLC, a California limited liability company ("Service LLC") and \_\_\_\_\_ ("Franchisee") with reference to the following facts:

**RECITALS**

A. On or about the above date, Franchisor, Service LLC, and Franchisee entered into an Exclusive Development Agreement to develop and open a certain number of Wienerschnitzel restaurants in Franchisee's exclusive territory, which is a new market for Wienerschnitzel to operate in such market. Part of this Exclusive Development Agreement provides Franchisee with certain benefits if Franchisee develops and opens its Wienerschnitzel restaurants in Franchisee's exclusive territory in the required development time periods.

B. On or about the above date, Franchisor, Service LLC, and Franchisee also entered into that certain Franchise Agreement, regarding a new Wienerschnitzel location; and,

C. Franchisor, Service LLC, and Franchisee now desire to modify certain terms and conditions of the Franchise Agreement as more fully outlined below:

Accordingly, the parties have agreed as follows:

**AGREEMENT**

**1. SERVICE FEE.**

Prior to the 18-month anniversary of signing the Franchise Agreement and this Addendum, Franchisee shall complete construction and all other requirements, and shall open Franchisee's Wienerschnitzel, and remain open for business. If Franchisee completes the 18-month requirements above, all to Franchisor's and Service LLC's reasonable satisfaction, then so long as Franchisee is in full and complete compliance with its Franchise Agreement, the Franchisee's Service Fee rate provided in Section 6 of the Franchise Agreement shall be reduced to one percent (1%) of Net Sales for the first year of the Franchise Term, two percent (2%) of Net Sales for the second year of the Franchise Term, three percent (3%) for the third year of the Franchise Term and four percent (4%) for the fourth year of the Franchise Term. If Franchisee is not in compliance with the Franchise Agreement, including this Addendum, the Service Fee rate reduction shall end and Franchisee shall pay Service Fees at the rate provided in the Franchise Agreement without consideration of this Addendum.

**2. MARKETING SUPPORT (FIRST RESTAURANT IN FRANCHISEE'S TERRITORY)**

If Franchisee complies with the Wienerschnitzel opening requirements contained in Paragraph 1 of this Addendum, and their Franchise Agreement and Exclusive Development Agreement, then Franchisor and/or Service LLC, no later than 4 months on or before the opening of Franchisee's first restaurant, shall spend no less than twenty thousand dollars (\$20,000) to support Franchisee's first restaurant opening in Franchisee's exclusive territory.

**3. TRAINING**

With reference to Section 7(b) of the Franchise Agreement, Franchisor and/or Service LLC shall waive the initial training fee of Five Thousand and 00/100 Dollars (\$5,000) for the first individual trained. However, if Franchisee is not in compliance with the Franchise Agreement or is not in compliance with

this Addendum, then Franchisee shall pay Franchisor and Service LLC any training fee amount (i.e., \$5,000) previously waived by Franchisor and Service LLC.

#### **4. DEFAULT**

The following is added to the Franchise Agreement as a new Section 14(a)18:

Franchisee fails to open prior to the 18-month anniversary of signing the Franchise Agreement and this Addendum.

#### **5. DEFINED TERMS**

Terms not defined in this Addendum, shall have the definitions contained in the Franchise Agreement, or Exclusive Right to Develop Agreement.

Executed on the date stated in the introductory paragraph to this Addendum.

#### **FRANCHISOR:**

GALARDI GROUP FRANCHISE CORP.,  
a California corporation

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

Its:

#### **SERVICE LLC:**

GALARDI GROUP FRANCHISE & LEASING, LLC  
a California limited liability company

By: Its Managing Member  
GALARDI GROUP FRANCHISE & LEASING, INC.

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

Its:

#### **FRANCHISEE:**

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

Its:



EXHIBIT Q

OPERATIONS MANUAL TABLE  
OF CONTENTS

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**EXHIBIT R**  
**ADVERTISING ASSOCIATIONS**

## WIENERSCHNITZEL ADVERTISING ASSOCIATIONS

Advertising Association	President	Address/Phone	Contribution Rate
Las Vegas Advertising Association	Dennis Tase	11384 Orchard View Ln Tustin, CA 92782 (949) 637-2311  <a href="mailto:dennis.tase@gmail.com">dennis.tase@gmail.com</a>	3%
WOA – Albuquerque	Jason Albritton	7700 Irvine Center Drive, Suite 550 Irvine, CA 92618 (949) 892-2635  <a href="mailto:dkoegeboehn@galardigroup.com">dkoegeboehn@galardigroup.com</a>	5%
WOA – Amarillo	Kim Romero	WS #328 4431 Bell St Amarillo, TX 79109 (806) 683-1896  <a href="mailto:kimromero7@aol.com">kimromero7@aol.com</a>	5%
WOA – Bakersfield	Erik Estrada	WS #356 4044 Ming Ave Bakersfield, CA 93309 (661) 374-9647  <a href="mailto:erikestrada1435@yahoo.com">erikestrada1435@yahoo.com</a>	3.5%
WOA – Dallas/Ft. Worth	Doug Koegeboehn	7700 Irvine Center Drive, Suite 550 Irvine, CA 92618 (949) 892-2635  <a href="mailto:dkoegeboehn@galardigroup.com">dkoegeboehn@galardigroup.com</a>	3%
WOA – Lubbock	Terri Holmes	Terri Holmes 7813 85 <sup>th</sup> St. Lubbock, TX 79424 (806) 543-6445  <a href="mailto:tholmes428@gmail.com">tholmes428@gmail.com</a>	4.0%

WOA – Salt Lake City	Dan Grundmann	WS#143 805 W. North Temple Salt Lake City, UT 84116 (801) 891-2975 (Cell)  <a href="mailto:djgrundmann@msn.com">djgrundmann@msn.com</a>	4.25%
WOA – San Diego	Mark Bingham	WS#413 523 Sweetwater Springs Blvd. Spring Valley, CA 91978 (619) 884-5120 (Cell)  <a href="mailto:m.bingham@sbcglobal.net">m.bingham@sbcglobal.net</a>	4.75%
WOA- Phoenix	Dennis Tase	WS#723 804 S. McClintock Dr. Tempe, AZ 85281 (480) 968-6134  <a href="mailto:dennis.tase@gmail.com">dennis.tase@gmail.com</a>	3%
WOA – Tucson	Paul Sticker	WS#691 2155 S. 6 <sup>th</sup> Ave. Tucson, AZ 85713 (520) 624-2720  <a href="mailto:pesticker@yahoo.com">pesticker@yahoo.com</a>	5%
WOCCOBA (Bay Area)  Wienerschnitzel Cooperative Corporation of Bay Area	Joe Marques	WS #156 2844 Story Road San Jose, CA 95127 (408) 623-8924  <a href="mailto:joedog156@yahoo.com">joedog156@yahoo.com</a>	4%
WOCCOLA (Los Angeles)	Tom Trujillo	c/o TW Inc. 1542 Plymouth Lane San Pedro, CA 90732 (213) 500-3545  <a href="mailto:tomtrujillo@me.com">tomtrujillo@me.com</a> <a href="mailto:tom@trujillohome.com">tom@trujillohome.com</a>	5%

