



## FRANCHISE DISCLOSURE DOCUMENT

Naf-Naf Franchising LLC  
A Delaware limited liability company  
720 North Franklin, Suite 400  
Chicago, Illinois 60654  
(312) 858-3224  
franchise@nafnafgrill.com  
www.nafnafgrill.com

The franchise offered is to operate a restaurant under the “NAF NAF® Middle Eastern Grill” name and other trademarks offering and selling Middle-Eastern fare, including shawarma, falafel, hummus, and pita, and other food products and beverages.

The total investment necessary to begin operation of a new NAF NAF® Middle Eastern Grill is \$494,501,300 to \$813,700 (excluding real estate costs). This includes \$30,000 to \$40,000 that must be paid to the franchisor or affiliate. If you want development rights, you must pay us a development fee equal to \$30,000 (the initial franchise fee for the first Restaurant) plus a \$15,000 deposit toward each additional Restaurant’s \$30,000 initial franchise fee.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our corporate office 720 North Franklin Street, Suite 400, Chicago, Illinois 60654, (312) 858-3224.

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

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

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

Issuance date of this Franchise Disclosure Document: ~~April~~ March 10, 20245

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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
<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 NAF NAF® 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 NAF NAF® franchisee?</b>	Item 20 or Exhibit I lists current and former franchisees. You can contact them to ask about their
<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 E.

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.

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.

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in the franchisor's then-current home state (currently Illinois). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in its then-current home state (currently Illinois) than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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

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

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa, Lansing, Michigan 48933  
(517) 335-7567

Notwithstanding paragraph (f) above, we intend to enforce fully the provisions of the arbitration section of our Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

## TABLE OF CONTENTS

	<b>Page</b>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....	1
ITEM 2 BUSINESS EXPERIENCE.....	2
ITEM 3 LITIGATION.....	3
ITEM 4 BANKRUPTCY.....	3
ITEM 5 INITIAL FEES.....	3
ITEM 6 OTHER FEES.....	5
ITEM 7 ESTIMATED INITIAL INVESTMENT.....	15
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	18
ITEM 9 FRANCHISEE’S OBLIGATIONS.....	23
ITEM 10 FINANCING.....	24
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	24
ITEM 12 TERRITORY.....	38
ITEM 13 TRADEMARKS.....	42
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	44
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	46
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	47
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	48
ITEM 18 PUBLIC FIGURES.....	54
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....	54
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	62
ITEM 21 FINANCIAL STATEMENTS.....	67
ITEM 22 CONTRACTS.....	67
ITEM 23 RECEIPTS.....	67

## TABLE OF CONTENTS

NAF NAF / 2024<sup>5</sup> FDD

i

### EXHIBITS

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Development Rights Rider to Franchise Agreement
Exhibit D	Operations Manual Table of Contents
Exhibit E	List of State Agencies/Agents for Service of Process
Exhibit F	Form of General Release
Exhibit G	State-Specific Additional Disclosures and Agreement Riders
Exhibit H	List of Franchisees

## TABLE OF CONTENTS

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT H.

## **Item 1**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

#### **The Franchisor**

The franchisor is Naf-Naf Franchising LLC (“we,” “us,” or “our”). “You” means the person to whom or entity to which we grant a franchise and, if applicable, development rights. If you are a corporation, limited liability company, or other legal entity, your owners must sign our “Guaranty and Assumption of Obligations” or “Owner’s Undertaking of Non-Monetary Obligations” (depending on the ownership percentage). This means all or some of our Franchise Agreement’s provisions (Exhibit B) also will apply to your owners.

We are a Delaware limited liability company. Our principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654. We conduct business mainly under our limited liability company name and the NAF NAF® Middle Eastern Grill trademark and no other name. We have no predecessors. Our parent company currently is Naf-Naf Holdings, LLC (“Naf-Naf Holdings”), which shares our principal business address. Naf-Naf Holdings owns the trademarks, operating systems, and other intellectual property we license to you. Naf-Naf Holdings has never offered franchises in any line of business but has owned and operated NAF NAF® Middle Eastern Grill Restaurants since 2010. We have no other affiliates currently disclosable in this Item 1. If we have an agent in your state for service of process, we disclose that agent in Exhibit E.

#### **The Franchise Offered**

We grant franchises to develop and operate fast-casual restaurants identified by the Marks, which offer and sell Middle-Eastern fare, including shawarma, falafel, hummus, and pita, and other food products and beverages. While these restaurants are called NAF NAF® Middle Eastern Grill Restaurants, in this disclosure document we refer to them collectively as “NAF NAF Restaurants” and refer to your NAF NAF Restaurant as the “Restaurant.” NAF NAF Restaurants operate under the trademarks, service marks, and other commercial symbols we periodically designate, including “NAF NAF GRILL®” and “NAF NAF®” (the “Marks”), and the mandatory and suggested specifications, standards, operating procedures, and rules we periodically specify for NAF NAF Restaurants (“Brand Standards”). Your Restaurant must offer the products and services we specify.

We also may grant multi-unit development rights to qualified franchisees, which then may develop a specific number of NAF NAF Restaurants within a defined territory according to a pre-determined development schedule. These franchisees may open and operate their NAF NAF Restaurants directly or through controlled affiliates. Our Development Rights Rider to Franchise Agreement is Exhibit C. Franchisees signing our Development Rights Rider must sign our then-current form of Franchise Agreement for each additional NAF NAF Restaurant they develop under that Development Rights Rider. While that form may differ substantially and materially year to year from the first Franchise Agreement they sign for their first NAF NAF Restaurant to be developed (and our current version of Franchise Agreement is disclosed in this disclosure document), we commit to keep the Royalty, Tech Fee, Brand Fund contribution, and minimum required Market Introduction Program expense the same as in the first Franchise Agreement signed for each NAF NAF Restaurant developed under the same Development Rights Rider unless the franchisees are not then in full compliance with the Development Rights Rider and all other

franchise agreements then in effect between them and us for NAF NAF® Restaurants. If that is the case, then the Royalty, Tech Fee, Brand Fund contribution, and minimum required Market Introduction Program expense specified under our then-current form of franchise agreement (if different) will not be modified for the initial franchise term for the franchisees' new NAF NAF® Restaurants.

We have offered franchises and development rights for NAF NAF Restaurants since July 2018. We have no other business activities and have not offered franchises in other lines of business. We have never operated a NAF NAF Restaurant (although, as noted above, Naf-Naf Holdings does).

Your Restaurant will offer products and services to the general public throughout the year. The restaurant industry is mature and competitive. You will face competition from numerous businesses, including national, regional, and local restaurant chains (both company-owned or franchised), independent restaurants, grocery and convenience stores serving prepared foods, and other foodservice businesses, whether or not they sell Middle-Eastern fare. Many competitors currently are larger and have better financial resources and name recognition than "NAF NAF®." However, we believe NAF NAF Restaurants will be distinguishable by their atmosphere and high-quality food and service.

No regulations apply specifically to the industry in which NAF NAF Restaurants operate. However, federal, state, and local food safety, sanitation, handling, labeling, storage, and other laws governing all foodservice operations might impact restaurant operations more than others. You must comply with these laws and with laws applying generally to all businesses. You should investigate these laws and regulations when evaluating your franchise acquisition.

## **Item 2** **BUSINESS EXPERIENCE**

Director and Chief Executive Officer: Greg Willman

Mr. Willman has been a Director and our Chief Executive Officer since June 2020 and also has been Chief Executive Officer of Naf-Naf Holdings in Chicago, Illinois since June 2020. He is Co-Founder of 316 Investments, LLC in Carmel, Indiana and has been its Chief Executive Officer since 2000.

Director, Chief Financial Officer, and Secretary: Grady Metoyer

Mr. Metoyer has been a Director and our Chief Financial Officer and Secretary since our formation in June 2018 and Chief Financial Officer of Naf-Naf Holdings, located in Chicago, Illinois, since January 2018.

Senior Vice President, ~~Operations~~ Franchising: Lisa McBeth Rott

Ms. Rott has been Senior Vice President, ~~Operations~~ Franchising of Naf-Naf Holdings in Chicago, Illinois since ~~May~~ November 2020, having served as its Senior Vice President, Operations from May 2020 to November 2024, and its Vice President, Operations Services from October 2016 to May 2020.

Vice President, Operations Services and Training: Chad Chmielowicz

Mr. Chmielowicz has been Vice President, Operations Services and Training of Naf-Naf Holdings, located in Chicago, Illinois, since May 2020, and Director of Training from April 2015 to May 2020.

~~Vice President, Design & Construction: Charles Tanner~~

~~Mr. Tanner has been our Vice President of Design & Construction since April 2022. He was a Sr. Manager, Construction for Panera Bread in St Louis, MO from August 2020 to April 2022. He was Vice President of Construction for CKE Restaurants in Franklin, TN from December 2018 to August 2020.~~

~~Director, Franchise Sales Operations: Ian Bruggemann~~

~~Mr. Bruggeman has been our Director of Operations since November 2024, having served as Director of Franchise Sales since from August, 2023. From June, 2022 to July, 2023, he served as our to November 2024, and Director of Financial Planning & Analysis from June, 2022 to August, 2023. He was an Operating Partner for Fan the Flame LLC, Naf Naf's first franchisee, from January, 2020 to May, 2022. He was an asset allocator for the Indiana Pension Fund from September, 2018 to December, 2019.~~

Chief Marketing Officer: Nico Nieto

Mr. Nieto has been our Chief Marketing Officer (CMO) since September 2022. He was the Vice President of Brand & Marketing at Roti Modern Mediterranean from November 2019 to May of 2022. ~~He was the Vice President of Digital at DDB Chicago from June 2017 to September 2018.~~

### **Item 3** **LITIGATION**

No litigation is required to be disclosed in this Item.

### **Item 4** **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **Item 5** **INITIAL FEES**

#### **Franchise Agreement**

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. The initial franchise fee currently is \$30,000 and is not refundable under any circumstances. ~~Initial franchise fees paid in 2023 ranged from \$20,000 to \$30,000 per unit, with the lower amount honoring "Founders Deal" incentives offered to new franchisees who acquired multi-unit development rights during our initial franchise launch. The Founders Deal incentives are no longer available.~~ You must conduct, and spend at least \$10,000 on, a market introduction

program for the Restaurant. We expect this program to begin approximately 1 month before and to continue for approximately 1 month after the Restaurant opens (although we may specify a different timeframe). We will discuss with you what type of market introduction program we believe is most suitable for your Restaurant's market. At our request, you must pay us the program's anticipated costs, which we then will either spend for you in the Restaurant's market or re-pay you as you send us invoices or receipts confirming your commitment with vendors to move forward with the approved program. This payment is not refundable.

## Development Rights Rider

If you sign our Development Rights Rider because you commit to develop multiple NAF NAF Restaurants in a territory, we currently charge a development fee that you must pay in full when you sign the Development Rights Rider. The development fee equals the full \$30,000 initial franchise fee for the first Restaurant covered by the Franchise Agreement to which the Development Rights Rider is attached, plus a \$15,000 deposit for each additional Restaurant you commit to develop. You must pay the rest of the initial franchise fee for each Restaurant (that is, \$15,000) when you sign the Franchise Agreement for that Restaurant. The initial franchise fee for each Restaurant you commit to develop is \$30,000. We will identify the number of Restaurants you must develop, the deadlines for developing them, and the applicable development fee before signing the Development Rights Rider.

The development fee is not refundable under any circumstances. If you sign the Development Rights Rider, pay the development fee, and then cannot find sites for NAF NAF Restaurants or choose for another reason not to perform (in which case we terminate the Development Rights Rider), we may keep the entire development fee and need not return any money to you.

~~We are offering a limited time incentive program for the first twenty development commitments signed into our franchising program in 2024 for traditional street side Restaurants. For new franchisees that sign multi-unit Development Rights Riders in 2024 committing to develop four to ten Restaurants, the Royalty Fee for the first half of Restaurants developed pursuant to the Development Rights Rider will be reduced from 5% to 4% for the first five years of the franchise agreement of each Restaurant provided the development schedule detailed in the Development Rights Rider is met and continues to be met for the duration of the reduced Royalty period. If at any time you fail to meet a development deadline, the Royalty Fee for all of your open Restaurants will revert to 5% for the remainder of their terms. In addition, for the first half of Restaurants developed pursuant to the Development Rights Rider, for each Restaurant that meets a specified early opening target, we will waive the \$15,000 balance of the Initial Franchise Fee. A purchase of an existing Restaurant from our affiliate or from an existing franchisee will count toward the minimum of four units and the total of twenty development commitments, but will not be eligible for the discounted Royalty or the waiver of the balance of the Initial Franchise Fee. Non-traditional units do not qualify for this incentive.~~

**Item 6**  
**OTHER FEES**

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Royalty	5% of Restaurant's bi-weekly Net Sales <sup>(3)</sup>	Due by Wednesday following end of each 2 calendar-w	See footnote 5 below.
Technology	Currently \$500 per month We have right to collect up to \$1,000 per month during franchise term, but will not increase this fee by more than \$250 per month in any 1 calendar	Due by first Wednesday of each month <sup>(4)</sup>	The Tech Fee is to fund technology expenditures we deem best for the franchise system (and affiliated NAF NAF Restaurants.)
Brand Fund Contributions	Currently 1% of Restaurant's Net Sales bi-weekly We have right to collect up to 5% of Restaurant's Net Sales bi-weekly during franchise term (but see Remarks	Due by Wednesday following end of each 2 calendar-week period <sup>(4)</sup> Sales.	We have right to increase Brand Fund contribution up to total of 5% of Net Sales (if we concurrently and proportionately reduce your required minimum Local Marketing Spending Requirement). Your total minimum Brand Fund contribution (which we administer), Local Marketing Spending Requirement, and Cooperative contribution will not exceed 5% of your Restaurant's Net See footnote 5 below.
Local Marketing Spend	At least 2% of Restaurant's Net Sales	Must be spent monthly <sup>(5)</sup>	Footnotes 6 and 7 below describe your local advertising obligations.

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Cooperative Contributions <sup>(0)</sup>	An amount we specify up to 2% of monthly Net Sales	As specified	We have not yet formed any Cooperatives and do not yet require Cooperative contributions.  Footnotes 6 and 7 below describe your local advertising obligations. Your total minimum Brand Fund contribution, Local Marketing Spending Requirement, and Cooperative contribution will not exceed 5% of your
Successor Franchise Fee	50% of our then- current initial franchise fee for new franchisees	When you sign successor franchise agreement (if you have that	
Transfer of Franchise Rights or Controlling Ownership Interest in Franchisee	50% of our then- current initial franchise fee for new franchisees	Upon Transfer	Transfer fee is reduced if transfer is among your owners, your or their immediate family members, or an entity you control, or transferee either is a NAF NAF Restaurant franchisee in good standing for past 5 years or managed a NAF NAF Restaurant for at least 5 years.
Transfer of Non-Controlling Ownership Interest in	\$5,000	Upon transfer	Transfer fee is reduced if transfer is to an entity of which you and your then-existing owners own and control 100% of the equity and voting power.
Ongoing and Supplemental Training	Our then-current fee for ongoing and supplemental training, plus our expenses, if at your Restaurant. Our current fee is \$500 per trainer per day; we may charge up to \$1,000 per trainer	In advance	We may charge you for ongoing and supplemental training provided at your Restaurant or in your market.

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Insufficient Trained Managers	\$1000 per missing or untrained manager and additional \$1000 for each 30 days that the	As incurred	If operating Restaurant without required number of fully trained, certified managers 60 days after notice of deficiency
Retraining of Operating Partner or Restaurant Manager / Training of Replacement Operating Partner or Restaurant	Our then-current fee for training, plus our expenses, if at your Restaurant  Our current fee is \$500 per trainer per day; we may charge up to \$1,000 per trainer	In advance	Due if your Operating Partner or Restaurant Manager fails to complete initial training program; we determine after inspection that Restaurant is not operating according to Brand Standards; or we must train Replacement Operating Partner or Restaurant Manager.
Annual Meeting / Convention	Will vary under circumstances (not to exceed \$500 per person; does not include your actual out-of-pocket attendance costs paid to third	As incurred	You (or your designated representative we approve) must, at our request, attend our annual franchisee meeting and pay an attendance fee. We will charge this fee even if you do not attend.
Product and Service Purchases	Varies depending on products and services you buy from us or our affiliates	As incurred	During the franchise term, you must buy certain products and services from us or certain of our affiliates, from designated or approved distributors and suppliers, or according to our standards and specifications. We and our affiliates currently are not approved or designated suppliers of any items. If we require you to buy any products or services from us or our affiliates, we will give you a price list identifying the applicable costs.