WOCOPS (Palm Springs)	Riyad Sharqawi	WS#659 42092 Washington St. Bermuda Dunes, CA 92201 (760) 200-4467  <a href="mailto:shargawis5@aol.com">shargawis5@aol.com</a>	4%
WOCOS (Sacramento)	Kamran Ghazi	WS#433 103 W Main St Woodland, CA 95695 (916) 521-4381  <a href="mailto:kamranghazitehrani@gmail.com">kamranghazitehrani@gmail.com</a>	3.5% and 1% (HS)
WOCOF (Fresno)	Barbara Brandon	c/o D.W. Investment, Inc. 2943 Larkin Avenue Clovis, CA 93612 (559) 348-9420  <a href="mailto:barbrandon@gmail.com">barbrandon@gmail.com</a>	3%
WOA (El Paso)  Wienerschnitzel Operators of El Paso	Tim Kass	1062 La Plata Las Cruces, NM 88007 (Home) (575) 642-7887 (Cell)  <a href="mailto:wienerdude2007@msn.com">wienerdude2007@msn.com</a>	3.75%
Corpus Christi	Albert Juarez, Jr.	WS#224 3555 South Padre Island Drive Corpus Christi, TX 78415 (361) 876-8000 (Cell) (361) 855-0823 (Office)  <a href="mailto:ajuarez@wienerschnitzel.net">ajuarez@wienerschnitzel.net</a>	3%
Salinas/Monterey	Nabil Madjub	WS#193 711 East Alisal Salinas, CA 93905 (831) 424-9999  <a href="mailto:nabeelmaj@yahoo.com">nabeelmaj@yahoo.com</a>	3.5%

EXHIBIT S  
LIST OF FRANCHISEES



**WIENERSCHNITZEL - FULL FRANCHISEES  
(As of December 2022)**

**CALIFORNIA**

Alhambra

WS#133 Christina Jang

2301 West Valley Boulevard, Alhambra, CA 91803 - (626) 289-3737 (F)

Anaheim

WS#80 OC Schnitzel, Inc.

101 North State College Boulevard, Anaheim, CA 92806 - (714) 774-8341 (F)

WS#108 OC Schnitzel, Inc.

2569 W. Ball Road, Anaheim, California 92804-4001 - (714) 774-8341 (F)

WS#332 T.C.B. Incorporated

2580 West La Palma Avenue, Anaheim, CA 92801 - (714) 952-9876 (F)

Antioch

WS#813 Great American Home Appliance Inc.

200 East 18<sup>th</sup> Street, Antioch, CA 94509 - (925) 206-4510 (F)

Auburn

WS#418 Auburn Wiener Dog, LLC

13401 Bowman Road, Auburn, CA 95603 - (530) 885-7875 (F)

Bakersfield

WS#107 Paul Youngho Cha

1130 Union Avenue, Bakersfield, CA 93307 - (661) 325-3055 (F)

WS#183 Salud "Sally" Alejo

2931 Niles Street, Bakersfield, CA 93306 - (661) 323-2502 (F)

WS#184 Samuel Santiago

2401 Brundage Lane, Bakersfield, CA 93304 - (661) 325-0689 (F)

WS#356 Erik Estrada

4044 Ming Avenue, Bakersfield, CA 93309 - (661) 397-5351 (F)

WS#567 Salud "Sally" Alejo

6200 White Lane, Bakersfield, CA 93309 - (661) 397-4686 (F)

WS#663 Bakersfield Restaurant Development, LLC

3748 Coffee Road, Bakersfield, CA 93308 - (661) 589-2855 (F)

Baldwin Park

WS#55 MRNMA, Inc.

13999 Francisquito Avenue, Baldwin Park, CA 91706 - (626) 962-4351 (F)

Barstow

WS#680 Rosa Jun

1305 East Main Street, Barstow, CA 92311 - (760) 256-1700 (F)

Bellflower

WS#482 SFO Group Corp

10221 Artesia Boulevard, Bellflower, CA 90706 - (562) 866-5596 (F)

Bermuda Dunes

WS#659 Riyad Sharqawi

42092 Washington Street, Bermuda Dunes, CA 92201 - (760) 200-4467 (F)

Brea

WS#578 TW INC.

250 East Lambert Road, Brea, CA 92821 - (714) 529-9211 (F)

Buena Park

WS#276 Ho Min Lee and Josephine Lee

6131 Lincoln Avenue, Buena Park, CA 90620 - (714) 995-1681 (F)

Burbank

WS#641 Wieners #641, LLC

3203 West Alameda, Burbank, CA 91505 - (818) 841-1917 (F)

Campbell

WS#33 Lil'l Dog Big Dog #33, LLC

1330 Camden Avenue, Campbell, CA 95008 - (408) 559-7721 (F)

WS#170 MH Heredia Corporation

1940 South Bascom Avenue, Campbell, CA 95008 - (408) 371-8409 (F)

Canoga Park

WS#200 Wieners #200, LLC

20925 Sherman Way, Canoga Park, CA 91303 - (818) 587-2978 (F)

Canyon Country

WS#338 Wieners #338, LLC

18900 West Soledad Canyon Road, Canyon Country, CA 91351 - (661) 252-7921 (F)

Cathedral City

WS#685 SD Market Corp.

68785 Ramon Road, Cathedral City, CA 92234 - (760) 202-3197 (F)

Chino

WS#310 TW INC.

11901 Central Avenue, Chino, CA 91710 - (909) 628-9098 (F)

WS#698 T.C.B. Inc.

4103 Riverside Drive, Chino, CA 91710 - (909) 548-4640 (F)

Citrus Heights

WS#300 Diab Enterprises, Inc.

5441 Sunrise, Citrus Heights, CA 95610 - (916) 965-6679 (F)

Clovis

WS#311 D. W. Investments, Inc.

555 West Shaw Avenue, Clovis, CA 93612 - (559) 298-8905 (F)

Colton

WS#562 415/562, LLC

2011 East Washington Street, Colton, CA 92324 - (909) 824-9993 (F)

Corona

WS#75 Aggie D. Clough & John Davis

315 South Main Street, Corona, CA 92882 - (951) 808-0946 (F)

Covina

WS#316 Nayham Enterprises Inc.

1212 North Azusa Avenue, Covina, CA 91722 – (626) 966-7900 (F)

Cypress

WS#530 Chili Inc.

10985 Meridian Drive, Cypress, CA 90630 - (714) 761-5093 (F)

Diamond Bar

WS#415 415/562, LLC

23300 Sunset Crossing Road, Diamond Bar, CA 91765 - (909) 860-9011 (F)

Dixon

WS#874 Bal Soin and Rekha Soin

2500 West A Street, Dixon, CA 95620 - (707) 676-5019 (F)

East Los Angeles

WS#228 SFO Group Corporation

1002 South Atlantic Boulevard, East Los Angeles, CA 90022 - (323) 269-1864 (F)

El Cajon

WS#771 AAamen Foods, LLC

1601 North Magnolia Avenue, El Cajon, CA 92020 - (619) 449-1735

El Cerrito

WS#123 Salman Rizvi, Abbas Rizvi and Faiyaz Saba

11101 San Pablo Avenue, El Cerrito, CA 94530 - (510) 232-0800 (F)

El Monte

WS#222 Nayham Enterprises, Inc.

10939 Garvey Avenue, El Monte, CA 91733 - (626) 575-0591 (F)

Elk Grove

WS#865 Diab 865, Inc.

9689 E. Stockton Blvd Elk Grove, CA 95624 - (279) 895-7269 (F)

Fairfield

WS#881 Khalid Mehmood

4490 Central Way #B, Fairfield, CA 94534 - (707) 673-2998 (F)

Firebaugh

WS#847 Divine Food Services, Inc.

46360 W. Panoche Road, Firebaugh, CA 93622 - (559) 659-3018 (F)

Fontana

WS#668 Wienerworks, Inc.

14524 Baseline Ave, Fontana, CA 92336 - (909) 355-3035 (F)

Fremont

WS#241 Sommalee Bousa

37119 Fremont Boulevard, Fremont, CA 94536 - (510) 794-8466 (F)

Fresno

D. W. Investments, Inc.

WS#185 4631 North Blackstone Avenue, Fresno, CA 93726 - (559) 222-2727 (F)

WS#372 120 South Clovis Avenue, Fresno, CA 93727 - (559) 251-9347 (F)

WS#468 7373 North Blackstone Avenue, Fresno, CA 93650 - (559) 432-8429 (F)

WS#548 4398 West Shaw Avenue, Fresno, CA 93722 - (559) 277-9343 (F)

Fullerton

WS#319 319/333, LLC

265 West Orangethorpe Avenue, Fullerton, CA 92832 - (714) 525-1741 (F)

Garden Grove

WS#15 Mitsuo Kinjo and Ruriko Kinjo  
13852 Harbor Boulevard, Garden Grove, CA 92843 - (714) 554-8640 (F)

WS#125 Ihmud Group, Inc.  
10192 Garden Grove Boulevard, Garden Grove, CA 92843 - (714) 537-3720 (F)

Gilroy

WS#629 Lil'L Dog Big Dog #629, LLC  
711 First Street, Gilroy, CA 95020 - (408) 846-6361 (F)

Glendora

WS#7 2022 Lina & Andy, Inc.  
649 West Arrow Highway, Glendora, CA 91740 - (626) 332-3179 (F)

WS#24 Wienerworks, Inc.  
509 W Route 66, Glendora, CA 91740 - (626) 335-9124 (F)

Hanford

WS#360 D. W. Investments, Inc.  
807 West Lacey Boulevard, Hanford, CA 93230 - (559) 584-9769 (F)

Hayward

WS#672 Sovan Inthavong  
1010 'A' Street, Hayward, CA 94541 - (510) 581-3838 (F)

Hemet

WS#554 Gregory S. Wilken, Inc.  
3513 West Florida Avenue, Hemet, CA 92545 - (951) 765-9919 (BFF)

Highland Park

WS#20 Wieners 2011, Inc.  
5215 N. Figueroa, Highland Park, CA 90042 - (323) 258-1175 (F)

Huntington Beach

WS#283 WSP Group Corp.  
19101 Brookhurst Street, Huntington Beach, CA 92646 - (714) 962-9431 (F)

WS#351 TW, Inc.  
5966 Warner Avenue, Huntington Beach, CA 92649 - (714) 846-4353 (F)

Inglewood

WS#877 Hasibul Sharif  
3104 West Century Blvd., Inglewood, CA 90303 - (303) 671-07311 (F)

Jurupa Valley

WS#817 DWJV, Inc.

10207 San Sevaine Way, Jurupa Valley, CA 91752 - (951) 790-1380 (F)

Kettleman City

WS#860 Divine Food Service, Inc.

25712 Ward Drive Kettleman City, CA 93239 - (559) 333-5006 (F)

La Crescenta

WS#69 Wieners #69, LLC

3140 Foothill Boulevard, La Crescenta, CA 91214 - (818) 957-3612 (F)

La Habra

WS#533 WSP Group Corp.

1120 E Imperial Hwy, La Habra, CA 90631 - (714) 870-0307 (F)

Lake Forest

WS#705 Lake Forrest Dimension, Inc.

20652 Lake Forest Drive, Lake Forest, CA 92630 - (949) 583-1508 (F)

Lake Isabella

WS#879 SRC Combine, Inc.

6321 Lake Isabella Blvd. Lake Isabella, CA 93240 - (760) 379-1010 (F)

WS#811 Hironimus Enterprises Inc.

4229 Woodruff Avenue, Lakewood, CA 90713 - (562) 425-2535 (F)

La Mesa

WS#58 Bong Marie Lee

6949 University Avenue, La Mesa, CA 91941 - (619) 461-2501 (F)

Lancaster

WS#402 Unified Service & Consulting, Inc.

1714 West Avenue 'K', Lancaster, CA 93534 - (661) 942-9460 (F)

WS#89 Unified Service & Consulting, Inc.

601 West Avenue J, Lancaster, CA 93534 - (661) 951-4622 (F)

WS#637 The Dallas and Kim Russell 1999 Trust

42741 45th Street West, Lancaster, CA 93536 - (661) 718-0433 (F)

WS#769 The Dallas and Kim Russell 1999 Trust

825 West Avenue 'K', Lancaster, CA 93535 - (661) 942-4230 (F)

La Puente

WS#657 Chili Inc.

1731 North Hacienda Boulevard, La Puente, CA 91744 - (626) 917-2533 (F)

Lawndale

WS#39 The Schnitz, Inc.

4607 Artesia Boulevard, Lawndale, CA 90260 - (310) 214-0019 (F)

WS#616 E. B. Foods

14900 Hawthorne Boulevard, Lawndale, CA 90260 - (310) 973-7715 (F)

Livermore

WS#267 Nabil Majdub

323 South Livermore Avenue, Livermore, CA 94550 - (925) 443-1647 (F)

WS#793 Diab and Ahmar, Inc.

816 North Vasco Road, Livermore, CA 94551 - (925) 373-0508 (F)

Lodi

WS#264 Diab Enterprises, Inc.

200 South Cherokee Lane, Lodi, CA 95240 - (209) 366-2477 (F)

Lomita

WS#715 SFO Group Corporation

1715 Pacific Coast Highway, Lomita, CA 90717 - (310) 534-1715 (F)

Long Beach

WS#12 TW #12, Inc.

3012 East Artesia, Long Beach, CA 90805 - (562) 423-9609 (F)

WS#492 T.C.B. Inc.

4901 Cherry Avenue, Long Beach, CA 90807 - (562) 423-9601 (F)

Los Angeles

WS#114 SFO Group Corp.

3619 West Olympic Boulevard, Los Angeles, CA 90019 - (323) 734-8714 (F)

WS#124 AQ Dantes, Inc.

3789 Crenshaw Boulevard, Los Angeles, CA 90016 - (323) 296-3299 (F)

Los Banos

WS#858 Italian Café Gourmet Food Service, Inc.

911 W. Pacheco Blvd., Los Banos, CA 93635 - (209) 710-9322 (F)

Manteca

WS#449 Nabil Majdub

1200 West Yosemite Avenue, Manteca, CA 95337 - (209) 239-7756 (F)

Modesto

Farouk Diab and Sahira Diab

WS#331 3342 McHenry Avenue, Modesto, CA 95350 - (209) 529-6936 (F)

WS#472 1620 East Hatch Road, Modesto, CA 95351 - (209) 537-8033 (F)

Farouk and Sahira Diab and Nawal Aspiras

WS#181 204 McHenry Avenue, Modesto, CA 95354 - (209) 522-1884 (F)

WS#690 2900 Standiford Avenue, Modesto, CA 95350 - (209) 521-1111 (F)

WS#882 Diab and Yassin, Inc.