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Testing and Evaluation Costs	Projected testing/evaluation costs to be incurred (amount depends on circumstances, including supplier's location, testing	As incurred	Covers costs of testing new products/services or inspecting new suppliers you propose.
Computer Software and Technology Support and Upgrades	Not to exceed \$1,000 per month (depending on number of users and locations)	As incurred	We and our affiliates may charge you up-front and ongoing ( <i>e.g.</i> , weekly, monthly, or other) fees for proprietary software or technology licensed to you and related support services to the extent not covered by the Tech Fee; the fee may increase as costs increase. We do not now provide these services and therefore do not have a set charge; we may charge you if we provide these services at a later time and will notify you when we establish the charge.
Franchise System Website/Intranet	Up to \$100 per month	As incurred	We may require you to pay a separate fee to cover the costs of creating, developing, maintaining, and operating a Franchise System Website and Intranet. We currently do not charge this separate fee.
Relocation	Not to exceed \$5,000 plus reasonable costs we incur	As incurred	Due only if you relocate Restaurant.

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Audit	Cost of inspection or audit, including legal fees and independent accountants' fees, plus travel expenses, room and board, and compensation of our employees (amount depends on nature and extent of your non-compliance)	As incurred	Due if you fail to report or understate Net Sales by 2% or more.
Inspection Fee	Actual costs of first follow-up audit (including our personnel's daily charges (i.e., wages) of \$500 - \$1,000 per day and travel, hotel, and living expenses) \$1,500 plus actual costs (including our personnel's daily charges (i.e. wages) of \$500 - \$1,000 per day and travel, hotel, and living expenses, for the second and each follow-up evaluation we make and for each inspection	As incurred	Compensates our costs and expenses for each follow-up inspection to confirm your compliance with Franchise Agreement, Brand Standards, and food safety standards.
Interest	Lesser of 1.5% per month or highest commercial contract interest	When invoiced	Due on past due amounts.

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Administrative Fee	\$100	When invoiced	Due for each late or dishonored payment.
Records Deficiency Fee	\$100 per day	When invoiced	Due if you fail to give us any statistical, financial, accounting, or other report, statement, or record we require for the Restaurant by the
Development Images Deficiency Fee	\$100 per day	When invoiced	Due if you fail to give us any images/recordings for the Restaurant's development by the
Non-Compliance Fee	\$250 per violation	When billed	Due if you deviate from contractual requirement, including Brand Standard. This compensates us for administrative and management costs, not for our damages due to your default.
Costs and Attorneys' Fees	Varies under circumstances and depends on nature of your noncompliance	As incurred	Due when you do not comply with Franchise Agreement.
Indemnification	Varies under circumstances and depends on nature of third-party claim	As incurred	You must reimburse us for all claims and losses arising out of (i) Restaurant's construction, design, or operation, (ii) the business you conduct under Franchise Agreement, (iii) your non-compliance or alleged non-compliance with any law, (iv) a data security incident, or (v) your breach of Franchise Agreement.
Management Fee	Up to 10% of Net Sales, plus any out-of-pocket expenses incurred in connection with Restaurant's management	As incurred	Due if we assume Restaurant's management in certain situations, including your default.
Tax Reimbursement	Out-of-pocket cost reimbursement plus 15% administrative fee	As incurred	You must reimburse us for taxes we must pay any state taxing authority on account of either your operation or your payments to us (except for our income taxes).

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Insurance Reimbursement	Out-of-pocket cost reimbursement plus 15% administrative fee	As incurred	You must reimburse our costs if we obtain insurance coverage for Restaurant because you fail to do so.
De-Identification Fee	Cost reimbursement plus 15% administrative fee	As incurred	You must reimburse our costs of de-identifying your Restaurant if you fail to do so.
Training Cancellation Fees	One-half to full amount of training fee paid (See Comment)	As incurred	If your Operating Partner or Restaurant Manager cancels participation in any training program for which they pre-registered and paid a training fee, we will not refund the training fee. If the cancellation occurs more than 2 weeks before the scheduled training, we will apply one-half of the training fee as a credit towards future training fees. If the cancellation occurs less than 2 weeks before the scheduled training, you will

Column 1 (1)	Column 2 (2)	Column 3 Due Date	Column 4 Remarks
Liquidated Damages	An amount equal to the average monthly Royalties, Brand Fund Tech Fees you were required to pay from the date the Restaurant opened through the date of the early termination multiplied by the lesser of (a) 36, (b) the number of months remaining in the Agreement had it not been terminated, except that liquidated damages will not under any \$100,000); due when we terminate with cause or you terminate without	On demand	These are our damages caused by your breach of contract (referenced in Section 19.A of Franchise Agreement).

Notes:

1. Except as noted above and except for products and services you must buy from unaffiliated suppliers, all fees are imposed and collected by and payable to us. Except as noted above, no fee is refundable. Except as provided in note 5 below, all fees currently are uniformly imposed.
2. We reserve the right to increase the amount of any fixed fee, fixed payment, or fixed amount stated under the Franchise Agreement based on changes in the Index (defined below) (“Annual Increase”). An Annual Increase may occur only once per calendar year and may not exceed the corresponding cumulative increase in the Index since the Franchise Agreement’s effective date or, as the case may be, since the date on which the last Annual Increase became effective for the particular fixed fee, payment, or amount being increased. Any and all Annual Increases will be made at the same time during the calendar year. “Index” refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S.

City Average for all Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics, or in a successor index. We also reserve the right, if any fixed fee, payment, or amount due from you under the Franchise Agreement encompasses any third-party charges we collect from you on a pass-through basis (*i.e.*, for ultimate payment to the third party), to increase the fixed fee, payment, or amount beyond the Annual Increase to reflect increases in the third party's charges to us.

3. "Net Sales" means the aggregate amount of all revenue and other consideration generated from any source, including the sale of products, services, and merchandise; other types of revenue you receive, including the proceeds of business interruption insurance; and (if we allow barter) the value of products, services, and merchandise bartered in exchange for the Restaurant's products, services, or merchandise. Net Sales are not reduced by the amount of any discounts on products or services sold to employees, family members, or other businesses you own or control or by the amount paid to, collected by, or shared with third-party food ordering and delivery systems with which we allow the Restaurant to do business. All of those transactions must be entered into the Computer System at the full, standard retail price for purposes of calculating Net Sales. However, Net Sales exclude: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities; and (iv) promotional or marketing discounts we allow. In addition, Net Sales are reduced by the amount of any credits provided in compliance with our policies. Each charge or sale upon credit will be treated as a sale for the full price on the day the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift cards we approve for sale at NAF NAF Restaurants is included in Net Sales when the gift card is used to pay for products and services. Your Restaurant may not issue or redeem any gift certificates, coupons, or gift, loyalty, or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We may grant or withhold our approval as we deem best.
4. Each calendar week currently begins on Monday and ends on Sunday, although we may change the first and last days of each calendar week for Royalty (and other payment) calculation purposes. You must take the action we require to authorize us to debit your business checking or other account automatically for the Royalty, Tech Fee, Brand Fund contribution, and other amounts due under the Franchise Agreement or otherwise. We will debit your account on or before the payment due date for the Royalty, Tech Fee, Brand Fund contribution, and other amounts due. Funds must be available in the account for withdrawal. We may require you to have a specific amount of overdraft protection for your bank account. You must reimburse any "insufficient funds" charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Restaurant's Net Sales when required, we may debit your account for 125% of the Royalty, Tech Fee, and Brand Fund contribution we debited for the previous payment period, plus a \$100 administrative fee. If the amount we debit is less than the amount you actually owe us (once we determine the Restaurant's actual Net Sales), we

will debit your account for the balance due on the day we specify. If the amount we debit is greater than the amount you actually owe us (once we determine the Restaurant's actual Net Sales), we will credit the excess, without interest, against the amount we may debit for the following payment period.

5. Because we previously offered financial incentives to certain franchisees for multi-unit development as part of ~~our initial franchise launch, those franchisees signing new Franchise Agreements under earlier signed Development Rights Riders may pay lower Royalty fees and Brand Fund contributions. We are offering a limited time incentive program for the first twenty development commitments signed into our franchising program in 2024. For new~~ in 2024, those franchisees that sign multi-unit Development Rights Riders in 2024 committing to develop four to ten Restaurants, they will pay a reduced Royalty Fee for the first half of Restaurants developed pursuant to the Development Rights Rider will be reduced from 5% to of 4% for the first five years of the their franchise agreements of each Restaurant, provided they continue to meet their development schedule detailed in the Development Rights Rider is met and continues to be met for the duration of the reduced Royalty period. If at any time the franchisee fails to meet a development deadline, the Royalty Fee for all of its open Restaurants will revert to 5% for the remainder of their terms. In limited circumstances, we may in the future grant similar royalty reductions to other franchisees committing to multi-unit multiunit development.
6. We may designate a geographic area for an advertising cooperative (a "Cooperative"). The Cooperative's members in any area are the owners of NAF NAF Restaurants located and operating in that area (including us and our affiliates, if applicable). We may require you to contribute up to 2% of the Restaurant's monthly Net Sales to the Cooperative. Any Cooperative dues count toward your Local Marketing Spending Requirement for the Restaurant but not toward your market introduction program or required Brand Fund contributions.
7. You must spend at least 2% of the Restaurant's monthly Net Sales on "Marketing Materials" (defined as advertising, marketing, and promotional formats and materials) and advertising, marketing, and promotional programs for the Restaurant (the "Local Marketing Spending Requirement"). We will credit your Cooperative contributions (see note 6 above) toward the Local Marketing Spending Requirement. However, we do not count the market introduction program or Brand Fund contributions toward this minimum obligation. ~~You must pay us 2% of your Restaurant's monthly Net Sales, in fulfillment of the Local Marketing Spending Requirement, at the same time and in the same manner in which you pay the Royalty Fee. We will spend this amount on your behalf for local advertising, marketing and promotion expenses in your market, pursuant to a brand local store marketing plan that has been adapted and optimized for your local market.~~

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee <sup>(1)</sup>	\$30,000	Lump sum	When you sign Franchise Agreement	Us
Rent and security deposit <sup>(2)</sup>	See Note 2	As agreed	As incurred	Landlord
Construction / Leasehold improvements <sup>(3)</sup>	\$175,000 – \$350,000	As incurred	As incurred	General contractor
Architect/Engineers/Expeditior Fees	\$12,000 – \$32,000	As incurred	As incurred	Architect, Engineer, and Expeditior
Furniture, Fixtures, and Equipment <sup>(4)</sup>	\$184,300– \$225,000	Lump sum	As incurred	Suppliers
Exterior Signage <sup>(5)</sup>	\$9,000 - \$25,000	Lump sum	As incurred	Suppliers
Digital/Menu	\$9,400 – \$12,100	Lump sum	As incurred	Suppliers
Opening inventory <sup>(6)</sup>	\$815,300– \$127,000	Lump sum	Before opening	Suppliers
Smallwares and Uniforms	\$14,000 – \$16,500	Lump sum	Before opening	Suppliers
Point-of-Sale and Computer Systems <sup>(7)</sup>	\$12,000 – \$14,000	Lump sum	Before opening	Suppliers
Market Introduction Program <sup>(8)</sup>	\$10,000	Lump sum	As incurred	Us
Training Expenses <sup>(9)</sup>	\$6,800 – \$12,100	Out of pocket travel-related expenses, as incurred	During training	Third party vendors
Insurance (Annual) <sup>(10)</sup>	\$3,500 – \$10,000	As incurred	As incurred	Insurance broker
Miscellaneous Opening Costs <sup>(11)</sup>	\$10,000 – \$25,000	As incurred	As incurred	Third party vendors

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Additional funds – 3 months <sup>(12)</sup>	\$10,000 – \$40,000	As incurred	As incurred	Employees, suppliers, and other third parties
TOTAL ESTIMATED INITIAL INVESTMENT (excluding real estate costs) <sup>(13)</sup>	\$494,501,300 - \$813,700			

- Except for security and utility deposits, no expenditure in the table is refundable.

Notes:

1. The initial franchise fee is \$30,000. No separate initial investment is required when you sign the Development Rights Rider. You need only pay the development fee, which equals the full \$30,000 initial franchise fee for the first Restaurant covered by the Franchise Agreement to which the Development Rights Rider is attached, plus a \$15,000 deposit for each additional Restaurant to be developed.
2. A typical NAF NAF Restaurant occupies approximately 1,750 to 2,400 square feet of leased space in a strip shopping center, lifestyle center, or similar location. The preferred trade area is a metropolitan market with a large working population or a densely- populated suburb. The site should be close to daytime traffic drivers (for example, dense urban office neighborhoods, suburban office parks or corporate campuses, and large entertainment, hospital, or transportation complexes). Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors. Rents vary from market to market and likely will be higher in large metropolitan areas than in suburban markets and smaller metropolitan areas. Your landlord likely will require you to pay a security deposit equal to 1 month’s rent or more. Your lease negotiations with your landlord and the size and market area of the Restaurant’s location will determine when your rental payments will begin. The initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Restaurant.
3. The estimate includes amounts for construction, remodeling, fixed assets, leasehold improvements, and decorating costs. This figure is based on our expectation that you will lease the Restaurant’s site from the landlord in good condition (a “Vanilla Box”). “Vanilla Box” refers to a commercial building with a minimally-finished interior, i.e., usually with plumbing, heating and cooling (HVAC), interior walls (painted or unpainted), electrical outlets, and a concrete floor. We expect the Vanilla Box to have certain specifications

detailed in the Operations Manual. Leasehold improvement costs—which could include floor and window covering, wall treatment, counters, ceilings, painting, electrical, carpentry, and similar work, and contractor’s fees—depend on the site’s condition, location, and size; the demand for the site among prospective lessees; the site’s previous use; the build-out required to conform the site for your Restaurant; and any construction or other allowances the landlord grants. Your costs might be more or less than this estimate based on where you plan to operate your Restaurant.

4. This estimate includes dining room furniture, millwork, kitchen and serving line equipment including but not limited to Pita oven, fryers, grills, refrigerators, freezers, hoods, preparation tables and other items listed in our Operations Manual or Equipment list.
5. You must pay for exterior signage costs, including building signs and any monument or pylon signs that there may be rights to.
6. You must purchase your opening food inventory (dry and perishable), as listed in our Operations Manual.
7. This includes total costs for “Computer System” and network infrastructure. This estimate includes initial Payment Card Industry (PCI) Data Security Standard compliance costs.
8. You must spend this amount for an initial market introduction program for your Restaurant, which we will help you develop. You must spend this amount generally between 30 days before through 30 days after opening your Restaurant. You are permitted to spend more. You must send us your proposed market introduction program showing how you intend to spend this money at least 15 days before its planned rollout date.
9. This estimates the cost for your Operating Partner and Restaurant Managers (up to 4 people) to attend our required initial training program. Although we do not charge tuition, you must pay all attendance costs, which depend on point of origin, method of travel, class of accommodations, and living expenses (food, transportation, etc.). You should consider employee wage requirements and practices in your market area.
10. You must obtain and maintain certain types and amounts of insurance coverage as required by us. You currently must have the following minimum insurance coverage: (a) workers’ compensation with employers liability limits meeting statutory requirements in your state of operation with \$500,000 minimum coverage; (b) General Liability with limits of at least \$1,000,000 each occurrence, \$1,000,000 personal and advertising injury, \$2,000,000 products and completed operation aggregate, and a \$2,000,000 general aggregate; (c) Business Interruption insurance for at least 12 months of sustained loss; (d) Umbrella with limits of at least \$2,000,000 covering the general liability, auto and employers liability; (e) Automobile with at least \$1,000,000 combined single limit for hired/non-owned auto at a minimum; and (f) Builder’s Risk insurance at limits required by your landlord. We recommend, but do not require, that you maintain Employment Practices Liability (EPLI) insurance, including coverage for Wage and Hour, with a limit of at least \$1,000,000. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, net sales, number of employees, square footage, location, business contents, and

other factors affecting risk exposure. The estimate contemplates insurance costs for 12 months of required coverages. You should check with your insurance agent regarding additional insurance you might wish to obtain above our stated minimums.

11. This covers office supplies, alarm system, related items, and the costs of professional advisors (like an attorney and accountant) for initial advice relating to starting a franchised business. We strongly recommend that you seek professional assistance when evaluating this franchise opportunity and our franchise documents. Your professional advisors also should review the lease and other contracts you sign for your Restaurant.
12. This line-item estimates the funds needed to cover your initial expenses during the first 3 months of operation (other than the items identified separately in the table), including labor, supplies, rent, utilities, and music services. These expenses do not include any draw or salary for you. However, this is only an estimate, and you might need additional working capital during the first 3 months you operate your Restaurant and for a longer timeframe afterward. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. We cannot guarantee when or if your Restaurant will break even. Your costs will depend on whether you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and your Restaurant's revenue during the initial period. We relied on our affiliates' NAF NAF Restaurant development and operating experience since 2010 to compile this Additional Funds estimate.
13. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. Availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. This estimated initial investment will be incurred for each Restaurant established under a Development Rights Rider.

### **Item 8**

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

You must operate the Restaurant according to our Brand Standards. Brand Standards may regulate, among other things, types, models, and brands of required furniture, fixtures, signs, and equipment (including components of and required software licenses for the Computer System) for the Restaurant (collectively, "Operating Assets"); required, authorized, and unauthorized products and services for the Restaurant; and designated and approved suppliers of items and services. You must buy or lease all Operating Assets and other products and services for the Restaurant only according to our Brand Standards and, if we require, only from suppliers we designate or approve (which may include or be limited to us, certain of our affiliates, and/or other restricted sources) at the prices the suppliers choose to charge.