3525 Yosemite Blvd. Modesto, CA 95357 - (209) 522-5288 (F)

Mojave

WS#849 FF Enterprises, LLC

16246 Sierra Hwy., Mojave, CA 93501 - (661) 824-2788 (F)

Monrovia

WS#557 SFO Group Corp

750 East Huntington Drive, Monrovia, CA 91016 - (626) 359-0470 (BFF)

Montclair

WS#333 319/333, LLC

9419 Central Avenue, Montclair, CA 91763 - (909) 626-9042 (F)

Montebello

WS#112 Arturo Sandoval

2501 West Beverly Boulevard, Montebello, CA 90640 - (323) 725-9070 (F)

WS#561 Saleem M. Zmily

23750 Alessandro Boulevard, Unit N, Moreno Valley, CA 92553 - (951) 656-9870 (F)

Murrieta

WS#645 CalRental.com

25250 Madison Avenue, Murrieta, CA 92562 - (951) 461-9697 (F)

National City

WS#86 Eric Pigg and Deborah Pigg

1825 Highland Avenue, National City, CA 91950 - (619) 477-7290 (F)

Norco

WS#734 R & R Hot Dogs, Inc.

1825 Hamner Avenue, Suite X, Norco, CA 92860 - (951) 734-8558 (F)

**EXHIBIT S**



North Highlands

WS#140 Ibrahim M. Awad

5644 Watt Avenue, North Highlands, CA 95660 - (916) 331-4696 (F)

North Hollywood

WS#204 Thomas M. Trujillo

5135 Laurel Canyon Boulevard, North Hollywood, CA 91607 - (818) 506-9086 (F)

Northridge

WS#363 Wieners #363, LLC

18420 Nordhoff Street, Northridge, CA 91325 - (818) 886-6996 (F)

Norwalk

WS#337 Hironimus Enterprises, Inc.

11610 Alondra Boulevard, Norwalk, CA 90650 - (562) 924-4341 (F)

Oakdale

WS#826 Oak Valley Restaurants, Inc.

920 East F Street, Oakdale, CA 95361 - (209) 322-6020 (F)

Oceanside

WS#545 Philip Food Holdings #1, Inc

1960 Oceanside Boulevard, Oceanside, CA 92054 - (760) 754-1909 (F)

Oildale

WS#453 Sue Kim

236 North Chester Avenue, Oildale, CA 93308 - (661) 393-0471 (F)

Ontario

WS#588 HDAG, Inc

4605 East Mills Circle, Ontario, CA 91764 - (909) 987-7100 (F)

WS#744 BFA Enterprises, Inc.

761 North Archibald Avenue, Ontario, CA 91764 - (909) 937-1640 (F)

WS#820 Chili and Dog, Inc.

1175 E. Walnut Street, Ontario, CA 91761 - (909) 673-1711 (F)

Orange

WSP Group Corp.

WS#293 1888 North Tustin Avenue, Orange, CA 92865 - (714) 637-9835 (F)

WS#306 2205 West Chapman Avenue, Orange, CA 92868 - (714) 937-9939 (F)

WS#660 SARI Development Inc.

108 West Lincoln Avenue, Orange, CA 92865 - (714) 998-8555 (F)

WS#708 GSB Investment, Inc.  
4341 East Chapman Avenue, Orange, CA 92869 - (714) 639-6506 (F)

Oxnard  
WS#580 Wieners #580, LLC  
2830 South Ventura Road, Oxnard, CA 93033 - (805) 247-0442 (F)

Pacoima  
WS#830 WSP Group Corp.  
9000 Woodman Ave., Pacoima, CA 91331 - (818) 830-0086 (F)

Palmdale  
WS#631 Unified Service & Consulting, Inc.  
3005 E Ave S, Palmdale, CA 93550 - (661) 272-0566 (F)

Paramount  
WS#16 Forever Wieners, Inc.  
8201 East Rosecrans, Paramount, CA 90723 - (562) 633-1192 (F)

Perris  
WS#863 DW SJP, Inc.  
2650 North Perris Blvd., Perris, CA 92571 - (951)940-4256 (F)

Phelan  
WS#807 FBA Group, Inc.  
4145 Phelan Road, Phelan, California 92731 - (760) 868-3300 (F)

Pico Rivera  
WS#679 Wienerworks, Inc.  
6749 Rosemead Blvd., Pico Rivera, CA 90660 - (562) 942-0206 (F)

Placentia  
WS#626 Chili Inc.  
1005 East Imperial Highway, Placentia, CA 92870 - (714) 996-0570 (F)

Pomona  
WS#26 Jean Allocati  
175 West Foothill, Pomona, CA 91766 - (909) 596-7606 (F)

WS#46 Wieners Bucks, Inc.  
520 East Mission Boulevard, Pomona, CA 91766 - (909) 629-1240 (F)

Rancho Cordova  
WS#722 Bal K. Soin and Urmil K. Soin  
11076 Coloma Road, Rancho Cordova, CA 95670 - (916) 631-0018 (F)

Rancho Cucamonga

WS#569 Ihmud Group, Inc.

12719 Foothill Blvd., Rancho Cucamonga, CA 91730 - (909) 899-5959 (F)

Redding

WS#339 Frank Food Service, Inc.

1120 Market Street, Redding, CA 96001 - (530) 241-4960 (F)

Redlands

WS#699 TW Inc.

1961 Redlands Boulevard, Redlands, CA 92373 - (909) 307-9055 (F)

Riverside

WS#36 Anwar Hilal

9595 Magnolia Avenue, Riverside, CA 92503 - (951) 689-0415 (F)

WS#343 JCRD Investments, Corp

1246 University Avenue, Riverside, CA 92507 - (951) 684-7758 (F)

WS#532 Waleed Nassar and Jihan Nassar

5775 Van Buren Boulevard, Riverside, CA 92503 - (951) 785-1788 (F)

WS#697 Damco Group LLC

7460 Mission Grove Parkway South, Riverside, CA 92508 - (951) 780-2139 (F)

WS#721 Gus Sadighi, Inc.

6247 Day Street, Riverside, CA 92507 - (951) 656-5143 (F)

Roseville

WS#464 Farouk and Sahira Diab and Basma Diab

898 Sunrise Avenue, Roseville, CA 95661 - (916) 783-9112 (F)

Sacramento

WS#131 Farouk Diab and Sahira Diab

845 El Camino Avenue, Sacramento, CA 95815 - (916) 927-7072 (F)

WS#154 Chander M. Soin and Veena Soin

5100 Auburn Boulevard, Sacramento, CA 95841 - (916) 332-9404 (F)

WS#263 AYC Food Services, Inc.

2737 Arden Way, Sacramento, CA 95825 - (916) 488-8586 (F)

WS#317 Faris Diab and Mohammed Diab, Inc

5980 Stockton Boulevard, Sacramento, CA 95824 - (916) 428-4253 (F)

WS#782 Diab and Diab, Inc.