We and our affiliates currently are not approved or designated suppliers of any items. Brand Standards may cover terms and conditions of the sale and delivery of, and terms and methods of payment for, products and services you obtain from us and affiliated and unaffiliated suppliers.

You currently must buy the Restaurant's food, paper products, operating supplies, computer/point-of-sale system, printed marketing/advertising materials, gift card/loyalty program services, Restaurant build out items (restaurant equipment, hoods, refrigeration, furniture, millwork, etc.), and music services only from suppliers we designate or approve. No officer of ours owns any interest in any current supplier to the franchise system. We restrict your sources of items and services in many cases to enhance food safety, protect trade secrets and other intellectual property, help assure quality and a reliable supply of products meeting our standards, achieve better purchase and delivery terms, control third party use of the Marks, and monitor the manufacture, packaging, processing, sale, and delivery of these items.

At least 30 days before using them, you must send us all Marketing Materials we have not prepared or already approved and all approved Marketing Materials that you propose to change in any way. If we do not approve those materials within 10 business days after receiving them, they are deemed disapproved. You may not use any Marketing Materials we have not approved or have disapproved. You also will conduct a market introduction program for the Restaurant that we must pre-approve.

You must obtain our written acceptance of the Restaurant's proposed site and lease before moving forward at that location. You may not relocate the Restaurant without our prior written approval.

You must develop the Restaurant at your expense. Once a site has been accepted by us, you must provide a Lease Outline Drawing ("LOD") in PDF and DWG format, from your landlord or architect. The LOD should include deck heights, any anomalies or encumbrances, as well as any items existing in the space. Once we receive this information, we will produce a Test Fit of the site for your review. The Test Fit should not be considered a final layout of the space, but rather a confirmation that the space will accommodate a prototypical NAF NAF Restaurant. Subsequent to your review and our approval, we will produce a Schematic from the Test Fit for you and your architect to create construction drawings. Our current fee for the Schematic is \$1500 and is subject to change from time to time. Along with the Schematic, we will provide you and your architect conceptual drawings and specifications for a NAF NAF Restaurant (collectively, "**Concept Specifications**"), including requirements or recommendations (as applicable) for dimensions, design, interior layout, décor, signage, and Operating Assets. All decisions regarding, or any changes to, the Restaurant's development and layout, design, color scheme, finishes, improvements, décor, and Operating Assets are subject to our review and prior written approval. Our Concept Specifications will not reflect the requirements of any federal, state or local laws, codes, ordinances or regulations (collectively, "Laws"), including those arising under the Americans with Disabilities Act ("ADA"), or any lease requirements or restrictions. You are solely responsible for complying with all Laws and must inform us of any changes to the Restaurant's specifications that you believe are necessary to ensure such compliance. We have the right to pre-approve the architect and general contractor you propose to use to develop the Restaurant before you hire them.

You must send us for pre-approval all construction and remodeling plans and specifications (“Adapted Plans”) before beginning Restaurant build-out and all revised or “as built” plans and specifications prepared during construction and development. Our review is limited to reviewing your compliance with our layout and design requirements. Our review is not intended or designed to assess your compliance with applicable law, which is your responsibility.

You must at your expense construct, install trade dress and furnish all Operating Assets in, and otherwise develop the Restaurant according to our standards, specifications, and directions. The Restaurant must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Restaurant (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and materials we approve. You may not open your Restaurant until it has been approved or deemed approved for opening by us.

We periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Restaurant and/or incur higher operating costs. You must implement any changes in mandatory Brand Standards within the time period we request. However, except for changes in the Computer System and signage and logo (i.e., Restaurant exterior and interior graphics), the timing and amounts for which are not limited (and except for certain changes in connection with a transfer, the timing and amounts for which are not limited), we will not obligate you, unless required by a lease or applicable law, to make any capital modifications: (a) during the first 2 years of the franchise term (unless we also then require all other NAF NAF Restaurants, including NAF NAF Restaurants owned by us or our affiliates, to make the particular capital modifications, in which case you must take the action required of all other NAF NAF Restaurants); or (b) during the last 2 years of the franchise term, unless the proposed capital modifications during those last 2 years (the amounts for which are not limited) are in connection with Restaurant upgrades, remodeling, refurbishing, and similar activities for your acquisition of a successor franchise.

This means that, besides the rights we reserve above, we may from time to time, but not more than once during the franchise term by the end of the seventh year after the Restaurant commences operation (and unrelated to your potential acquisition of a successor franchise), require you substantially to alter the Restaurant’s appearance, layout, and/or design, and/or replace a material portion of the Operating Assets, in order to meet our then-current requirements and then-current Brand Standards for new NAF NAF Restaurants. This could obligate you to make extensive structural changes to, and significantly remodel and renovate, the Restaurant, and/or to spend substantial amounts for new Operating Assets. You must spend any sums required in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining franchise term). Within 60 days after receiving written notice from us, you must prepare plans according to the standards and specifications we prescribe and, if we require, using architects and contractors we designate or approve, and then submit those plans to us for written approval.

We also periodically may require you to participate in certain test programs for new services, products, and/or Operating Assets.

You must maintain insurance coverage for the Restaurant at your own expense in the amounts, and covering the risks, we periodically specify. Your insurance carriers must be licensed

to do business in the Restaurant's state and be rated A or higher by A.M. Best and Company, Inc. (or satisfy our other criteria). We periodically may increase the required coverage amounts and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or relevant changes in circumstances. Insurance policies must name us and all of our affiliates as additional insureds and give us 10 days' prior written notice of material modification, cancellation, non-renewal, or nonpayment. You must send us before the Restaurant opens, and then periodically afterward, a valid insurance certificate or duplicate insurance policy showing required coverage and payment of premiums.

You currently must have the following minimum insurance coverage: (a) workers' compensation with employers liability limits meeting statutory requirements in your state of operation with \$500,000 minimum coverage; (b) General Liability with limits of at least \$1,000,000 each occurrence, \$1,000,000 personal and advertising injury, \$2,000,000 products and completed operation aggregate, and a \$2,000,000 general aggregate; (c) Business Interruption insurance for at least 12 months of sustained loss; (d) Umbrella with limits of at least \$2,000,000 covering the general liability, auto and employers liability; (e) Automobile with at least \$1,000,000 combined single limit for hired/non-owned auto at a minimum; and (f) Builder's Risk insurance at limits required by your landlord. We recommend, but do not require, that you maintain Employment Practices Liability (EPLI) insurance, including coverage for Wage and Hour, with a limit of at least \$1,000,000.

You must participate in, and comply with the requirements of, our gift card and other customer loyalty programs.

Except as described above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Restaurant that you currently must buy or lease from us (or our affiliates) or designated or approved suppliers. In the future, we may designate other products and services that you must buy only from us, certain of our affiliates, or designated or approved suppliers. To maintain the quality of NAF NAF Restaurant products and services and our franchise network's reputation, all Operating Assets and other products and services your Restaurant uses or sells (besides those described above that you may obtain only from us, certain of our affiliates, and/or approved suppliers) must meet our minimum standards and specifications, which we issue and modify based on our, our affiliates', and our franchisees' experience in operating NAF NAF Restaurants. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our Operations Manual, other technical manuals, and written and on-line communications will identify our standards and specifications for you. When appropriate, you may provide those standards and specifications to suppliers if they agree to maintain confidentiality.

If you want to use any products or services that we have not yet evaluated or to buy or lease from a supplier we have not yet approved (for products and services we require you to purchase/lease only from designated or approved suppliers), you first must send us sufficient information, specifications, and samples so we can determine whether the product or service complies with our standards and specifications or the supplier meets our criteria. We may require you or the supplier to reimburse our costs for any inspection and/or evaluation and will decide

within a reasonable time (30 to 60 days). We may condition supplier approval on product quality and safety, prices, consistency, warranty, reliability, financial capability, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and other criteria. We may inspect the proposed supplier's facilities and require the proposed supplier to send samples directly to us or to a third-party testing service. We may re-inspect a supplier's facilities and products and revoke our approval of any supplier, product, or service no longer meeting our criteria by notifying you and/or the supplier. We do not make our supplier approval criteria available to franchisees. Despite these procedures, we may limit the number of approved suppliers, designate sources you must use, and refuse your requests for any reason, including because we already have designated an exclusive source (which might be us or one of our affiliates) for a particular item or service or believe that doing so is in the best interests of the NAF NAF Restaurant network. If we approve any supplier or distributor you recommend, we may authorize other NAF NAF Restaurants to buy or lease any Operating Assets or other products or services from that supplier or distributor without compensating you.

We and/or certain of our affiliates may derive revenue based on your purchases and leases, including from charging you (at prices exceeding our and their costs) for products and services we or our affiliates sell you and from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by suppliers we designate, approve, or recommend for some or all NAF NAF Restaurant franchisees. We and our affiliates may use all amounts received from suppliers—whether or not based on your and other franchisees' prospective or actual dealings with them—without restriction for any purposes we and our affiliates deem appropriate. Currently, our affiliate receives fixed-dollar-payments from our third-party fountain beverage vendor and our third-party pita dough vendor on account of purchases made by affiliate-owned and franchised NAF NAF Restaurants. However, during 2023<sup>4</sup> our affiliate did not derive any other revenue or other material consideration from NAF NAF Restaurant franchisees' direct purchases or leases and received only de minimus payments from designated and approved suppliers on account of their sales to our franchisees.

Collectively, your purchases and leases from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent about 100% of your overall purchases and leases to establish and then to operate the Restaurant.

There currently are no purchasing or distribution cooperatives. We and certain of our affiliates currently negotiate purchase arrangements with suppliers (including price terms) for virtually all products and services you need to operate the Restaurant. In doing so, we and those affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor (and not for the benefit of a particular franchisee). We make no guaranty, warranty, or promise that we and our affiliates will obtain the best pricing or most advantageous terms on behalf of NAF NAF Restaurants. We and our affiliates also do not guaranty the performance of suppliers and distributors to NAF NAF Restaurants. We are not responsible or liable if a supplier's or distributor's products or services fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

We do not provide material benefits to a franchisee (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

**Item 9**  
**FRANCHISEE'S OBLIGATIONS**

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	4.A and B of Franchise Agreement and 6 of Development Rights Rider	7, 8, 11, and 12
b. Pre-opening purchases/leases	4.C and D of Franchise Agreement	5, 7, 8, and 11
c. Site development and other pre-opening requirements	4.C of Franchise Agreement	7, 8, and 11
d. Initial and ongoing training	6 of Franchise Agreement	6, 7, and 11
e. Opening	4.D of Franchise Agreement and 3 of Development Rights Rider	11 and 12
f. Fees	4.A and C, 5, 6.B, C, D, E, G, and H, 7.C, D, E, F, and G, 10, 13, 14, 15, 16.C, 17, 18.C, 19.A and B, 20.C, D, and E, and 21.C of Franchise Agreement and 5 of Development Rights Rider	5, 6, 7, and 8
g. Compliance with standards and policies/operating manual	6.H and 7 of Franchise Agreement	8 and 11
h. Trademarks and proprietary information	8, 9, 10, and 11 of Franchise Agreement	13 and 14
i. Restrictions on products/services offered	7 of Franchise Agreement	8, 11, 12, and 16
j. Warranty and customer service requirements	7.C of Franchise Agreement	Not Applicable
k. Territorial development and sales quotas	2, 3, and 6 of Development Rights Rider	11 and 12
l. On-going product/service purchases	7.C and E of Franchise Agreement	6 and 8
m. Maintenance, appearance and remodeling requirements	7.A and C and 17 of Franchise Agreement	8, 11, 16, and 17
n. Insurance	20.D of Franchise Agreement	7 and 8
o. Advertising	13 of Franchise Agreement	5, 6, 7, 8, and 11
p. Indemnification	20.E of Franchise Agreement	6

<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure document item</b>
q. Owner's participation/management/staffing	4.E, 6, and 7.C and D of Franchise Agreement	11 and 15
r. Records and reports	14 of Franchise Agreement	6
s. Inspections and audits	15 of Franchise Agreement	6
t. Transfer	16 of Franchise Agreement and 9 of Development Rights Rider	6 and 17
u. Renewal	17 of Franchise Agreement	6 and 17
v. Post-termination obligations	18.C and 19 of Franchise Agreement	17
w. Non-competition covenants	12, 16.C(l), and 19.E of Franchise Agreement	15 and 17
x. Dispute resolution	21.C, F, G, H, I, J, and L of Franchise Agreement	17
y. Consumer Data and Data Security	10 of Franchise Agreement	14
z. Social Media Restrictions	7.C(xiii) of Franchise Agreement	8
aa. Compliance with Customer Loyalty Programs	7.C(xii) of Franchise Agreement	6 and 8
bb. Compliance with Customer Complaint Resolution Procedures	7.C(iv) of Franchise Agreement	Not Applicable
cc. Compliance with All Laws	4.D(i), 7.B, 10, and 22 of Franchise Agreement	Not Applicable

**Item 10  
FINANCING**

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

**Item 11  
FRANCHISOR'S ASSISTANCE, ADVERTISING,  
COMPUTER SYSTEMS, AND TRAINING**

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

Pre-Opening Assistance

Before you begin operating the Restaurant, we will:

1. Review potential Restaurant sites you identify within the Site Selection Area; we may visit the Site Selection Area to review potential Restaurant sites. We may condition our proposed visit and acceptance of a proposed site on your first sending us complete site reports and other materials (including photographs and video recordings) we request in our Site Acceptance Request (“SAR”). We will give you our then-current criteria for NAF NAF Restaurant sites (including population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size, and other physical and commercial characteristics) to help you select and identify your site. We will use reasonable efforts to review and accept or reject each site you propose within 21 days after we receive all requested information and materials in a completed SAR. If we do not accept the site in writing within 21 days, the site is deemed rejected. We will not unreasonably withhold our acceptance of a site if, in our and our affiliates’ experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for NAF NAF Restaurants. After we accept (and you secure) a proposed site, we will identify that site as the Restaurant’s address in Exhibit A of the Franchise Agreement. (Franchise Agreement—Section 4.A; Development Rights Rider—Sections 3 and 6) We do not own locations for lease to franchisees. If you do not find and we do not accept a Restaurant site within 6 months after the Franchise Agreement’s effective date (or a different date specified in a Development Rights Rider), then we may terminate the Franchise Agreement upon written notice. The initial franchise fee and development fee are not refundable. Under the Development Rights Rider, we first must accept each new site you propose for each new NAF NAF Restaurant. After we accept (and you secure) a proposed site, we also will determine the Area of Protection for that Restaurant, as provided in Item 12. Our then-current standards for sites and Areas of Protection will apply.

2. Accept or reject the Restaurant’s proposed lease or sublease. You must send us the proposed lease or sublease at least 15 business days before you intend to sign it. The lease or sublease must either (i) include the lease rider attached as Exhibit D to the Franchise Agreement or (ii) include within its body the lease rider’s terms and conditions. You may not sign any lease or sublease (or any renewal or amendment) we have not accepted in writing. We may (but have no obligation to) guide you in the leasing process but will not negotiate the lease or sublease for you or provide any legal advice. If we do not accept the lease or sublease in writing within 15 business days after we receive it, the lease or sublease is deemed rejected. You should under no circumstance sign a lease until the lease has been submitted to and accepted by us. You must send us a copy of the fully executed lease or sublease no later than 10 days after it is signed by all parties. You must obtain our written acceptance of, and secure, the Restaurant’s site within the Site Selection Area within 6 months after the Franchise Agreement’s effective date. Otherwise, we may terminate the Franchise Agreement. The initial franchise fee and development fee are not refundable. (Franchise Agreement— Sections 4.A and 4.B)

3. Give you conceptual drawings and specifications for a prototypical Naf-Naf Restaurant, which will not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations, including those arising under the ADA, or any lease requirements or restrictions; as well as a Test Fit to confirm whether your leased space will accommodate a prototypical NAF NAF Restaurant. You are solely responsible for

complying with all laws and must inform us of any changes to the Restaurant's specifications that you believe are necessary to ensure such compliance. We have the right to pre-approve the architect and general contractor you propose to use to develop the Restaurant before you hire them.

You must make sure that your Adapted Plans for the Restaurant comply with all laws and lease requirements and restrictions. You must send us the Adapted Plans for our written approval before beginning Restaurant build-out and all revised or "as built" plans prepared during the Restaurant's construction and development. You may not begin Restaurant build-out until we approve the Adapted Plans in writing; you then must develop the Restaurant in compliance with the Adapted Plans. During Restaurant build-out, we may physically inspect the Restaurant or have you send us pictures and images (including recordings) of the Restaurant's interior and exterior so we can review your development of the Restaurant in compliance with our Brand Standards. (Franchise Agreement – Section 4.C) We may charge you a Development Images Deficiency Fee if your general contractor does not send us the images/recordings we require for the Restaurant by the specified deadline (but not more often than bi-weekly).