2961 Advantage Way, Sacramento, CA 95834 - (916) 419-4545 (F)

**EXHIBIT S**

WS#514 Awad Wieners Inc.  
2501 Broadway, Sacramento, CA 95818 - (916) 457-9925 (F)

WS#617 Junaid Enterprise, Inc.  
3591 Bradshaw Road, Sacramento, CA 95827 - (916) 970-5470 (F)

WS#806 Bal Soin & Urmil Soin and Dinesh Soin  
2464 Florin Road, Sacramento, CA 95831 - (916) 427-6625 (F)

Salinas

Quality Restaurant Enterprises, Inc.  
WS#193 711 East Alisal Street, Salinas, CA 93905 - (831) 424-9999 (F)  
WS#279 1346 South Main Street, Salinas, CA 93901 - (831) 754-4433 (F)

San Bernardino

WS#27 LJWM, Inc.  
1102 North Waterman, San Bernardino, CA 92410 - (909) 888-9572 (F)

WS#667 T.W. Inc.  
4394 University Parkway, San Bernardino, CA 92407 - (909) 473-7944 (F)

San Diego

WS#13 Pigg Wieners 2018, Inc.  
4530 El Cajon Boulevard, San Diego, CA 92115 - (619) 281-9618 (F)

WS#14 Manessa, Inc  
2669 Garnet Street, San Diego, CA 92109 - (858) 273-0730 (F)

WS#32 SSFB, Inc.  
1852 Rosecrans Avenue, San Diego, CA 92106 - (619) 224-1197 (F)

WS#153 SFNR Food, Inc.  
4393 Convoy Street, San Diego, CA 92111 - (858) 277-0882 (F)

San Jacinto

WS#862 DWSJ Inc.  
1504 S. San Jacinto Ave., San Jacinto, CA 92583 - (951) 397-1038 (F)

San Jose

WS#134 MJ & J Foods, Inc.  
935 South First Street, San Jose, CA 95110 - (408) 297-7020 (F)

WS#156 Joseph F. Marques, Jr. and Emma Marques  
2844 Story Road, San Jose, CA 95127 - (408) 251-8645 (BFF)

San Pedro

WS#59 Esther Ann Beard Trust

230 North Gaffey Street, San Pedro, CA 90731 - (310) 831-4486 (F)

Santa Ana

WS#683 Sari Investment, Inc.

752 East Dyer Road, Santa Ana, CA 92705 - (714) 966-8543 (F)

WS#348 Wienerworks Inc.

1401 W MacArthur Blvd, Santa Ana, CA 92704 - (714) 574-8181 (F)

Santa Maria

WS#266 D. W. Investments, Inc.

500 East Main Street, Santa Maria, CA 93454 - (805) 922-5558 (F)

Santee

WS#424 Shynon, Inc.

9650 Mission Gorge Road, Santee, CA 92071 - (619) 448-2168 (F)

Simi Valley

WS#312 Wieners #312, LLC

1508 East Los Angeles Avenue, Simi Valley, CA 93065 - (805) 522-5013 (BFF)

South Gate

WS#43 Jeong Yong Kim

5141 East Imperial Highway, South Gate, CA 90280 - (310) 637-5396 (F)

Spring Valley

WS#413 Mark D. Bingham

3523 Sweetwater Springs Boulevard, Spring Valley, CA 91978 - (619) 670-6905 (F)

Stockton

Diab Enterprises, Inc.

WS#362 1107 West March Lane, Stockton, CA 95207 - (209) 473-1686 (F)

WS#518 5950 North Highway 99, Stockton, CA 95212 - (209) 931-2361 (F)

WS#836 F Diab and G Abed Inc.

130 West Harding, Way, Stockton, CA 95204 - (209) 227-5123 (F)

Temecula

WS#815 THDT Investments, Inc.

32080 Temecula Parkway, CA 92592 - (951) 303-2200 (F)

Torrance

WS#38 K2 Brands LLC

1125 West Carson Street, Torrance, CA 90502 - (310) 533-9111 (F)

WS#509 Chili Inc.  
2780 Pacific Coast Highway, Torrance, CA 90505 - (310) 539-2823 (F)

WS#704 Tahir and Shahid Inc.  
1352 West 190<sup>th</sup> Street, Torrance, CA 90501 - (310) 787-1026 (F)

Tracy

WS#670 Farouk and Sahira Diab and Zaher Abed and Amal Abed  
2870 West Grant Line Road, Tracy, CA 95304 - (209) 830-7070 (F)

WS#827 Farouk Diab & Sahira Diab  
25432 S Schulte Rd, Tracy, CA 95377 - (209) 839-8322 (F)

Turlock

WS#864 Diab and Bawad, Inc.  
2675 Countryside Drive, Turlock, CA - (209) 668-6228 (F)

Tustin

WS#287 Charles and Grace, Inc.  
105 El Camino Real, Tustin, CA 92780 - (714) 832-9669 (F)

Vacaville

WS#421 Khalid Mehmood  
149 Peabody Road, Vacaville, CA 95687 - (707) 446-1413 (F)

Ventura

WS#314 Wieners #314, LLC  
2172 Harbor Boulevard, Ventura, CA 93001 - (805) 653-9280 (F)

Victorville

WS#555 43 Daag, Inc.  
15014 Bear Valley Road, Victorville, CA 92392 - (760) 243-7504 (F)

WS# 808 Salma Parven  
12951-2 Hesperia Road, Victorville, CA 92392 - (760) 241-7600 (F)

WS#822 Stosk, Inc.  
14485 7<sup>th</sup> Street, Victorville, CA 92395 - (760) 243-5031 (F)

Visalia

WS#824 Mohammad Khan  
1400 E. Noble Avenue, Visalia, CA 93292 - (559) 747-2523 (F)

Westminster

WS#177 Hironimus Enterprises, Inc.  
13872 Goldenwest Street, Westminster, CA 92683 - (714) 891-2382 (F)

Whittier

WS#481 Wienerworks, Inc.

10810 Beverly Blvd, Whittier, CA 90601 - (562) 695-2402 (F)

WS#344 TW Inc.

15753 Leffingwell Road, Whittier, CA 90604 - (562) 943-9024 (F)

WS#831 WSP Group Corporation

13543 Florence Ave., Whittier, CA 90605 - (562) 777-0355 (F)

Woodland

WS#433 AYC Food Services, Inc.

103 West Main Street, Woodland, CA 95695 - (530) 662-7978 (F)

Yuba City

WS#470 Nabil Majdub

1245 Bridge Street, Yuba City, CA 95991 - (530) 673-7078 (F)

Yucaipa

WS#587 S&M Wieners, Inc.

34852 Yucaipa Boulevard, Yucaipa, CA 92399 - (909) 790-3799 (F)

**ARIZONA**

Bullhead City

WS#713 Berger Boys BHC, LLC

2840 Highway 95, Suite 200, Bullhead City, AZ 86442 - (928) 704-4515 (F)

Glendale

WS#695 Wienerworks, Inc.

6030 West Thunderbird Rd, Glendale, AZ 85306 - (928) 843-1638 (F)

Lake Havasu City

WS#673 Restaurant Ventures, LLC

245 Lake Havasu Avenue North, Lake Havasu City, AZ 86403 - (928) 854-2811 (F)

Mesa

WS#762 SV Group, Inc.

1225 South Highley Road, Mesa, AZ 85206 - (480) 830-0849 (F)

Tempe

WS#723 Wienerworks, Inc.

804 S McClintock, Tempe, AZ 85281 - (480) 968-6134 (F)

Tucson

WS#692 P.M. Sticker, Inc.

5765 East Broadway Blvd, Tucson, AZ 85711 - (520) 514-5213 (F)

Yuma

WS#79 Hulse Food Service Inc.