4. Provide initial training to your Operating Partner and up to 4 of your Restaurant's on-site managers (each, a "Restaurant Manager"). We describe this training later in this Item. (Franchise Agreement – Section 6.A)

5. Provide Executive Training Program for your Operating Principal. (Franchise Agreement – Section 7.D)

6. Identify the Operating Assets, inventory, supplies, and other products and services you must use to develop and operate the Restaurant, the minimum standards and specifications you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease items and services (which may include or be limited to us and/or certain of our affiliates). (Franchise Agreement - Sections 4.C, 6.H, and 7.E) We and our affiliates currently are not involved in delivering or installing fixtures, equipment, or signs, although we will provide direction for you to comply with our Brand Standards.

7. Send an "opening team" to the Restaurant for up to 7 days to help you train your supervisory employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Restaurant for opening. (Franchise Agreement – Section 6.C). We require photographs of the store set-up prior to sending the opening team to your location. These photographs will show equipment setup, smallwares organization, receipt and organization of all dry goods and chemicals, and general organization and readiness of all areas of the store.

8. Give you access to our operations manual and other technical manuals (collectively, the "Operations Manual"). The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains Brand Standards and information on your other obligations under the Franchise Agreement. We may modify the Operations Manual periodically to reflect changes in Brand Standards, but

those modifications will not alter your fundamental rights or status under the Franchise Agreement. If there is a dispute over the Operations Manual's contents, our master copy controls. The Operations Manual, which is accessible only electronically, currently contains the equivalent of approximately 56044 total pages (plus specification sheets); its current table of contents is Exhibit D. (Franchise Agreement – Section 6.H)

9. Consult with you on a customizable market introduction program for the Restaurant. You must send us the proposed program at least 15 days before its planned rollout date. If we do not accept the program in writing within 15 days, it is deemed rejected. We will spend the required amounts on your behalf in the Restaurant's market. (Franchise Agreement – Section 13.A)

10. Designate a specific number of Restaurants that you (and your "Controlled Affiliates") must develop and open at accepted locations within your development Territory and the development deadlines (if we grant you development rights). (Development Rights Rider – Sections 2, 3, and 6) We will accept your Restaurants' proposed locations only if they meet our then-current standards for Restaurant sites.

### Ongoing Assistance

During your Restaurant's operation, we will:

1. Advise you or make recommendations regarding the Restaurant's operation with respect to standards, specifications, operating procedures, and methods that NAF NAF Restaurants use; purchasing required or recommended Operating Assets and other products, supplies, and materials; supervisory employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Restaurant employees); and accounting, advertising, and marketing. Additional marketing assistance may be arranged from us for a fee; we recommend that you employ marketing resources within your operations team. We may guide you through our Operations Manual, in bulletins or other written materials, by electronic media, by telephone, and/or at our office or the Restaurant. (Franchise Agreement – Section 6.H)

2. Operate an Intranet for internal systemwide communications. The Intranet will provide the features, services, and functionality we periodically specify. You must comply with our requirements for connecting to and using the Intranet. We may discontinue the Intranet or any services offered through the Intranet at any time. (Franchise Agreement – Section 7.G)

3. Give you, at your request and expense (and our option), additional or special guidance, assistance, and training. Any specific ongoing training, conventions, advice, or assistance we provide does not obligate us to continue providing that training, convention, advice, or assistance, all of which we may discontinue and modify at any time. (Franchise Agreement – Section 6.H)

4. Continue to give you access to our Operations Manual. (Franchise Agreement – Section 6.H)

5. Issue and modify Brand Standards. Changes in Brand Standards may require you to invest additional capital in the Restaurant and incur higher operating costs. You must comply with those obligations within the timeframe we specify. Our Franchise Agreement describes certain time limitations on when we may require you to implement certain capital modifications. Brand Standards may regulate (to the extent the law allows) maximum, minimum, or other pricing requirements for products and services the Restaurant sells, including requirements for promotions, special offers, and discounts in which some or all NAF NAF Restaurants participate and price advertising policies. (Franchise Agreement – Sections 7.A and 7.C)

6. Let you use our Marks. (Franchise Agreement – Section 8)

7. Let you use our confidential information, some of which constitutes trade secrets under applicable law (the “Confidential Information”). (Franchise Agreement – Section 9)

8. Maintain a Brand Fund for advertising, marketing, research and development, public relations, social media management, and customer relationship management programs and materials we deem appropriate to enhance, promote, and protect the NAF NAF brand and franchise system. We describe the Brand Fund and other advertising activities below. (Franchise Agreement – Section 13.B)

9. Periodically inspect and monitor the Restaurant’s operation. (Franchise Agreement – Section 15.A)

10. Periodically offer refresher training courses. (Franchise Agreement – Sections 6.D and F)

11. Review advertising and promotional materials you want to use. (Franchise Agreement – Sections 13.C and D)

## Advertising and Marketing Programs

### Brand Fund

We have established a Brand Fund to which you must contribute the amounts we periodically specify. The Brand Fund contribution rate currently is 1% of the Restaurant’s bi-weekly Net Sales.

We have the right during the franchise term to charge a Brand Fund contribution rate up to 3% of the Restaurant’s bi-weekly Net Sales. (We also have the right to increase your required Brand Fund contribution by up to an additional 2% of the Restaurant’s Net Sales—for a total of up to 5% of the Restaurant’s Net Sales—but only to the extent we concurrently and proportionately reduce your minimum required Local Marketing Spending Requirement. Your minimum required advertising and promotional expenditures will not exceed, in total, 5% of the Restaurant’s Net Sales. We may adjust the percentages among the various required expenditures throughout the franchise term.)

NAF NAF Restaurants that we and our affiliates own are not required to contribute to the Brand Fund. In addition, as part of an incentive package we provided to certain multi-unit developers who joined our system during our initial franchise launch, we agreed to return to them their 2% monthly Brand Fund contributions until the number of franchised Restaurants equals the number of our affiliate-owned Restaurants or 3 years, whichever comes first.

We will direct all programs the Brand Fund finances, with sole control over all creative and business aspects of the Fund's activities. The Brand Fund may pay for preparing, producing, and placing video, audio, and written materials, digital and electronic media, and Social Media; developing, maintaining, and administering one or more System Websites; administering national, regional, and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; establishing regional and national promotions and partnerships and hiring spokespersons to promote the NAF NAF brand; and supporting public relations, market research and development, and other advertising, promotion, marketing, developing, maintaining, and administering one or more sponsorship initiatives and any other brand-related activities. The Brand Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the Internet, as we think best. We and/or an outside regional or national advertising agency will produce all advertising and marketing. The Brand Fund periodically may give you sample Marketing Materials at no cost. We may sell you multiple copies of Marketing Materials at our direct production costs, plus any related shipping, handling, and storage charges.

We will account for the Brand Fund separately from our other funds (although we need not keep Brand Fund contributions in a separate bank account) and not use the Brand Fund for any of our general operating expenses. However, the Brand Fund may reimburse us and our affiliates for the reasonable salaries and benefits of personnel who manage and administer, or otherwise provide assistance or services to, the Brand Fund (including our culinary, creative, public relations, marketing, and social media personnel); the Brand Fund's administrative costs; travel expenses of personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and other expenses we and our affiliates incur administering or directing the Brand Fund and its programs, including conducting market research, preparing Marketing Materials, collecting and accounting for Brand Fund contributions, paying taxes due on Brand Fund contributions we receive; and any other costs or expenses we incur operating or as a consequence of the Fund. We will not use the Brand Fund specifically to develop materials and programs to solicit franchisees. However, media, materials, and programs prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. The Brand Fund did not operate during 2023<sup>4</sup>. We received a de minimus sum of net Brand Fund contributions during 2023<sup>4</sup> and spent 100% of those funds on advertising production.

The Brand Fund is not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand

Fund's other assets. ~~We will prepare an annual~~ Upon your reasonable request, we will allow you to review an unaudited statement of Brand Fund collections and expenses and allow you to review it upon reasonable request for the most recent fiscal year. We may (but need not) have the Brand Fund audited annually, at the Brand Fund's expense, by a certified public accountant we designate. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified here.

The Brand Fund's principal purposes are to maximize recognition of the Marks, increase patronage of NAF NAF Restaurants, and enhance, promote, and protect the NAF NAF brand and franchise system. Although we will try to use the Brand Fund in the aggregate to develop and implement Marketing Materials and programs benefiting all NAF NAF Restaurants, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by NAF NAF Restaurants operating in that geographic area or that any NAF NAF Restaurant benefits directly or in proportion to its Brand Fund contribution from the development of Marketing Materials or the implementation of programs. (In other words, neither we nor the Brand Fund must spend any specific amount in your market area.) We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect unpaid Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may at any time defer or reduce the Brand Fund contributions of any NAF NAF Restaurant franchisee and, upon 30 days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will either (i) spend the remaining Fund balance on permitted programs and expenditures or (ii) distribute all unspent funds to our then-existing franchisees, and to us and our affiliates, in proportion to their and our respective Brand Fund contributions during the preceding 12 months. (Franchise Agreement – Section 13.B)

### Local Marketing

Besides the Market Introduction Program described earlier, you must spend at least 2% of your Restaurant's monthly Net Sales on approved Marketing Materials and programs for the Restaurant. (Franchise Agreement – Section 13.D) You must share with us in advance periodically your local marketing plans for pre-approval by us, and then provide us with copies of receipts documenting that you spent the required 2% of your Restaurant's monthly Net Sales on the approved Marketing Materials and programs. ~~Alternatively, you may choose to pay us 2% of your Restaurant's monthly Net Sales at the same time and in the same manner in which you pay us the Royalty Fee, and we will spend the 2% Local Marketing funds that you send to us on marketing materials and programs for your market, in accordance with a marketing plan we will develop in cooperation with you.~~ We may determine which expenses count or do not count toward your Local Marketing Spending Requirement. Generally, Brand Fund contributions, price discounts or reductions you provide as a promotion, permanent on-premises signs, lighting, personnel salaries, administrative costs, transportation vehicles (even if they display the Marks), and employee incentive programs do not count. ~~If you choose to create and execute your own local marketing plan, and we determine that you are not spending the required amount, that you are failing to create~~

an effective plan, that you are not obtaining our pre-approval of your plan, or that you are not executing well on your plan, then we may require that you pay us the 2% of your Restaurant's monthly Net Sales for us to spend in your local market.

The marketing activities in which you engage will materially affect your Restaurant's success or lack of success. The Local Marketing Spending Requirement might be insufficient for you to achieve your business objectives. Subject to the minimum above, you alone are responsible to determine how much to spend on, and the nature of, Marketing Materials and other approved advertising, marketing, and promotional programs for the Restaurant in order to achieve your business objectives.

### Approval of Advertising

All Marketing Materials must be legal and not misleading and conform to our policies. To protect the goodwill that we and certain of our affiliates have accumulated in the "NAF NAF" name and other Marks, at least 30 days before using them, you must send us samples or proofs of all Marketing Materials we did not prepare or already approve or that we prepared or approved but you want to change in any way. If we do not approve those Marketing Materials in writing within 20 business days after we receive them, they are deemed approved for use. You may not use any Marketing Materials we have not approved or have disapproved. We may upon 30 days' prior written notice require you to stop using any previously approved Marketing Materials. (Franchise Agreement – Section 13.C)

### Advertising Councils

There currently are no franchisee advertising councils advising us on advertising and marketing policies and programs. However, we may form, change, dissolve, or merge any franchisee advertising council.

### Advertising Cooperatives

There currently are no advertising cooperatives. However, we may designate a geographic area for an advertising cooperative (a "Cooperative"). The Cooperative's members in any area are the owners of all NAF NAF Restaurants located and operating in that area (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine. There need not be any formal agreements or bylaws to administer the Cooperative. We may change, dissolve, and merge Cooperatives. Each Cooperative's purpose is, with our approval, to administer advertising programs and develop Marketing Materials for the area the Cooperative covers. You automatically will become a member of any existing or new Cooperative formed in your market area and must participate in the Cooperative as we require. We may require you to contribute up to 2% of the Restaurant's monthly Net Sales to the Cooperative. NAF NAF Restaurants that we and our affiliates own in the Cooperative's area will contribute at the same rate. Your Cooperative dues will count toward the Local Marketing Spending Requirement but not toward the market introduction program or Brand Fund contributions. The Cooperative will prepare annual, unaudited financial statements you may review. All marketing and brand activities created and executed by the cooperatives must have express approval from NAF NAF brand team prior to use. (Franchise Agreement – Section 13.E)

### System Website and Electronic Advertising

We or our designees may establish a website or series of websites for the NAF NAF Restaurant network: (1) to advertise, market, and promote NAF NAF Restaurants, the products

and services they offer, and/or the NAF NAF Restaurant franchise opportunity; (2) to function as the Intranet; and/or (3) for any other purposes we deem appropriate for NAF NAF Restaurants (collectively, the “System Website”). The System Website may, but need not, give you a separate interior webpage or micro-site (accessible only through the System Website) referencing your Restaurant and/or otherwise allow you to participate in the System Website. Only we may develop and modify a micro-site for you. Your micro-site always must comply with Brand Standards. We will own all intellectual property and other rights in the System Website, your micro-site, and all information they contain. We will control, and may use the Brand Fund’s assets or the Tech Fee to develop, maintain, operate, update, and market, the System Website, including your micro-site.

All Marketing Materials you develop for the Restaurant must contain notices of the System Website’s URL as we specify. You may not develop, maintain, or authorize another website, online presence, or electronic medium mentioning or describing the Restaurant or displaying any Marks without our prior written approval. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet. We have the right to maintain websites other than the System Website and to offer and sell products and services under the Marks from the System Website, another website, or otherwise over the Internet without payment or other obligation to you. (Franchise Agreement – Section 13.F)

#### Social Media Channels

We or our designees establish, manage and own different current and upcoming social media channels for the NAF NAF Restaurant network to (1) advertise, market, and promote NAF NAF Restaurants, the products and services they offer, and/or the NAF NAF Restaurant franchise opportunity; (2) for any other purposes we deem appropriate for NAF NAF Restaurants (collectively, the “Social Media Channels”). We may, but need not, approve you to create a separate social media presence referencing your Restaurant for local purposes only. If approved, the local page must be set up as a child to the principal brand page where NAF NAF has access to and authority to review, edit, delete and manage the content of the page, the page itself, and any data associated with it. The name, look and feel and content of any local social media channels must follow all our brand standards and require prior written approval from NAF NAF. We will own all intellectual property and other rights in the Social Media Channels, and all information they contain. We may at any time request access, control, pause, deactivate, merge or delete your local Social Media Channels and we may use the Brand Fund’s assets or the Tech Fee to develop, maintain, operate, update, and market, the Social Media Channels. (Franchise Agreement – Section 13.G)

#### Computer System

You are required to purchase a computer and point-of-sale system including hardware, software and services (collectively the “Computer System”) (Franchise Agreement – Section 7.F). The Computer System includes (a) the approved POS system, which shall include a back of house

computer and associated networking components, at least one POS terminal, a firewall and associated license, at least one payment device, and one cash drawer, two receipt printers and a scanner; (b) two Apple iPads including cases and mounts; (c) all required software consisting of

POS, gift card and credit card processing, online ordering, accounting and general office software; and may include (d) an installation and service package, an annual 24/7 help desk support package, an annual software maintenance package, and various hosted solutions required by our merchant services provider.

The Computer System will manage the daily workflow of the Restaurant and coordinate the customer ordering experience and other information for your Restaurant. You must record all sales in the Computer System. You must store all data and information that we designate in the Computer System, and report date and information in the manner we specify. The Computer System will generate and maintain sales, menu mix, inventory, food cost, and other financial information. You must maintain a business class Internet connection at the Restaurant. Business class Internet consists of a service level agreement of minimum speed guarantee, and uptime, which guarantees service when needed.

You must use any credit card vendors and accept all credit cards and debit cards that we determine, and you must use the point-to-point encryption vendor that we specify. You are at all times required to comply with the most current version of the Payment Card Industry Data Security Standards, and with all laws governing the use, disclosure, and protection of Consumer Data and the Computer System, and validating compliance with those standards and laws as periodically required. The term “Consumer Data” means the names, addresses, telephone numbers, email addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally identifiable information of customers. The term “credit card vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”). You must offer and accept NAF NAF gift cards and loyalty cards.

We estimate the cost of purchasing the Computer System will be between \$12,000 and \$14,000. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System. You must arrange for installation, maintenance and support of the Computer System at your cost. You must purchase maintenance contracts from our approved suppliers including managed firewall, above store reporting, inventory, scheduling, help desk support, hardware maintenance, and hosted solutions including online ordering, loyalty, and online learning, for approximately \$500 - \$1,000 per month. These ongoing expenses paid to third parties are separate and apart from the monthly Tech Fee that you must pay to us. Third parties whose computer-related products you buy have no contractual right or obligation to provide ongoing maintenance, repairs or updates unless you obtain a service contract or the warranty covers the product. You may not use any unapproved computer software or security access codes. We have independent, unlimited access to the information the system generates (and to the content of any NAF NAF email accounts we provide you), although not to employee- or employment-related information for your Restaurant’s employees.