1775 South Fourth Avenue, Yuma, AZ 85364 - (928) 782-3303 (F)

**COLORADO**

Colorado Springs

WS#883 Colorado Hot Dogs LLC

4095 Austin Bluffs Pkwy, Colorado Springs, CO 80918 - (719) 418-5690 (F)

Fruita

WS#823 Fruita Consumers Coop, Assoc Inc.

1650 Highway 6 & 50, Fruita, CO 81521 - (970) 858-3667 (F)

Grand Junction

WS#171 Icon Enterprises, Inc.

2550 North Avenue, Grand Junction, CO 81501 - (970) 242-3133 (F)

**ILLINOIS**

Champaign

WS#221 Chili House Limited Liability Co.

2102 W Springfield Ave, Champaign, IL 61821 - (217) 378-5100 (F)

**LOUISIANA**

Baton Rouge

WS#186 Harvey Brown

2948 Highland Road, Baton Rouge, LA 70802-7828 - (225) 343-8774 (F)

**NEVADA**

Henderson

WS#577 Hasibul Sharif

2575 Windmill Parkway, Henderson, NV 89074 - (702) 263-3550 (F)

Las Vegas

WS#441 Diab and Safori, Inc.

4470 East Charleston Boulevard, Las Vegas, Nevada 89104 - (702) 531-0219 (F)

WS#495 KGR 1760 Ops, LLC

1760 South Rainbow Boulevard, Las Vegas, NV 89146 - (702) 877-3314 (F)



WS#583 Wienerworks, Inc.

2071 Rocksprings Dr, Las Vegas, NV 89128 - (702) 877-3314 (F)

WS#718 Chiliworks, Inc.

3201 North Rancho Drive, Las Vegas, NV 89108 - (702) 939-0714 (F)

WS#739 KGR 4680 OPS, LLC

4680 East Flamingo Boulevard, Las Vegas, NV 89121 - (702) 434-2955 (F)

WS#751 KGR 6075 OPS, LLC

6075 South Rainbow Blvd, Las Vegas, NV 89118 - (702) 247-6535 (F)

WS#777 Diab and Safori, Inc

2060 E. Serene Avenue, Suite #101, Las Vegas, NV 89123 - (702) 263-2066 (F)

WS#856 Diab and Safori, Inc.

6111 Sahara Ave., Las Vegas, NV 89102 - (702) 876-5979 (F)

#### Reno

WS#612 All Taken, Inc.

2090 Mill Street, Reno, NV 89502 - (775) 322-2744 (F)

### **NEW MEXICO**

#### Albuquerque

WS#855 Trugon, LLC

1440 Gibson Blvd SE, Albuquerque, NM 87106 - (505) 900-3766 (F)

#### Carlsbad

WS#885 DW Carlsbad, LLC

1013 W. Pierce Street Ste A, Carlsbad, NM 88220 - (575) 725-5571 (F)

#### Clovis

WS#203 Hailey Enterprises, Inc.

1220 North Main Street, Clovis, NM 88101 - (575) 762-1968 (F)

#### Las Cruces

T.D. & T, LLC

WS#247 1028 El Paseo Road, Las Cruces, NM 88001 - (575) 524-7471 (F)

WS#812 2800 North Main Street, Las Cruces, NM 88001 - (575) 526-7878 (F)

#### Roswell

WS#717 717 Hotdog, LLC

2407 North Main Street, Roswell, NM 88201 - (575) 622-1822 (F)

## **TEXAS**

### **Abilene**

WS#586 Luevano Food, Inc.  
2997 South 14<sup>th</sup> Street, Abilene, TX 79605 – (325) 232-6766 (F)

### **Amarillo**

WS#834 DW Texas, LLC  
5800 W. Amarillo Blvd., Amarillo, TX 79106 - (806) 310-9501 (F)

### **Austin**

WS#816 Der Dream, LLC  
2512 Braker Lane, Austin, TX 78758 - (512) 491-7888 (F)

### **Beaumont**

WS#720 JVM Restaurant Holdings Inc.  
6050 Folsom Drive, Beaumont, TX 77706 - (409) 347-0385 (F)

### **Bryan**

WS#255 Bret Charles Wenzel  
501 South Texas Avenue, Bryan, TX 77803 - (979) 775-1984 (F)

### **Corpus Christi**

Courtney Testamentary Trust  
WS#194 2401 Ayers Street, Corpus Christi, TX 78404 - (361) 884-4242 (F)  
WS#224 3555 South Padre Island Drive, Corpus Christi, TX 78415 - (361) 855-6821 (F)  
WS#584 5861 South Staples Street, Corpus Christi, TX 78413 - (361) 991-1711 (F)  
WS#594 4001 U.S. Highway 77, Corpus Christi, TX 78410 - (361) 241-8706 (F)  
WS#714 4221 South Alameda Street, Corpus Christi, TX 78412 - (361) 991-2323 (F)

### **El Paso**

Steelerdog Investment LLC  
WS#109 1401 Airway Boulevard, El Paso, TX 79925 - (915) 778-5673 (F)  
WS#432 1899 North Lee Trevino Drive, El Paso, TX 79936 - (915) 593-7389 (F)  
WS#773 1441 North Zaragosa Road, El Paso, TX 79938 - (915) 849-9800 (F)

### **Fabens, TX**

WS#843 A.Q.R. Foods, LLC  
1885 N. Fabens Rd., Fabens, TX 79838 - (915) 764-4111 (F)

### **Grand Prairie**

WS#639 James Hailey Jr.  
2614 West I-20, Grand Prairie, TX 75052 - (972) 641-5545 (F)

Houston

WS#887 Buns and Dogs, LLC

3538 Highway 6 South, Houston, TX 77082 - (832) 288-4603 (F)

Lubbock

#785 Palmetto Assets, LLC

WS#405 7102 Quaker Avenue, Lubbock, TX 79424 - (806) 793-5941 (F)

WS#785 6319 82<sup>nd</sup> Street, Lubbock, TX 79424 - (806) 698-1790 (F)

WS#729 #729 Palmetto Assets, LLC

7615B South University Avenue, Lubbock, TX 79423 - (806) 745-5942 (F)

WS#428 Palmetto Assets #428, LLC

301 University Ave, Lubbock, TX 79415 - (806) 747-6881 (F)

WS#857 Ter Cal & Son, LLC

5510 4<sup>th</sup> St. #300, Lubbock, TX 79423 - (806) 317-1604 (F)

WS#880 Lowry Hughes

4401 34<sup>th</sup> Street, Lubbock, TX 79410 - (806) 407-5910 (F)

Midland

WS#835 DW Odessa, LLC

4404 Tanglewood Land, Odessa, TX 79762 - (432) 366-0330 (F)

New Caney

WS#875 Buns and Dogs, LLC

20175 US Highway 59, New Caney, TX 77357 - (832) 793-5525 (F)

Odessa

WS#784 DW Odessa LLC

4404 Tanglewood Lane, Odessa, TX 79762 - (432) 366-0330 (F)

San Angelo

WS#208 Elftmann Enterprises, Inc.

3205 Sherwood Way, San Angelo, TX 76901 - (325) 703-6043 (F)

WS#615 Flight 4 Investments, Inc.