We and our affiliates may condition any license to you of required or recommended proprietary software, and/or your use of technology developed or maintained by or for us

(including the Intranet), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent in a click-through license agreement), we and our affiliates require to regulate your use of the software of technology.

We and our affiliates may charge you up-front and ongoing fees for any required or recommended proprietary software or technology we or our affiliates license to you.

### Tech Fee

The Tech Fee is currently \$500 per month. However, we have the right to charge up to \$1,000 per month during the franchise term, but we will not increase the Tech Fee by more than \$250 per month in any one calendar year. The Tech Fee is to fund technology expenditures we deem best for the franchise system (and affiliated NAF NAF Restaurants). We may allocate and spend Tech Fees in our sole judgment, including for salaries, wages, and benefits, direct technology program costs, and overhead expenses for technology related activities. Despite payment of the Tech Fee to us, you must pay third-party vendors for the costs of, and support services for, your Restaurant's Computer System described above. We have no obligation to account to you or other franchisees for our use of Tech Fees or to ensure that you or the Restaurant benefits directly or pro rata from your Tech Fee payments. NAF NAF Restaurants that we and our affiliates own are not required to pay a Tech Fee to us. (Franchise Agreement – Section 5.C)

### Opening

You must open the Restaurant for business within 15 months after the Franchise Agreement's effective date. Your opening timetable depends on how quickly you find the Restaurant's site and finalize the Restaurant's lease; the Restaurant's condition and upgrading and remodeling requirements; the construction schedule; obtaining licenses; the delivery schedule for Operating Assets and supplies; attending and completing training; and complying with local laws and regulations. (Franchise Agreement—Sections 4.C and 4.D)

You may not open the Restaurant for business until: (1) we inspect and approve in writing the Restaurant as having been developed in compliance with our specifications and standards; (2) your Operating ~~Principal~~ Partner and Restaurant Managers complete the initial training program to our satisfaction; (3) the Restaurant has sufficient trained employees to manage and operate the Restaurant on a day-to-day basis in compliance with our Brand Standards; (4) your Operating ~~Principal~~ Partner, the Restaurant Managers, and the Restaurant's employees complete all required third-party certifications for the food industry; (5) you have satisfied all state and federal permitting, licensing, and other legal requirements; (6) you have paid all amounts owed to, and are not in default under any agreement with, us, our affiliates, and principal suppliers; (7) you have given us copies of all required permits, licenses, and insurance policies; and (8) you have met all other opening requirements specified in our Operations Manual.

## Training

### **Initial Training Program**

#### Training Requirements for Your First Store

At least 3 people, including your Operating Partner, must complete our initial training program to our satisfaction before opening the Restaurant for business (although we will train up to 4 people, including your Operating ~~Principal~~Partner and the Restaurant's on-site managers).  
(Franchise

Agreement—Section 6.A) This training must occur at a Certified Naf Naf Training Store. For the first 90 days of operation, you must have 3 managers who have been certified at a Naf Naf Certified Training Store. Subsequently, you must at all times have 1 fully-trained, certified manager (which may be your Operating Partner) managing the Restaurant’s day-to-day, on-site operations. All Naf Naf Restaurants must maintain 3 managers who have completed all positional training and the Shift Leader training modules. In addition, your Operating Principal, if he or she has not completed our initial training program, must complete our 3-5 day Executive Training Program, described below. If at any time we determine that you are operating your Restaurant without the required number of fully trained, certified managers, we will give you sixty (60) days to cure this default by hiring new manager(s) and having them successfully complete training at our facilities. If, after sixty (60) days you are still operating your Restaurant without the required number of fully trained, certified managers, then you will owe us a fee of \$1000 per missing or untrained manager (in addition to any other fees incurred for Brand Standards violations, inspection fees or otherwise), and an additional \$1000 fee for every thirty (30) days thereafter that you continue to operate without the required number of fully trained, certified managers.

#### Training Requirements for Subsequent Stores

For the first 90 days of operation of any additional Naf Naf Restaurants subsequent to the opening of your first Naf Naf Restaurant, you must have 23 managers who have completed all positional training and the Shift Leader training modules, and 2 of those managers must have been certified at a Naf Naf Certified Training Store. Subsequently, you must at all times have 1 fully-trained, certified manager (~~which may be your Operating Partner~~) managing the Restaurant’s day-to-day, on-site operations. All Naf Naf Restaurants must maintain 3 managers who have completed all positional training and the Shift Leader training modules. Your Operating Partner may function as one of the certified managers for your first and second Naf Naf Restaurant, but upon beginning construction of a third location, your Operating Partner must function in an above-store, multi-unit role.

We will conduct the initial training program at our designated training location and/or through video and other electronic means. We expect training (which currently is approximately 4 weeks long) to occur after you sign the Franchise Agreement and while you develop the Restaurant. As a new franchisor, we plan to be flexible in scheduling training to accommodate our personnel, your Operating Partner, and the Restaurant’s managers. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. We use manuals, videos, and other training aids during the training program. Your training attendees must complete training 2-3 weeks before the Restaurant’s scheduled opening date. We provide the initial training program for no additional fee. You must pay your employees’ wages, benefits, and travel, hotel, and food expenses while they attend training.

If your Operating Partner or any Restaurant Manager cancels participation in any training program for which he or she pre-registers and pays us a training fee, we will not refund or

reimburse the training fee you paid. If participation is cancelled more than 2 weeks before the class or program is scheduled to begin, we will apply one-half of the training fee as a credit toward the fees due for a future training class or program that your Operating Partner or Restaurant Manager attends. However, if participation is cancelled 2 weeks or less before the class or program is scheduled to begin, you will receive no credit at all toward future training fees due. (Franchise Agreement—Section 6.G)

The following chart describes our current initial training program, which we may modify for the particular trainees:

**TRAINING PROGRAM**

Column 1	Column 2		Column 3
	Hours of Training		
Subject	Self-Study	On-the-job	Location
Positional Training	5	67	Certified Training
Shift Running	10	48	Certified Training
Cost Control	5	5	Certified Training
Team Management	5	5	Certified Training
Scheduling	5	5	Certified Training
Total Hours	30	130	

A certified training manager will supervise all Managers in Training at certified training stores. Our training managers have each been with the NAF NAF brand for approximately 4 to 6 years, and also have approximately 10-20 years of foodservice operations experience. Given their tenure with the NAF NAF brand and extensive foodservice operations experience, they have experience in all aspects of operating a NAF NAF Restaurant. We will send an “opening team” to the Restaurant for up to 7 days (typically starting before and continuing after opening) to help you train your employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Restaurant for opening. We will pay our opening team’s wages and travel, hotel, and living expenses. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase (excluding training relating to labor relations and employment practices), you must pay our personnel’s daily charges (including wages) and travel, hotel, and living expenses. We may delay the Restaurant’s opening until all required training has been satisfactorily completed. (Franchise Agreement – Section 6.C)

Executive Training for Operating Principal

Your Operating Principal must complete an Executive Training Program, which consists of high-level exposure to systems, business management practices and tools, food prep, cooking, and serving. In 3-5 days, a NAF NAF Training Manager will review food safety checklists,

manager checklists, and cleanliness standards and procedures as they are used day to day. The program will also cover our prep forecasting tools and spend time in the kitchen, on the backline, frontline, and bakery. Finally, we will review cash handling, end-of-day procedures, scheduling, reporting, ordering and inventory.

### Retraining

If your Operating Partner or a Restaurant Manager fails to complete initial training to our satisfaction, or we determine after an inspection that retraining is necessary because the Restaurant is not operating according to Brand Standards, we may require that he or she attend a retraining session at our training location. You must pay all employee compensation and expenses during retraining. We may terminate the Franchise Agreement if your Operating Partner fails to complete initial training to our satisfaction. (Franchise Agreement – Section 6.B) You may choose to have the retraining conducted at your Restaurant. Our fee for supplemental and ongoing training that takes place at your Restaurant ranges from \$500 to \$1,000 per trainer per day plus expenses.

### Training for Replacement Restaurant Managers

If you no longer employ a Restaurant Manager or become aware that a Restaurant Manager intends to leave his or her position, you must immediately seek a new manager for the Restaurant (the “Replacement Manager”) in order to protect the NAF NAF brand. You must appoint the Replacement Manager within 60 days after the former Restaurant Manager’s employment ends. The Replacement Manager must satisfactorily complete training appropriate for the position, including our standard initial training program. You must pay his or her compensation and expenses during training. (Franchise Agreement – Section 6.E) Our fee for supplemental and ongoing training ranges from \$500 to \$1,000 per trainer per day plus expenses.

### Training for Restaurant Employees

Your Operating Partner or Restaurant Managers must properly train all Restaurant employees to perform the tasks for their respective positions using our required training materials and content in order to protect Brand Standards. We may develop and make available training tools and recommendations for you to use in training the Restaurant’s employees to comply with Brand Standards. We may update these training materials to reflect changes in our training methods and procedures and changes in Brand Standards. (Franchise Agreement – Section 6.F)

### **Ongoing and Supplemental Training**

We may require your Operating Partner and/or Restaurant Managers to attend and complete satisfactorily various training courses and programs that we or third parties periodically offer during the franchise term at the times and locations we designate. You must pay their compensation and expenses during training. We do not charge fees for training occurring at our designated training location. However, if you request training courses or programs to be provided locally, then subject to our training personnel’s availability, you must pay our then- current training fee and the travel and living expenses of our training personnel. Our fee for supplemental and ongoing training ranges from \$500 to \$1,000 per trainer per day plus expenses. (Franchise Agreement – Section 6.D)

## Item 12 **TERRITORY**

### Franchise Agreement

You will operate the Restaurant at a specific location we first must accept. (We do not “approve” sites; we “accept” them under the circumstances described in Item 11.) If the Restaurant’s address is unknown when the Franchise Agreement is signed, you must obtain our written acceptance of, and secure, a site within 6 months afterward. In that case, we will identify in the Franchise Agreement a nonexclusive Site Selection Area in which you must search for a suitable site. We may terminate the Franchise Agreement if we do not accept, and you do not secure, the Restaurant’s site within these 6 months. You may operate the Restaurant only at the accepted site and may not relocate without our prior written consent, which we may grant or deny as we deem best. Whether or not we will allow relocation depends on circumstances at the time and what is in the Restaurant’s and our system’s best interests. Factors include, for example, the new site’s market area, its proximity to other Restaurants in our system, whether you are in compliance with your Franchise Agreement, and how long it will take you to open at the new site.

Conditions for relocation approval are (1) the new site and its lease are acceptable to us, (2) you pay us a reasonable relocation fee, (3) you reimburse any costs we incur during the relocation process, (4) you confirm that your original Franchise Agreement remains in effect and governs the Restaurant’s operation at the new site with no change in the franchise term or, at our option, sign our then-current form of franchise agreement to govern the Restaurant’s operation at the new site for a new franchise term, (5) you sign a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) you continue operating the Restaurant at its original site until we authorize its closure, and (7) you take, within the timeframe we specify and at your own expense, all action we require to de-brand and de-identify the Restaurant’s former premises so it no longer is associated in any manner (in our opinion) with our system and the Marks.

You will receive an Area of Protection around your Restaurant. We will identify and describe the Area of Protection in the Franchise Agreement before you sign it. However, if the Restaurant’s address is unknown when the Franchise Agreement is signed, we will describe the Area of Protection on an amended and restated exhibit to the Franchise Agreement that we will send you after we accept the Restaurant’s site.

We expect the Area of Protection to encompass a minimum day-time population of approximately 30,000 people. Typically, the Area of Protection for suburban restaurants will be a 2-mile radius around the restaurant, but never more than a 3-mile radius. For urban restaurants, the Area of Protection will be determined on a case-by-case basis, typically being from several blocks to a 1/4-mile radius around the restaurant. We may modify the Area of Protection during the franchise term only if the Restaurant relocates. Continuation of your franchise does not depend on your achieving a certain sales volume, market penetration, or other quota.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. The Area of Protection always will be defined and deemed to exclude any and all Non-Traditional Venues physically located within the Area of Protection. This means there are no restrictions whatsoever on our and our affiliates’ activities in or at Non-Traditional Venues

physically located within the Area of Protection, including our and our affiliates' right to own and operate and grant others the right to own and operate NAF NAF Restaurants, and to engage in other foodservice operations under the Marks, at such Non-Traditional Venues. A "Non-Traditional Venue" means (i) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does not have unlimited access; (ii) mobile outlets, temporary or seasonal food service facilities; and/or (iii) commercial kitchen facilities that provide order and delivery-only services, which may include the associated online or mobile ordering and delivery services to and from locations in or outside of the Area of Protection. Examples of Non-Traditional Venues include mobile outlets (such as food trucks), "ghost" kitchens, grocery stores, concert venues, hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, truck-stop, travel center and other venues operated by a master concessionaire or contract food service provider.

Except for your "location protection" described above (which is subject to our and our affiliates' rights at Non-Traditional Venues physically located within the Area of Protection), we and our affiliates retain all rights with respect to NAF NAF Restaurants, the Marks, the sale of similar or dissimilar products and services, and any other activities we and they deem appropriate, whenever and wherever we and they desire, whether inside or outside the Area of Protection. There are no restrictions on our soliciting or accepting orders from consumers inside the Area of Protection. Our rights include the following:

(1) to own and operate, and to allow other franchisees and licensees to own and operate, NAF NAF Restaurants at any locations outside the Area of Protection (including at the boundary of the Area of Protection) and on any terms and conditions we deem appropriate;

(2) to offer and sell, and to allow others to offer and sell, inside and outside the Area of Protection, products and services that are identical or similar to and/or competitive with those offered and sold by NAF NAF Restaurants, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet) other than NAF NAF Restaurants physically located within the Area of Protection and on any terms and conditions we deem appropriate;

(3) to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Area of Protection) businesses offering similar products and services under trademarks and service marks other than the Marks;

(4) to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at NAF NAF Restaurants, and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Area of Protection;

(5) to be acquired (through acquisition of assets, ownership interests, or otherwise) by a business offering and selling products and services similar to those offered and sold at NAF NAF Restaurants, or by another business, even if that business operates, franchises, or licenses competitive businesses inside or outside the Area of Protection; and

(6) to engage in all other activities the Franchise Agreement does not expressly prohibit.

We and our affiliates need not compensate you if we engage in these activities.

Unless you acquire development rights (described below), you have no options, rights of first refusal, or similar rights to acquire additional franchises. Although we have the right to do so (as described above), we and our affiliates have not yet established, and have no current plans to establish, other franchises or company-owned outlets or another distribution channel selling or leasing Middle-Eastern fare products or services under a different trademark.

Your right to operate a NAF NAF Restaurant is limited to products prepared and sold, and services provided, at the Restaurant location; it does not include the right to distribute products and services over the Internet or to engage in other supply or distribution channels outside your Area of Protection. You may not deliver products or cater away from the Restaurant's location unless and until we notify you in writing that you may do so (although we need not allow such activities by a certain date or at all). If we allow you to engage in these activities, you must comply with all related Brand Standards.

You may not develop, maintain, or authorize any website, online presence, or electronic medium mentioning or describing the Restaurant or displaying any Marks without our prior written approval. Except for our System Website, you may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet. You may use other distribution channels in your Area of Protection, such as telemarketing or other direct marketing, only if we approve the materials and programs.

### Development Rights Rider

You may (if you qualify) develop and operate a number of NAF NAF Restaurants within a specific territory (the "Territory"). We and you will identify the Territory in the Development Rights Rider before signing it. The Territory typically is a city, cities, or counties. We base the Territory's size primarily on the number of NAF NAF Restaurants we approve you to develop and the population and demographics of the Territory. We will determine the number of Restaurants you must develop, and the deadlines for development, to keep your development rights. We and you then will complete the schedule in the Development Rights Rider before signing it. Under the Development Rights Rider, we first must accept each new site you propose for each new NAF NAF Restaurant. After we accept (and you secure) a proposed site, we also will determine the Area of Protection for that Restaurant. Our then-current standards for sites and Areas of Protection will apply.

You may not develop or operate NAF NAF Restaurants outside the Territory. While the Development Rights Rider is in effect, we (and our affiliates) will not, except in the situations described below, establish and operate or grant others the right to establish and operate NAF NAF

Restaurants having their physical locations within the Territory. You will not receive an exclusive territory under the Development Rights Rider. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. There are no restrictions on our soliciting or accepting orders from consumers inside the Territory.

The exceptions to your protected right to establish NAF NAF Restaurants having their physical locations within the Territory are as follows. If:

(1) we become aware during the Development Rights Rider term of one or more opportunities to establish and operate a NAF NAF Restaurant at a location within the Territory for which that location's owner or manager sets financial, experience, or organizational standards for an acceptable operator (for example, a national or multi-regional concessionaire) that you do not and cannot satisfy when the opportunity becomes available; or

(2) the location is a Non-Traditional Venue (which is defined to mean a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, truck-stop, or similar venue) (the locations referenced in (1) and (2) are referred to collectively as "Restricted Venues");

then we (or our affiliates) may pursue the opportunity for that Restricted Venue and establish, or franchise or license another to establish, a NAF NAF Restaurant at that Restricted Venue. Our, our affiliate's, or another franchisee's or licensee's development and operation of a NAF NAF Restaurant at a Restricted Venue in the Territory do not count toward your compliance with the development schedule. NAF NAF Restaurants that you (or your affiliates) are permitted to operate at Restricted Venues physically located in the Territory likewise do not count toward your compliance with the development schedule.

The location protection described above (with the noted exceptions) is the only restriction on our (and our affiliates') activities within the Territory during the development term. We may terminate the Development Rights Rider if you do not satisfy your development obligations.


Despite the development schedule in the Development Rights Rider, we may delay your development and/or opening of additional NAF NAF Restaurants within the Territory if we believe, when you apply for another Restaurant, or after you (or your approved affiliate) have developed and constructed but not yet opened a particular Restaurant, that you (or your approved affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to develop, open, and/or operate the additional Restaurant in full compliance with our standards and specifications. We may delay additional development and/or a Restaurant's opening for the time period we deem best if the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).


Except as described above, continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency. We may not alter your

Territory during the Development Rights Rider term. Although we have the right to do so, we and our affiliates have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

**Item 13  
TRADEMARKS**

You may use certain Marks in operating the Restaurant. Naf-Naf Holdings owns and has registered the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	5,488,321	06/05/2018
NAF NAF®	5,275,102	08/29/2017
GET YOUR NAF ON®	5,031,997	08/30/2016
NAF NAF BAKERY®	5,045,562	09/20/2016
NAF IT UP®	5,172,962	03/28/2017
NAF NAF MIDDLE EASTERN GRILL with CAMEL IN TRIANGLE DESIGN (Color claimed)	5,810,491	07/23/2019
NAF PERKS®	5,550,041	08/28/2018
NAF®	5,613,173	11/20/2018

NAF®	5,613,173	11/20/2018
NAF FRIES®	5,195,156	05/02/2017
(Color Claimed)	4,125,134	04/10/2012
NAF NAF GRILL®	4,079,231	01/03/2012
	7,118,067	07/25/2023
FAN THE FLAME®	7,240,850	12/12/2023

Naf-Naf Holdings has filed, or will file when due, all required affidavits for its registered Marks. While no Marks are due for renewal, Naf-Naf Holdings intends to renew them if they remain important to the NAF NAF brand. Naf-Naf Holdings licenses us to use these Marks and related intellectual property, and to authorize franchisees to use them in operating NAF NAF Restaurants, under a Trademark, Copyright, and Know-How License Agreement effective June 29, 2018 (the “License Agreement”). The License Agreement’s initial term is 20 years; we have the right to renew the License Agreement for 3 successive 10-year terms. We may terminate the License Agreement at any time. Naf-Naf Holdings may terminate the License Agreement immediately if we breach the License Agreement and fail to cure the breach within 30 days after receiving written notice from Naf-Naf Holdings. When the License Agreement terminates or expires, we must stop using and sublicensing the Marks and related intellectual property. However, any NAF NAF Restaurant franchisee that has been authorized to use the Marks in its franchise may continue using the Marks until that franchisee’s franchise agreement, and any permitted successor franchise agreement, expire or are terminated, but only if the franchisee continues to comply with its obligations in the franchise agreement and any permitted successor franchise agreement during their remaining terms. No other agreement limits our right to use or sublicense any Mark (whether we own them or Naf-Naf Holdings licenses them for use in operating NAF NAF Restaurants).

There are no currently-effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must follow our rules and other Brand Standards when using the Marks, including giving proper notices of trademark and service mark registration and obtaining required fictitious or assumed-name registrations. You may not use any Mark as part of your corporate or legal

business name; with modifying words, terms, designs, or symbols (other than logos we license to you); in selling any unauthorized products or services; as part of any domain name, homepage,

electronic address, metatag, or otherwise in connection with a website or other online presence; or in any user name, screen name, or profile associated with any Social Media sites (except in compliance with our guidelines).

If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or to use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse your expenses to comply with those directions (such as your costs to change signs or replace supplies for the Restaurant), any loss of revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

You must notify us immediately of any actual or apparent infringement or challenge to your use of any Mark, any person's claim of any rights in any Mark (or any identical or confusingly similar trademark), or unfair competition relating to any Mark. You may not communicate with any person other than us and Naf-Naf Holdings, our respective attorneys, and your attorneys regarding any infringement, challenge, or claim. We and Naf-Naf Holdings may take the action we or it deems appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions that we and our, and Naf-Naf Holdings', attorneys deem necessary or advisable to protect and maintain our and Naf-Naf Holdings' interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our and Naf-Naf Holdings' interests in the Marks.

We will reimburse your damages and expenses incurred in any trademark infringement proceeding disputing your authorized use of any Mark, provided your use has been consistent with the Franchise Agreement, the Operations Manual, and Brand Standards communicated to you and you have timely notified us of, and complied with our directions in responding to, the proceeding. At our option, we and/or our affiliates may defend and control the defense of any proceeding arising from or relating to your use of any Mark.

The Development Rights Rider does not grant you the right to use the Marks. These rights arise only under signed Franchise Agreements with us.

#### **Item 14**

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

No patents or patent applications are material to the franchise. We and certain of our affiliates claim copyrights in the Operations Manual (containing our trade secrets and Confidential Information), Restaurant blueprints and other design features, signage, advertising and marketing materials, our System Website, and similar items used in operating NAF NAF Restaurants. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as we specify while operating your Restaurant (and must stop using them at our direction). Our right to use many of

the copyrighted materials described above and much of the Confidential Information described below arises from the License Agreement described in Item 13.

There currently are no effective adverse material determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. Except for our agreement with Naf-Naf Holdings, no agreement limits our right to use or allow others to use copyrighted materials.

We do not actually know of any infringing uses of our or Naf-Naf Holdings' copyrights that could materially affect your using them in any state. We and Naf-Naf Holdings need not protect or defend copyrights, although we intend to do so if in the system's best interests. We and Naf-Naf Holdings may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We and Naf-Naf Holdings need not participate in your defense of and/or indemnify you for damages or expenses incurred in a copyright proceeding.

Our Operations Manual and other materials contain our and certain of our affiliates' Confidential Information (some of which are trade secrets under applicable law). Confidential Information includes layouts, designs, and other Plans for NAF NAF Restaurants; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating NAF NAF Restaurants; marketing research and promotional, marketing, and advertising programs for NAF NAF Restaurants; strategic plans, including expansion strategies and targeted demographics; knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, products, services, materials, and supplies that NAF NAF Restaurants use and sell; knowledge of operating results and financial performance of NAF NAF Restaurants other than your Restaurant; customer solicitation, communication, and retention programs, along with data and information used or generated in connection with those programs; and information generated by, or used or developed in, operating your Restaurant, including Consumer Data, and any other information contained in the Computer System or that visitors (including you) provide to the System Website. You must comply with all laws governing the use, protection, and disclosure of Consumer Data. If there is a data security incident at the Restaurant, you must notify us immediately, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the data security incident in order to protect Consumer Data and the NAF NAF Restaurant brand (including giving us or our designee access to your Computer System, whether remotely or at the Restaurant).

You may not use Confidential Information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure agreements with those having access to Confidential Information. We may pre-approve your non-disclosure agreements solely to ensure that you adequately protect Confidential Information and the competitiveness of NAF NAF Restaurants. Under no circumstances will we control the forms or terms of employment agreements you use with Restaurant employees or otherwise be responsible for your labor relations or employment practices.

You must promptly disclose to us all ideas, concepts, techniques, or materials relating to a NAF NAF Restaurant ("Innovations"), whether or not protectable intellectual property and whether created by or for you or your owners, employees, or contractors. Innovations belong to

and are works made-for-hire for us. If any Innovation does not qualify as a “work made-for-hire” for us, you assign ownership of and all related rights to that Innovation to us and must sign (and cause your owners, employees, and contractors to sign) whatever assignment or other documents

we periodically request to evidence our ownership and to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating the Restaurant without our prior written approval.

The Development Rights Rider does not grant you rights to use any intellectual property. These rights arise only under signed Franchise Agreements with us.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION  
OF THE FRANCHISE BUSINESS**

You must at all times faithfully, honestly, and diligently perform your contractual obligations and use best efforts to promote and enhance the Restaurant. Brand Standards may require adequate staffing levels for the Restaurant to operate and address appearance of Restaurant personnel. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Restaurant employees are under your control at the Restaurant. You must communicate clearly with Restaurant employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of NAF NAF Restaurants, and our affiliates are not their employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. You must obtain an acknowledgment (in the form we specify or approve) from all Restaurant employees that you (and not we or our affiliates) are their employer.

You must designate an owner, owning at least twenty percent (20%) of your ownership interests, to serve as your Operating Principal. The Operating Principal will communicate with us directly and must have sufficient authority to make binding decisions on behalf of you and the Restaurant.

You must also designate one individual as an Operating Partner, who must have a minimum five percent (5%) ownership interest in you. The Operating Partner must be solely dedicated to the brand and will be responsible for managing your day-to-day operations. The Operating Partner will be the main point of contact for our operations support team. The Operating Principal and the Operating Partner may be the same person.

We have the right to approve or disapprove the proposed Operating Principal and Operating Partner and any proposed change in the Operating Principal or Operating Partner.

You must at all times have 1 fully-trained, certified manager managing the Restaurant's day-to-day, on-site operations, one of whom may be your Operating Partner, with at least 3 employees on staff (including the certified manager) who have completed all positional training and shift leader training modules. The Operating Partner is responsible for each Restaurant

Manager's performance. A Restaurant Manager need not have an equity interest in you or the Restaurant. The Operating Partner and all Restaurant Managers must successfully complete our initial training program before you open the Restaurant to the public. Restaurant Managers (if not

also the Operating Partner) and your officers and directors must sign confidentiality and other agreements we specify or pre-approve. Our right to pre-approve the forms you use is solely to protect Confidential Information and the competitiveness of NAF NAF Restaurants. Under no circumstances will we control the forms or terms of employment agreements you use with Restaurant employees or otherwise be responsible for your labor relations or employment practices.

If you propose to change the Operating Partner, you must immediately seek a new person (the “Replacement Operating Partner”) for that role and appoint the Replacement Operating Partner within 30 days after the former Operating Partner’s last day. The Replacement Operating Partner must satisfactorily complete our initial training program within 30 days after we approve him or her. (Item 6 describes related costs.)

Each of your owners with at least a 20% ownership interest in you, or in an entity directly or indirectly owning at least a 20% ownership interest in you, and any other owner we designate, must personally guarantee all of your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This “Guaranty and Assumption of Obligations” is Exhibit B-1 of the Franchise Agreement. Each owner not owning at least a 20% ownership interest in you, or in an entity directly or indirectly owning at least a 20% ownership interest in you, must sign an “Owner’s Undertaking of Non-Monetary Obligations” (Exhibit B-2 of the Franchise Agreement) undertaking to be bound personally by specific non-monetary provisions in the Franchise Agreement.

#### **Item 16**

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

The Restaurant must offer for sale all products and services we periodically specify. The Restaurant may not offer, sell, or otherwise distribute at the Restaurant or another location any products or services we have not authorized. There are no limits on our right to modify the products and services your Restaurant must or may offer and sell. Brand Standards may regulate (to the extent the law allows) maximum, minimum, or other pricing requirements for products and services the Restaurant sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all NAF NAF Restaurants must participate and price advertising policies. Brand Standards also may regulate delivery and catering services, including your obligation to deliver products to customers, to engage with third-party food ordering and delivery systems, and to ring up and account for delivery and catering charges not included in the price of products only in the manner we permit. There are no limits on the customers to whom your Restaurant may sell goods and services at its premises.

**Item 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	3.B of Franchise Agreement and 2 and 3 of Development Rights Rider	10 years from day on which Restaurant first opens to the public for business. Development Rights Rider term
b. Renewal or extension of the term	17 of Franchise Agreement	If you are in good standing, you may acquire one successor franchise for 10 years on our then-current terms. No renewal or extension of Development Rights
c. Requirements for franchisee to renew or extend	17 of Franchise Agreement	You timely request business review; substantially complied with contractual obligations and operated Restaurant in substantial compliance with Brand Standards; remodel/upgrade or relocate Restaurant (at our option); sign then-current form of franchise agreement and releases (if applicable state law allows); and pay successor franchise fee. Terms of our new franchise agreement you sign for successor franchise may differ materially from any and all terms contained in your original expiring franchise agreement (including higher
d. Termination by franchisee	18.A of Franchise Agreement	If we breach Franchise Agreement and do not cure default after notice from you; you may not terminate without cause.
e. Termination by franchisor without cause	18.B of Franchise Agreement	We may not terminate your Franchise Agreement (or development rights) without cause.

Provision	Section in franchise or other agreement	Summary
f. Termination by franchisor with cause	18.B of Franchise Agreement and 8 of Development Rights Rider	<p>We may terminate your Franchise Agreement (and development rights) only if you or your owners commit one of several violations.</p> <p>While termination of the Development Rights Rider does not impact any then-effective franchise agreement, termination of the Franchise Agreement entitles us to terminate the Rights Rider.</p>
g. "Cause" defined — curable defaults	18.B of Franchise Agreement	<p>You have 5 days to cure monetary and insurance defaults; 10 days to satisfy unpaid judgments of at least \$25,000;</p> <p>30 days to pay suppliers and to cure other defaults not listed in (h) below; and 60 days to vacate attachment, seizure, or levy of Restaurant or appointment of receiver, trustee, or liquidator.</p> <p>While termination of the Development Rights Rider does not impact any then-effective franchise agreement, termination of the Franchise Agreement entitles us to terminate the Rights Rider.</p>

Provision	Section in franchise or other agreement	Summary
<p>h. “Cause” defined — non-defaults</p>	<p>18.B of Franchise Agreement and 8 of Development Rights Rider</p>	<p>Non-curable defaults include: material misrepresentation or omission; failure complete initial training to our satisfaction; failure to obtain our written site acceptance or to develop Restaurant (with fully-trained staff) by deadlines; abandonment or failure to operate for more than 3 consecutive days; unapproved transfer; felony conviction or guilty plea; dishonest, unethical, or immoral conduct adversely impacting our Marks; Restaurant’s assets; misuse of confidential information; violation of non- compete; material underreporting of Net Sales; failure to pay taxes due; repeated defaults; assignment for benefit of creditors or admission of inability to pay debts when due; violation of antiterrorism laws; losing Restaurant premises; causing or contributing to a data security incident or failure to comply with requirements to protect Consumer Data; or we send notice of termination under another franchise agreement with you or your affiliates, or you or your affiliates terminate another franchise agreement with us</p> <p>We may terminate Development Rights Rider if you do not satisfy development schedule or other obligations; if your first Franchise Agreement or another franchise (or your affiliated entity) is terminated by us for cause or by you for any or no reason; or we have delivered formal notice of default to you (or your affiliated entity) under Franchise Agreement or another franchise agreement and you fail to cure that default within the required timeframe. However, termination of Development Rights Rider does not impact any then-effective franchise agreement.</p>

Provision	Section in franchise or other agreement	Summary
i. Franchisee’s obligations on termination/nonrenewal	19 of Franchise Agreement	Obligations include paying outstanding amounts; complete de-identification; returning confidential information; returning or destroying (at our option and at your own cost) branded materials and proprietary equipment and other items; assigning telephone and telecopy numbers and directory listings; and assigning or cancelling any website or other online presence or electronic media associating you with us or the Marks (also see (o) and (r) below); we may control de-identification process if you do not voluntarily take required action; we may assume Restaurant’s management while deciding whether to buy
j. Assignment of contract by franchisor	16.A of Franchise Agreement	No restriction on our right to assign; we may assign without your approval.
k. “Transfer” by franchisee — defined	16.B of Franchise Agreement	Includes transfer of Franchise Agreement; Restaurant or its profits, losses, or capital appreciation; all or substantially all Operating Assets; or ownership interest in you or controlling ownership interest in entity with ownership interest in you. Also includes pledge of Franchise Agreement or ownership interest.
l. Franchisor approval of transfer by franchisee	16.B of Franchise Agreement and 9 of Development Rights Rider	We must approve all transfers; no transfer without our prior written consent.  Your development rights under Development Rights Rider are not assignable.