1809 South Bryant Boulevard, San Angelo, TX 76903 - (325) 659-2259 (F)

San Antonio

WS#633 Der Dream, LLC

8530 Perrin-Beitel Road, San Antonio, TX 76217 - (210) 654-1710 (F)

WS#876 Der Dream, LLC

3824 Fredericksburg Road San Antonio, TX 78201 – (210) 375-4711 (F)

San Marcos

WS#687 BLC Hot Dogs, Inc.

1071 Wonder World Drive, San Marcos, TX 78666 - (512) 392-7077 (F)

Victoria

WS#119 Masek Enterprises, LLC

1218 East Rio Grande Street, Victoria, TX 77901 - (361) 578-0962 (F)

WS#595 Masek Enterprises, LLC

3602 John Stockbauer Drive, Victoria, TX 77904 - (361) 578-3132 (F)

**UTAH**

Harrisville City

WS#746 Gilea, LLC

450 North Harrisville Road, Harrisville City, UT 84404 - (801) 782-6037 (F)

Midvale

WS#712 DW Salt, LLC

7063 South 900 East, Midvale, UT 84047 - (801) 568-3915 (F)

West Valley City

WS#297 Grundmann Enterprises, Inc.

3145 West 3500 South, Mid Valley City, UT 84119 - (801) 967-6065 (F)

Orem

WS#298 Double Eagle Investments, Inc.

314 N. State Street, Orem, Utah 84057 - (801) 225-9907 (F)

Salt Lake City

WS#753 Chrisland Foods, Inc.

1405 South 300 West, Salt Lake City, UT 84115 - (801) 484-7674 (F)

West Jordan

WS#459 DW Salt, LLC

7780 Redwood Road, West Jordan, UT 84084 - (801) 255-7901 (F)

**WASHINGTON**

Everett

WS#256 Hotdog House LLC

5905 Evergreen Way, Everett, WA 98203 - (425) 353-6363 (F)

Fife

WS#884 Hotdog House – Fife, Inc.

5156 Pacific Highway East, Fife, WA 98424 - (253) 517-5086 (F)

**WIENERSCHNITZEL – DEPARTED FRANCHISEES  
(As Of December 2022)**

Franchisees whose franchises have terminated, canceled, not renewed or who have voluntarily or involuntarily ceased to do business pursuant to an operator agreement within the last 12 months:

**CALIFORNIA**

Campbell

WS#170 Lil'L Dog Big Dog #170, LLC

1940 South Bascom Avenue, Campbell, CA 95008 - (408) 371-8409 (F)

Costa Mesa

WS#48 Harbor Investment Inc.

1951 Harbor Boulevard, Costa Mesa, CA 92627 - (949) 631-5181 (F)

Escondido

WS#51 JMJAW Corp

960 East Valley Parkway, Escondido, CA 92025 - (760) 746-8900 (F)

Garden Grove

WS#125 LJMw, Inc.

10192 Garden Grove Boulevard, Garden Grove, CA 92843 - (714) 537-3720 (F)

Glendora

WS#7 Jieun, Inc.

649 West Arrow Highway, Glendora, CA 91740 - (626) 332-3179 (F)

Lakewood

WS#105 Alina Enterprizes, Inc.

5721 Bellflower Boulevard, Lakewood, CA 90713 - (562) 866-9319 (F)

Lawndale

WS#39 Ecker, Inc.

4607 Artesia Boulevard, Lawndale, CA 90260 - (310) 214-0019 (F)

Oceanside

WS#545 See Lay Tan, Inc.

1960 Oceanside Boulevard, Oceanside, CA 92054 - (760) 754-1909 (F)

Pomona

WS#46 Dong Joo Pak and Suk Cha Pak

520 East Mission Boulevard, Pomona, CA 91766 - (909) 629-1240 (F)

Riverside

WS#450 H & Y Enterprises, Inc.

3850 La Sierra Avenue, Riverside, CA 92505 - (951) 359-1880 (F)

Rosemead

WS#144 THLS, LLC

7434 East Garvey Avenue, Rosemead, CA 91770 - (626) 571-8120 (F)

Sacramento

WS#317 Diab Enterprises, Inc. (F)

5980 Stockton Boulevard, Sacramento, CA 95824 - (916) 428-4253 (F)

Santa Monica

WS#65 TSMO Inc.

3010 North Pico Boulevard, Santa Monica, CA 90405 - (310) 450-7671 (F)

Visalia

WS#824 VZSA Pizza Three, Inc.

1400 E. Noble Avenue, Visalia, CA 93292 - (559) 747-2523 (F)

**ARIZONA**

Lake Havasu City

WS#673 Monsoon Restaurant Group, L.L.C.

245 Lake Havasu Avenue North, Lake Havasu City, AZ 86403 - (928) 854-2811 (F)

**COLORADO**

Grand Junction

WS#810 Good 2 Go Stores, LLC

333 North First Street, Grand Junction, CO 81501 - (970) 243-2421 (F)

WS#842 Good 2 Go Stores, LLC

401 30 Road, Grand Junction, CO 81504 - (970) 200-8954 (F)

WS#844 Good 2 Go Stores, LLC

745 Horizon Dr., Grand Junction, CO 81506 - (970) 325-6436 (F)

Montrose

WS#814 Good 2 Go Stores, LLC

1440 N. Townsend, Montrose, CO 81401 - (970) 462-9047 (F)

Parachute

#832 Good 2 Go Stores, LLC

200 County Road #215, Parachute, CO 81635 - (970) 200-2179 (F)

## **NEVADA**

### **Las Vegas**

WS#751 Worthy Assoc. Inc.

6075 South Rainbow Blvd, Las Vegas, NV 89118 - (702) 247-6535 (F)

## **UTAH**

### **Midvale**

WS#712 Chrisland Foods, Inc.

7063 South 900 East, Midvale, UT 84047 - (801) 568-3915 (F)

### **West Jordan**

WS#459 Dunston Corporation

7780 Redwood Road, West Jordan, UT 84084 - (801) 255-7901 (F)

**EXHIBIT T**  
**STATE ADMINISTRATORS**



## STATE ADMINISTRATORS

Listed below are names, addresses, and telephone numbers of state and federal agency personnel who have responsibility for franchising disclosure and registration laws and selected business opportunity laws. Entries for the Federal Trade Commission appear at the end of the Exhibit.

### **California**

Department of Financial Protection  
and Innovation:

Los Angeles  
320 West 4<sup>th</sup> Street  
Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500

Sacramento  
2101 Arena Boulevard  
Sacramento, California 95834  
(916) 445-7205; (866) 275-2677

San Diego  
1455 Frazee Road, Suite 315  
San Diego, California 92106  
(619) 610-2093; (866) 275-2677

San Francisco  
One Sansome Street, Suite 600  
San Francisco, CA 94104-4428  
(415) 972-8559

Commissioner of Financial Protection  
and Innovation:  
Clothilde V. Hewlett

### **Federal Trade Commission**

Division of Marketing Practices  
Bureau of Consumer Protection  
Pennsylvania Avenue at 6<sup>th</sup> Street, NW  
Washington, D.C. 20580  
(202) 326-3128

### **Illinois**

Franchise Bureau  
Office of the Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

Attorney General  
Kwame Raoul

### **Washington**

Department of Financial Institutions  
Securities Division  
Post Office Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

EXHIBIT U  
DISCLOSURE ADDENDA

## CA State Addendum to the FDD

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
2. Neither the franchisor, any person or franchise broker in Item 2 of the UFDD 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 these persons from membership in this association or exchange.
3. California Business and Professions Code Sections 20000 - 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.)
5. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The operator agreement does not prevent modification. But it may only be modified by a written agreement between us. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your franchise agreement.
8. 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 - 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act. (Business and Professions Code Sections 20000 - 20043).
9. OUR WEBSITE IS: [WWW.WIENERSCHNITZEL.COM](http://WWW.WIENERSCHNITZEL.COM)
10. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
11. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 – 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Section 20000 – 20043).