<p>m. Conditions for franchisor approval of transfer</p>	<p>16.C of Franchise Agreement</p>	<p>We will approve transfer of non-controlling ownership interest in you if transferee (and each owner) qualifies and meets our then-applicable standards for non-controlling owners, is not (and has no affiliate) in a competitive business, signs our then-current form of guaranty (or, if applicable, Owner’s Undertaking of Non- Monetary Obligations), and pays transfer fee.</p> <p>We will approve transfer of franchise rights or controlling ownership interest if transferee (and each owner) qualifies (including, if transferee is an existing franchisee, transferee is in substantial operational compliance under all other franchise agreements for NAF NAF Restaurants) and is not restricted by another agreement from moving forward with the transfer; you have paid us and our affiliates all amounts due, have submitted all reports, and are not then in breach; transferee and its owners and affiliates are not in a competitive business; training completed; transfer fee paid; transferee may occupy Restaurant’s site for expected franchise term; transferee (at our option) assumes your Franchise Agreement or signs our then-current form of franchise agreement and other documents for unexpired portion of your original franchise term (then-current form may have materially different terms except that your original Royalty, Tech Fee, and Brand Fund contribution levels and the definition of Area of Protection will remain the same for unexpired portion of your original franchise term); transferee agrees to upgrade and</p>
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remodel; you (and transferring owners) sign general release (if applicable state law allows); we determine that sales terms and financing will not adversely affect Restaurant's operation post-transfer; you subordinate amounts due to you; and you stop using Marks and our other intellectual property (also see (r) below).

Provision	Section in franchise or other agreement	Summary
n. Franchisor’s right of first refusal to acquire franchisee’s business	16.G of Franchise Agreement	We may match any offer for your Restaurant or ownership interest in you or entity that controls you.
o. Franchisor’s option to purchase franchisee’s business	19.F of Franchise Agreement	We may buy Restaurant’s assets at fair market value and take over site after Franchise Agreement is terminated or expires (without
p. Death or disability of franchisee	16.E of Franchise Agreement	Must transfer to approved party within 6 months; we may operate Restaurant in interim if it is not then managed properly.
q. Non-competition covenants during the term of the franchise	12 of Franchise Agreement	No owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating; no diverting business to competitive business. “Competitive Business” means a (a) restaurant or other food-service business for which 30% or more of the food menu (excluding beverages) consists of Middle Eastern- and/or Mediterranean-style items or (b) business granting franchises or licenses to others to operate the type of
r. Non-competition covenants after the franchise is terminated or expires	19.E of Franchise Agreement	For 2 years after franchise term, no owning interest in or performing services for Competitive Business at Restaurant’s site, within 10 miles of Restaurant’s site, or within 5 miles of another NAF NAF Restaurant (same restrictions apply
s. Modification of the agreement	21.K of Franchise Agreement	No modifications generally, but we may change Operations Manual and Brand Standards.

Provision	Section in franchise or other agreement	Summary
t. Integration/merger clause	21.K of Franchise Agreement	<p>Only terms of Franchise Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.</p> <p>Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in this disclosure document, its exhibits, and amendments.</p>
u. Dispute resolution by arbitration or mediation	21.F of Franchise Agreement	We and you must arbitrate all disputes within 10 miles of where we have our principal business address when the arbitration demand is filed (it currently is in Chicago, Illinois) (subject to applicable state law).
v. Choice of forum	21.H of Franchise Agreement	Subject to arbitration requirements, litigation generally must be in courts closest to where we, as franchisor, have our principal business address when the action is commenced (it currently is in Chicago, Illinois) (subject to applicable state law).
w. Choice of law	21.G of Franchise Agreement	Federal law and, with certain exceptions, Illinois law apply (subject to applicable 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 Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The financial performance representations in the first, second and third tables reflect the average and median Annual Net Sales, Daily Net Sales and Weekly Net Sales (as we define those terms below) during the fiscal year ended December ~~31~~29, 20234 (“Fiscal Year 20234”) for the NAF NAF Restaurants owned and operated by our affiliates or franchisees that were open for at least ~~18~~52 consecutive ~~months~~weeks as of December ~~31~~29, 20234. There were 327 such NAF NAF Restaurants: 176 of these Restaurants were owned and operated by our affiliates, and 106 of these Restaurants were owned and operated by our franchisees.

~~The financial performance representations in the fourth, fifth and sixth tables reflect the average and median Annual Net Sales, Daily Net Sales and Weekly Net Sales during Fiscal Year 2023 for the NAF NAF Restaurants owned and operated by our affiliates or franchisees that were open for at least 53 consecutive weeks as of December 31, 2023. There were 32 such NAF NAF Restaurants: 17 of these Restaurants were owned and operated by our affiliates, and 15 of these Restaurants were owned and operated by our franchisees.~~

The financial performance representations in the last table below reflect the average and median Annual Net Sales, Cost of Goods Sold, Labor, Operating Expenses and EBITDAR during Fiscal Year ~~2023~~for 2024 for the NAF NAF Restaurants owned and operated by our affiliates that were open for at least 53 consecutive weeks as of December ~~31~~29, 20234. There were 16 such ~~17~~ NAF NAF Restaurants.

For purposes of these tables, a Restaurant will be considered to be open for 53 consecutive weeks in Fiscal Year 20234 if it was not closed greater than ten days in Fiscal Year 20234. ~~A Restaurant will be considered to be open for 18 consecutive months as of December 31, 2023 if it was not closed greater than 20 days during the 18-month period ending on December 31, 2023.~~

As of December ~~31~~29, 20234, there were 221 affiliated-owned NAF NAF Restaurants in operation, and ~~16~~20 franchisee-owned NAF NAF Restaurants in operations. The financial performance representations in the first, second and third tables do not include information from the following 11 of those Restaurants: (1) 5 affiliate-owned NAF NAF Restaurants (located in Illinois, Minnesota and Pennsylvania) that were not open for ~~18 consecutive months as of December 31, 2023~~; and (2) 6 franchisee-owned NAF NAF Restaurants (located in Indiana, Illinois, South Carolina and Texas) that were not open for 18 consecutive months as of December 31, 2023. ~~The financial performance representations in the fourth, fifth and sixth tables do not include information from the following 6 of those Restaurants: (1) 5 affiliate-owned NAF NAF Restaurants (located in Illinois, Minnesota and Pennsylvania) that were not open for 53 consecutive weeks in Fiscal Year 2023; and (2) 1 franchisee-owned NAF NAF Restaurant (located in Indiana) that was Wisconsin, Virginia, North Carolina and Tennessee ) that were not open for 53 consecutive weeks in Fiscal Year 2023.~~ The financial performance representations in the last table do not include information from 5 affiliate-owned NAF NAF Restaurants (located in Illinois, Minnesota and Pennsylvania) that were not open for 53 consecutive weeks in Fiscal Year 20234.

The 176 affiliate-owned NAF NAF Restaurants included in this financial performance representation, based in Illinois (9), Indiana (2), Minnesota (4), ~~Ohio (1)~~ and New Jersey (1), are substantially similar to the NAF NAF Restaurants for which we are offering franchises in this disclosure document, and their products are the same as those to be offered and sold by franchised NAF NAF Restaurants.

**20234 NET SALES**  
**RESTAURANTS OPEN FOR 1852 CONSECUTIVE MONTHSWEEKS**  
**COMPANY-OWNED**

	<b>ANNUAL NET SALES</b>	<b>DAILY NET SALES</b>	<b>WEEKLY NET SALES</b>
COMPANY-OWNED	Average: \$1,20 <u>18,79,496</u> <u>1</u>	Average: \$3,28 <u>137</u> <u>3</u>	Average: \$22 <u>3,966</u> <u>13</u>
	Median: \$1,25 <u>527,906</u> <u>27</u>	Median: \$3,40 <u>4</u> <u>1</u>	Median: \$23,82 <u>510</u>
	Highest: \$1,54 <u>53,057</u> <u>238</u>	Highest: \$4,18 <u>730</u> <u>3</u>	Highest: \$29 <u>30,310</u> <u>18</u>
	Lowest: \$90 <u>5,567,84</u> <u>2</u>	Lowest: \$2,4 <u>68</u> <u>1</u>	Lowest: \$18,7,3 <u>67</u>

**20234 NET SALES**  
**RESTAURANTS OPEN FOR 1852 CONSECUTIVE MONTHSWEEKS**  
**FRANCHISEE-OWNED**

	<b>ANNUAL NET SALES</b>	<b>DAILY NET SALES</b>	<b>WEEKLY NET SALES</b>
FRANCHISEE-OWNED	Average: \$83 <u>9,651</u> <u>855,032</u>	Average: \$2,28 <u>836</u> <u>5</u>	Average: \$16,0 <u>15</u> <u>57</u>
	Median: \$81 <u>62,705</u> <u>41</u>	Median: \$2,21 <u>94</u> <u>3</u>	Median: \$15,5 <u>70</u> <u>36</u>
	Highest: \$1,4 <u>10,71</u> <u>8</u>	Highest: \$3,8 <u>23</u>	Highest: \$26,7 <u>62</u>

	Lowest: \$430,330	Lowest: \$1,192	Lowest: \$8,344
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**2023 NET SALES  
RESTAURANTS OPEN FOR 18 CONSECUTIVE MONTHS  
COMPANY-OWNED AND FRANCHISEE-OWNED**

	<b>ANNUAL NET SALES</b>	<b>DAILY NET SALES</b>	<b>WEEKLY NET SALES</b>
<b>ALL COMPANY- OWNED AND FRANCHISEE- OWNED</b>	Average: \$1,072,516	Average: \$2,914	Average: \$20,399
	Median: \$1,108,404	Median: \$3,004	Median: \$21,027
	Highest: \$1,545,057	Highest: \$4,187	Highest: \$29,310
	Lowest: \$430,330	Lowest: \$1,192	Lowest: \$8,344

**2023 NET SALES  
RESTAURANTS OPEN FOR 53 CONSECUTIVE WEEKS  
COMPANY-OWNED**

	<b>ANNUAL NET SALES</b>	<b>DAILY NET SALES</b>	<b>WEEKLY NET SALES</b>
<b>COMPANY-OWNED</b>	Average: \$1,209,496	Average: \$3,281	Average: \$22,966
	Median: \$1,255,906	Median: \$3,404	Median: \$23,825
	Highest: \$1,542 <u>5</u> ,057 <u>90</u>	Highest: \$4,187 <u>91</u>	Highest: \$29,310 <u>88</u>
	Lowest: \$390 <u>51</u> ,586 <u>71</u>	Lowest: \$2,481 <u>1</u> ,082	Lowest: \$17,365 <u>77</u>

**2023 NET SALES  
RESTAURANTS OPEN FOR 53 CONSECUTIVE WEEKS  
FRANCHISEE-OWNED**

	ANNUAL NET SALES	DAILY NET SALES	WEEKLY NET SALES
FRANCHISEE-OWNED	Average: \$794,486	Average: \$2,164	Average: \$15,145
	Median: \$757,480	Median: \$2,058	Median: \$14,409
	Highest: \$1,410,718	Highest: \$3,823	Highest: \$26,762
	Lowest: \$430,330	Lowest: \$1,192	Lowest: \$8,344

**2023~~4~~ NET SALES  
RESTAURANTS OPEN FOR 53~~2~~ CONSECUTIVE WEEKS  
COMPANY-OWNED AND FRANCHISEE-OWNED**

	ANNUAL NET SALES	DAILY NET SALES	WEEKLY NET SALES
All Company-Owned and Franchisee-Owned	Average: \$1,044 <u>36,960</u> <u>12</u>	Average: \$2,75 <u>869</u>	Average: \$19 <u>20,308</u> <u>4</u>
	Median: \$1,05 <u>670,940</u> <u>57</u>	Median: \$2,9 <u>5863</u>	Median: \$20,7 <u>0409</u>
	Highest: \$1,545 <u>3,057</u> <u>238</u>	Highest: \$4,1 <u>87303</u>	Highest: \$29 <u>30,310</u> <u>18</u>
	Lowest:	Lowest:	Lowest:

	\$430,330,391,861	\$1,190,82	\$8,344,577
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**2023~~4~~ EBITDAR  
RESTAURANTS OPEN FOR 532 CONSECUTIVE WEEKS  
COMPANY-OWNED**

<b>FISCAL YEAR 2023<del>4</del></b>	<b>AVERAGE</b>	<b>PERCENT AGE OF TOTAL NET SALES</b>	<b>NUMBER AND PERCENTAGE OF RESTAURANTS EXCEEDING AVERAGE</b>	<b>MEDIAN</b>	<b>HIGH</b>	<b>LOW</b>
Gross Net Sales	\$1,277,310, <u>36,580</u>	107.5-6%	10/176 (58.862.5%)	\$1,331,761, <u>1972</u>	\$1,626,383, <u>3507</u>	\$1,059,678, <u>3513</u>
Discounts	\$(91,867,885)	-7.5-6%	6/176 (37.5-3%)	\$(88,270,224)	\$(78,778,10,569)	\$(62,268,80,139)
Annual Net Sales	\$1,201,879, <u>4961</u>	100%	9/176 (526.93%)	\$1,255,439, <u>94063</u>	\$1,545,305, <u>57238</u>	\$905,795, <u>56174</u>
Cost of Goods Sold (i.e., food, beverages, paper and inventory)	\$321,30,685, <u>40</u>	267.61%	140/176 (642.75%)	\$327,678,33, <u>792</u>	\$408,565,414, <u>14,898</u>	\$245,735, <u>56814</u>
Labor (i.e., salaries, payroll, medical insurance and unemployment taxes)	\$389,1,612,734	32.1-6%	9/176 (526.93%)	\$383,611,396, <u>243</u>	\$446,51,233, <u>372</u>	\$352,4,053, <u>191</u>
Delivery Commissions Operating Expenses (i.e., maintenance, utilities, pest control, security and	\$71,66,272,01	135.8%	8/176 (47.150.0%)	\$166,693,70, <u>986</u>	\$164,75,765, <u>50</u>	\$132,118, <u>964</u>

other controllable expenses)( <u>3<sup>rd</sup></u> <u>party</u> <u>delivery fees)</u>						
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FISCAL YEAR 2023 <u>4</u>	AVERAGE	PERCENT AGE OF TOTAL NET SALES	NUMBER AND PERCENTAGE OF RESTAURANTS EXCEEDING AVERAGE	MEDIAN	HIGH	LOW
<u>Operating Expenses (i.e., maintenance, utilities, pest control, security and other controllable expenses)</u>	<u>\$339,479</u> <u>113,369</u>	<u>9.3%</u>	<u>9/17</u> <u>16 (52.9%)</u> <u>56.3%</u>	<u>\$525,570</u> <u>15,613</u>	<u>\$127,020</u>	<u>\$106,26</u> <u>6</u>
	28.1%		\$377,924			
Earnings Before Interest, Taxes, Depreciation, Amortization and Rent Expense (EBITDAR)	<u>\$311,877</u>	<u>25.6%</u>	<u>5/16 (31.3%)</u>	<u>\$203,882</u> <u>26,771</u>	<u>\$484,218</u>	<u>\$177,07</u> <u>2</u>

(1) “Days Open” means the number of days during Fiscal Year 20234 that a NAF NAF Restaurant is open for business.

(2) “Effective Weeks” is equal to (i) the number of Days Open during Fiscal Year 20234, divided by (ii) 7.

(3) “Annual Net Sales” means the aggregate amount of all revenue and other consideration generated from any source, including the sale of products, services, and merchandise; other types of revenue you receive, including the proceeds of business interruption insurance; and (if we allow barter) the value of products, services, and merchandise bartered in exchange for the Restaurant’s products, services, or merchandise. Net Sales are not reduced by the amount of any discounts on

products or services sold to employees, family members, or other businesses you own or control or by the amount paid to, collected by, or shared with third-party food ordering and delivery systems with which we allow the Restaurant to do business. All of those transactions must be entered into the Computer System at the full, standard retail price for purposes of calculating Net Sales. However, Net Sales exclude: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities; and (iv) promotional or marketing discounts we allow. In addition, Net Sales are reduced by the amount of any credits provided in compliance with our

policies. Each charge or sale upon credit will be treated as a sale for the full price on the day the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift cards we approve for sale at NAF NAF Restaurants is included in Net Sales when the gift card is used to pay for products and services. Your Restaurant may not issue or redeem any gift certificates, coupons, or gift, loyalty, or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We may grant or withhold our approval as we deem best.

(4) “Daily Net Sales” means Annual Net Sales, divided by Days Open.

(5) “Weekly Net Sales” means Annual Net Sales, divided by Effective Weeks.

(6) “EBITDAR” means Annual Net Sales, less Cost of Goods Sold, Labor, Delivery Commissions and Operating Expenses

For purposes of the last table above (2023~~4~~ EBITDAR), annual franchisee expenses not encompassed in such table include the following (assuming the average and median Annual Net Sales reflected in such Table). You must consider these expenses as part of your expected operating expenses.

EXPENSE	AVERAGE	MEDIAN
Royalty (5%)	\$60,9 <u>47</u> 50	\$62,1 <u>79</u> 50
Local Marketing (2%) <sup>1</sup>	\$24,1 <u>90</u> 376	\$25 <u>4</u> ,1 <u>18</u> 68
Brand Fund (1%)	\$12,0 <u>95</u> 188	\$12,5 <u>59</u> 434
Annual Tech Fee (fixed	\$6,000	\$6,000

(1) ~~Unless you choose to pay the local marketing expense to us, this expense will be paid~~  
(1) This expense will be paid directly by you to other parties to cover the costs of local advertising, marketing and promotional programs for your Restaurant.