12. Each of the agreements requires application of the laws and forum of Orange County, California. This provision may not be enforceable under California law.
13. 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 an 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. 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 requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of \$500,000 with The Gray Insurance Company and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

## ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. Illinois law governs the agreements between the parties to this franchise.
2. A franchisee's rights upon termination and/or non-renewal of a franchise are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
3. The Illinois Franchise Disclosure Act (815 ILCS Section 705/4) provides that "any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside of this State [Illinois] is void provided that a Franchise Agreement may provide for arbitration in a forum outside of this State [Illinois]."
6. 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.

ADDENDUM TO CONTRACTS  
FOR THE STATE OF ILLINOIS

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on, \_\_\_\_\_, \_\_\_\_\_ by and between \_\_\_\_\_ ("\_\_\_\_") and \_\_\_\_\_ ("Franchisee"), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of Illinois or a non-resident who is acquiring franchise rights permitting the location of one or more Wienerschnitzel® Restaurants in the State of Illinois.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; \_\_\_\_\_ (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Illinois law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provision of the Contracts or California law which are in conflict with the Act.

3. Illinois law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.

4. The parties hereby amend Section 26 of the Franchise Agreement by adding the following at the end of the paragraph:

"Nothing in this provision waives any rights you may have under Section 41 of the Illinois Franchise Disclosure Act of 1987."

5. To the extent that the Contracts designate jurisdiction or venue in a forum outside of the State of Illinois, the provision shall not be effective for Franchise Agreements entered into with an Illinois resident for a Wienerschnitzel Restaurant in the State of Illinois.

6. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF the parties have executed this Addendum on the date first above written.

COMPANY:

Galardi Group \_\_\_\_\_

By:

Its:

FRANCHISEE:

NAME

By:

Its:

## WASHINGTON FRANCHISE AGREEMENT ADDENDUM

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement 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 in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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.

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.



The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR

FRANCHISEE

**This addendum may also be used as a rider to the Franchise Disclosure Document.**

**EXHIBIT V**  
**AGENTS FOR SERVICE OF PROCESS**

## AGENTS FOR SERVICE OF PROCESS

### CALIFORNIA

Thomas J. Haldorsen  
Galardi Group Franchise Corp.  
7700 Irvine Center Drive, Suite 550  
Irvine, California 92618

CT Corporation System  
330 N. Brand Blvd.  
Glendale, California 91203-2336

California Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344

### ILLINOIS

The Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### WASHINGTON

Administrator  
Department of Financial Institutions  
150 Israel Rd. SW  
Tumwater, Washington 98501

EXHIBIT W  
SBA ADDENDUM 2018



## ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT

**THIS ADDENDUM** ("Addendum") is made and entered into on \_\_\_\_\_, 20\_\_\_\_ by and between \_\_\_\_\_ ("Franchisor"), located at \_\_\_\_\_, and \_\_\_\_\_ ("Franchisee"), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA- assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

### CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

### FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

**COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

**Authorized Representative of FRANCHISOR:**

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

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

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

**Authorized Representative of FRANCHISEE:**

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

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

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

**Note to Parties:** This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR §121.301(5)

**EXHIBIT X**  
**STATE EFFECTIVE DATES**

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<u>State</u>	<u>Effective Date</u>
California	
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	N/A
Washington	N/A
Wisconsin	N/A

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**EXHIBIT Y**  
**RECEIPTS**

RECEIPT  
(Franchisee's Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY. IF GALARDI GROUP FRANCHISE CORP. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU FOURTEEN (14) CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED SALE.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE (5) BUSINESS DAYS BEFORE YOU SIGN THE FRANCHISE AGREEMENT.

IF GALARDI GROUP FRANCHISE CORP. DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, 320 WEST 4<sup>TH</sup> STREET, SUITE 750, LOS ANGELES, CALIFORNIA 90013-2344.

THE FRANCHISE SELLER FOR THIS OFFERING IS TED MILBURN, DIRECTOR OF U.S. FRANCHISE DEVELOPMENT; AND YOU MAY HAVE ADDITIONAL CONTACT WITH ROBERT MATHEWS, VICE PRESIDENT AT GALARDI GROUP FRANCHISE CORP., 7700 IRVINE CENTER DRIVE, SUITE 550, IRVINE, CALIFORNIA 92618, TELEPHONE (949) 892-2629 and TELEPHONE (949) 892-2684, RESPECTIVELY. AREA REPRESENTATIVES INCLUDE ZAHEED UMATIYA, AJAZ PUNJANI, SUNNY PUNJANI, ASIF PUNJANI, AND ASLAM PUNJANI.

ISSUANCE DATE: April 4, 2023

I received a Disclosure Document dated \_\_\_\_\_, 2023 that included the following Exhibits:

A. Financial Statements	N. Exclusive Right to Develop Agreement
B. Franchise Agreement	O. Addendum to Franchise Agreement (Single-Restaurant Incentive)
C. Offer to Purchase	P. 2023-2024 Addendum to Franchise Agreement (Multi-Restaurant Incentive)
D. Sublease	Q. Operations Manual Table of Contents
E. Promissory Note	R. Advertising Associations
F. Equipment Lease	S. List of Current & Departed Franchisees
G. Guaranty	T. State Administrators
H. Advertising Association Agreement	U. State Disclosure Addenda
I. Promotional Allowance Assignment	V. Agents for Service of Process
J. Consent to Transfer	W. SBA Addendum 2018
K. Franchisor's Right to Cure Default (Lender)	X. State Effective Dates
L. Franchisor's Right to Cure Default & Consent to Assignment (Landlord)	Y. Receipts
M. Direct Debit Agreement	

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

RETURN THE DATED AND SIGNED RECEIPT TO GALARDI GROUP FRANCHISE CORP., 7700 IRVINE CENTER DRIVE, SUITE 550, IRVINE, CA 92618, FACSIMILE TELEPHONE NUMBER (949) 892-2615.

EXHIBIT Y

RECEIPT  
(Franchisor's Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY. IF GALARDI GROUP FRANCHISE CORP. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU FOURTEEN (14) CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED SALE.

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ISSUANCE DATE: APRIL 4, 2023

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G. Guaranty	T. State Administrators
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J. Consent to Transfer	W. SBA Addendum 2018
K. Franchisor's Right to Cure Default (Lender)	X. State Effective Dates
L. Franchisor's Right to Cure Default & Consent to Assignment (Landlord)	Y. Receipts
M. Direct Debit Agreement	

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

RETURN THE DATED AND SIGNED RECEIPT TO GALARDI GROUP FRANCHISE CORP., 7700 IRVINE CENTER DRIVE, SUITE 550, IRVINE, CA 92618, FACSIMILE TELEPHONE NUMBER (949) 892-2615.

EXHIBIT Y