We expect to provide franchisees some of the services that our affiliates’ management provides to NAF NAF Restaurants that are owned by our affiliates and whose results are reflected in the last table above (2023~~4~~ EBITDAR). However, we do not provide services that a NAF NAF Restaurant’s owner normally would provide, such as financing, accounting, legal, personnel/labor, construction and management services. The availability of these services to a franchisee, as well as their cost and quality, will affect operations. You must consider these expenses as part of your expected operating expenses.

Certain non-operating expenses incurred by the NAF NAF Restaurants that are owned by our affiliates are not reflected or included for purposes of the last table above (2023~~4~~ EBITDAR). Such non-operating expenses include such expenses as ~~bonus, security monitoring,~~ recruiting, meals, lodging, taxi, parking, gas &

fuel, and mileage reimbursement and postage/shipping. You must consider these expenses as part of your expected expenses when operating a NAF NAF Restaurant.

Depreciation of leasehold improvements and equipment is not included in EBITDAR. To the extent leasehold improvements are paid for and capitalized by a franchisee, these amounts are normally depreciated over the life of the lease. Equipment is normally depreciated over 3 to 5 years. Leasehold improvements are normally depreciated over 10 to 15 years depending on the lease's term.

The financing, amortization and interest costs for leasehold improvements and equipment are not included in EBITDAR. Similarly, amortization of the initial franchise fee and organization costs is not included.

### Explanatory Notes

Our management prepared this financial performance representation based on restaurant-specific reports, financial statements, and other information provided by our affiliates and franchisees that we believe to be reliable. This financial performance representation was prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form. Written substantiation of all financial information presented in this financial performance representation will be made available to you upon reasonable request.

**Some NAF NAF Restaurants have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.**

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Greg Willman, Naf-Naf Franchising LLC, 720 North Franklin, Suite 4010, Chicago, Illinois 60654, (312) 858-3539, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

All figures in the tables below are as of the last day of our fiscal year, which was December ~~29, 2024, December 31, 2023, and December 25, 2022, and December 26, 2021~~. The “Company-Owned” outlets referenced in Tables 1 and 4 below are owned by one or more of our affiliates.

Table No. 1

**Systemwide Outlet Summary**  
**For fiscal years ~~2024~~ to ~~2023~~**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the	Column 4 Outlets at the End of the	Column 5 Net Change
	<del>2021</del>	4	7	<del>+3</del>
<u>Franchised</u>	2022	7	15	+8
	2023	15	<u>16</u>	+1
	<u>2024</u>	<u>16</u>	<u>20</u>	<u>+4</u>

	<u>2021</u>	<u>30</u>	<u>22</u>	<u>-8</u>
<u>Company-Owned</u>	2022	22	23	+1
	2023	23	22	-1
<u>Total Outlets</u>	<u>2021</u>	<u>34</u>	<u>29</u>	<u>-5</u>
<u>Total Outlets</u>	2022	29	38	+9
	2023	38	38	0
	<u>2024</u>	<u>38</u>	<u>41</u>	<u>+3</u>

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For fiscal years ~~2021 to 2023~~ 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	<u>2021</u>	0
<u>Total</u> <u>All States</u>	2022	0
	2023	0
	<u>2024</u>	0

<u>Total</u>	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>0</u>

Table No. 3

**Status of Franchised Outlets  
For fiscal years 2022 to 2024**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the
<u>IL</u>	<u>2022</u>	<u>44</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45</u>
	<u>2023</u>	<u>45</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2024</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
<u>IN</u>	<u>2022</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>TN</u>	<u>2022</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>WI</u>	<u>2022</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
<u>VA</u>	<u>2022</u>	<u>50</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>FL</u>	<u>2022</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>

<u>INOH</u>	2021 <u>2</u>	<u>20</u>	0	0	0	0	0	<u>20</u>
	2022	<u>2</u>	<u>1</u>	0	0	<u>2</u>	0	<u>1</u>
	2023	<u>10</u>	<u>10</u>	0	0	0	0	<u>20</u>
<u>TN</u>	2021 <u>4</u>	<u>10</u>	<u>01</u>	0	0	0	0	1
<u>GA</u>	2022	<u>10</u>	1	0	0	0	0	<u>21</u>
	2023	<u>21</u>	0	0	0	0	0	<u>21</u>
<u>WI</u>	2021	0	0	0	0	0	0	0
	2022	0	<u>2</u>	0	0	0	0	<u>2</u>
	2023 <u>4</u>	<u>21</u>	0	0	0	0	0	<u>21</u>
<u>FLNC</u>	2021 <u>2</u>	0	0	0	0	0	0	0
	2022	0	<u>1</u>	0	0	0	0	<u>1</u>
	2023	<u>1</u>	0	0	0	0	0	<u>1</u>
<u>GA</u>	2021 <u>3</u>	0	0	0	0	0	0	0
	2022 <u>4</u>	0	1	0	0	0	0	1
	2023	<u>1</u>	0	0	0	0	0	<u>1</u>
	2021	0	0	0	0	0	0	0
<u>SC</u>	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<u>FX</u>	2021 <u>4</u>	<u>01</u>	0	0	0	0	0	<u>01</u>
<u>TX</u>	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	<u>Totals</u>	2021 <u>4</u>	<u>42</u>	<u>30</u>	0	0	0	<u>72</u>
<u>Totals</u>	2022	7	10	0	0	2	0	15
	2023	15	1	0	0	0	0	16
	2024	<u>16</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20</u>

Table No. 4

**Status of Company-Owned Outlets  
For fiscal years ~~2021 to 2023~~ to 2024**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opene d	Col. 5 Outlets Reacquired <u>From</u> <del>From</del> Franchisee	Col. 6 Outlet s Close d	Col. 7 Outlets Sold to Franchise e	Col. 8 Outle ts at End of the Year
	2021	1	0	0	1	0	0
<u>Delaware</u>	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

<u>Illinois</u> Col. 1 <u>State</u>	<u>2021</u> Col. 2 <u>Year</u>	Col. 3 <u>14</u> Outlets at Start of the Year	Col. 4 <u>0</u> Outlets Opened	Col. 5 <u>0</u> Outlets Reacquired From Franchisee	Col. 6 <u>2</u> Outlets Closed	Col. 7 <u>0</u> Outlets Sold to Franchisee	Col. 8 <u>12</u> Outlets at End of the Year
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Illinois</u>	<u>2022</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>
	<u>2023</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>11</u>
	<u>2024</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>
<u>Indiana</u>							
<u>Indiana</u>	<u>2022</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>6</u>
<u>Minnesota</u>							
<u>Minnesota</u>	<u>2022</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2023</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2024</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
<u>New Jersey</u>	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Ohio</u>	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>PA</u>	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
<u>Wisconsin</u>	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

<u>Totals</u>	<u>2022</u>	<u>22</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>23</u>
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Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Open ed	Col. 5 Outlets Reacquired <del>From</del> From Franchisee	Col. 6 Outlet s Close d	Col. 7 Outlets Sold to Franchise e	Col. 8 Outle ts at End of the Year
<del>Wisconsin</del>	2021 <del>3</del>	<u>23</u>	0	0	1	0	<u>122</u>
	2022 <del>4</del>	<u>122</u>	0	0	0	1	<u>021</u>
	2023	0	0	0	0	0	0
Totals	2021	30	0	0	8	0	22
	2022	22	0	2	0	1	23
	2023	23	0	0	1	0	22

Table No. 5

**Projected Openings as of fiscal year end, December ~~3129~~, 2023~~4~~**

Column 1 State	Column 2 Franchise Agreements Signed But Outlets Not Opened	Column 3 Projected New Franchised Outlets In the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In the Next Fiscal Year
California	<u>01</u>	1	0
<u>Wisconsin</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Illinois</u>	<u>0</u>	<u>2</u>	<u>0</u>
North Carolina	1	1	0
<del>Virginia</del> <u>Ohio</u>	1	1	0
Total	<u>24</u>	<u>36</u>	0

The names and contact information for our franchisees as of this disclosure document's issuance date appear in Exhibit H. Sixteen franchised NAF NAF Restaurants were in operation as of our fiscal year end, December ~~3129~~, 2023~~4~~. During our last fiscal year, there ~~were~~ now was one franchisees that had a NAF NAF Restaurants terminated, canceled, or not renewed. ~~We~~

~~terminated the Development Rights Riders of three franchisees.~~ During our last fiscal year, there were no other franchisees that otherwise voluntarily or involuntarily ceased doing business under our Franchise Agreement or Development Rights Rider, or that have not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise

system. There are no trademark-specific franchisee organizations associated with the NAF NAF Restaurant franchise system.

**Item 21**  
**FINANCIAL STATEMENTS**

Exhibit A contains our audited financial statements for our fiscal years ended December 29, 2024, ~~December 31, 2023, and December 25, 2022, and December 26, 2021,~~ including our audited balance sheets as of December 29, 2024, ~~December 31, 2023, and December 25, 2022, and December 26, 2021,~~ and the related statements of operations, changes in member's equity, and cash flows for the periods January 1, 2024 through December 29, 2024, ~~December 26, 2022 through December 31, 2023, and December 27, 2021 through December 24, 2022, December 28, 2020 through December 26, 2021,~~

**Item 22**  
**CONTRACTS**

The following contracts/documents are exhibits:

1. Franchise Agreement (Exhibit B)
2. Development Rights Rider to Franchise Agreement (Exhibit C)
3. Form of General Release (Exhibit F)
4. State-Specific Franchise Agreement Riders (Exhibit G)

**Item 23**  
**RECEIPTS**

Our and your copies of the Franchise Disclosure Document Receipt are the last 2 pages of this disclosure document.

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



**NAF-NAF FRANCHISING LLC**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

~~As of December 31, 2023 and December 25, 2022 and for  
the  
Periods December 26, 2022 to December 31, 2023 and~~

As of December 29, 2024 and December 31, 2023 and for  
the Periods January 1, 2024 to December 29, 2024 and  
December 26, 2022 to December 31, 2023





**NAF-NAF FRANCHISING LLC**  
**TABLE OF CONTENTS**

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	<u>Pages</u>
INDEPENDENT AUDITOR’S REPORT .....	3-4
FINANCIAL STATEMENTS	
Balance Sheets	5
Statements of Operations and Changes in Member’s Equity (Deficit).....	6
Statements of Cash Flows	7
Notes to Financial Statements .....	8-12 <u>1</u>



1415 West Diehl Road, Suite 400  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Managers  
Naf-Naf Franchising LLC

### Opinion

We have audited the accompanying financial statements of Naf-Naf Franchising LLC (the Company), which comprise the balance sheets as of ~~December 31, 2023~~ and ~~December 25, 2022~~, and the related statements of operations and changes in members' equity (deficit) and cash flows for the periods ~~December 26, 2021~~ through ~~December 27, 2021~~ through ~~December 25, 2022~~ and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naf-Naf Franchising LLC as of ~~December 31, 2023~~ and ~~December 25, 2022~~, and the results of ~~their~~ operations and ~~their~~ cash flows for the periods ~~December 26, 2021~~ through ~~December 25, 2022~~, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Naf-Naf Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of Naf-Naf Franchising LLC as of December 31, 2023 were audited by Sikich LLP, whose report dated March 7, 2024, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

### 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 Naf-Naf Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Naf-Naf Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Naf-Naf Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

**Sikich LLP**  
**Sikich CPA LLC**

Naperville, Illinois  
March 7 ~~January 29~~, 2024<sup>5</sup>

## **FINANCIAL STATEMENTS**

**NAF-NAF FRANCHISING LLC**  
**BALANCE SHEETS**

December 29, 2024 and December 31, 2023 ~~and December 25, 2022~~

	<u>20234</u>	<u>20223</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ <u>3002,000339</u>	\$ <u>2,239,610300</u>
Accounts receivable	<u>220,564738</u>	<u>16,97622,564</u>
Total current assets	<u>3223,564077</u>	<u>322,256,5864</u>
<b>OTHER ASSETS</b>		
None	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3223,564077</u>	<u>\$322,256,5864</u>
<b>LIABILITIES AND <del>MEMBER'S</del> EQUITY</b>		
<b><u>MEMBER'S EQUITY (DEFICIT)</u></b>		
<b>CURRENT LIABILITIES</b>		
Contract liabilities	\$ <u>3950,000</u>	\$ <u>379,000</u>
Total current liabilities	<u>3950,000</u>	<u>379,000</u>
<b>LONG-TERM LIABILITIES</b>		
Contract liabilities, net of current	<u>7815,74208</u>	<u>781,74062,99</u>
Total liabilities	<u>865,20,7408</u>	<u>1,099,992820 ,740</u>
<b>MEMBER'S EQUITY (DEFICIT)</b>		
Paid-in capital	<u>61984,8272</u>	<u>246,219,827</u>
Retained earnings <u>(deficit)</u>	<u>(1,118526,00</u>	<u>(91,118,0037</u>
Total member's equity (deficit)	<u>(54982,17631</u>	<u>(1498,1576,5</u>
<b>TOTAL LIABILITIES <u>AND</u> <u>AND-MEMBER'S EQUITY</u> <u>(DEFICIT)</u></b>	<u>\$ 3223,564077</u>	<u>\$322,256,5864</u>

See accompanying notes to financial statements.

**NAF-NAF FRANCHISING LLC**

**STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY (DEFICIT)**

For the Periods January 1, 2024 through December 29, 2024 and  
December 26, 2022 through December 31, 2023 and  
~~December 27, 2021 through December 25, 2022~~

	<b>December <del>26</del><u>January 1,</u> 2024 through December 31, 2023</b>	<b>December 27, 2021 through December 25, 2022</b>
<b>REVENUES</b>		
Franchise royalties	\$ 655,950,690	\$347,815,655,95
Initial franchise fees	<u>309,252,128,03</u>	<u>284,885,309,2</u>
	<u>2</u>	<u>52</u>
Total revenues	<u>9651,078,7202</u>	<u>9635,2,7002</u>
<b>COST OF SALES</b>	-	-
Gross profit	<u>9651,078,7202</u>	<u>9635,2,7002</u>
<b>OPERATING EXPENSES</b>	<u>3921,672</u>	<u>8392</u>
Operating income	<u>964,8101,077,</u> <u>050</u>	<u>96314,86810</u>
<b>OTHER INCOME (EXPENSE)</b>	<u>6,912-</u>	<u>6,91,372</u>
<b>NET INCOME</b>	<u>971,07227,050</u>	<u>633,240971,7</u> <u>22</u>
<b>MEMBER'S EQUITY (DEFICIT),</b>		
<del>MEMBER'S EQUITY,</del>	<u>(1498,1576,59</u>	<u>483,3671,156,</u>
<b>BEGINNING OF PERIOD</b>	<u>4)</u>	<u>594</u>
Capital contribution	<u>373,608364,99</u> <u>5</u>	<u>3973,96087</u>
Capital distribution	<u>(31,486,000,10</u> <u>0)</u>	<u>-(3,000,100)</u>
<b>MEMBER'S EQUITY (DEFICIT), END OF PERIOD</b>	<u>\$ (498,176)</u>	<u>\$ 1,156,594</u>
<b>END OF PERIOD</b>	<u>\$ (542,131)</u>	<u>\$ (498,176)</u>

**NAF-NAF FRANCHISING LLC**

See accompanying notes to financial statements.

NAF-NAF FRANCHISING LLC

STATEMENTS OF CASH FLOWS

For the Periods January 1, 2024 through December 29, 2024 and  
December 26, 2022 through December 31, 2023 ~~and~~  
~~December 27, 2021 through December 25, 2022~~

	<u>December 26, 2024 through December 31, 2024</u>	<u>December 27, 2022 through December 31, 2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 971,072	\$ 633,240
Changes in operating assets and liabilities:		
Accounts receivable	(51,588)	(6,731)
Contract liabilities	(279,252)	(279,882)
	<u>686,882</u>	<u>568,688</u>
Net cash from operating activities	4	24
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
None	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution	373,608	397,960
Capital distributions	(31,486)	(3,000)
	<u>(21,612)</u>	<u>39,987</u>
Net cash from financing activities	(1,939)	606
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<u>CASH AND CASH EQUIVALENTS</u>	<u>2,339</u>	<u>(1,939)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,239,610	1,632,999
<u>BEGINNING OF PERIOD</u>	<u>300,000</u>	<u>2,239,610</u>
	\$ 300,000	\$ 2,239,610
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		
<u>END OF PERIOD</u>	<u>\$ 302,339</u>	<u>\$ 300,000</u>

**NAF-NAF FRANCHISING LLC**

See accompanying notes to financial statements.

## NAF-NAF FRANCHISING LLC

## NOTES TO FINANCIAL STATEMENTS

December 29, 2024 and December 31, 2023 ~~and December 25, 2022~~

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## 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Naf-Naf Franchising LLC (the Company) is a single member LLC organized on June 6, 2018 in the State of Delaware. The liability of the member of the Company is limited to the member's total capital contributions.

The Company's principal business is to sell and administer new restaurant franchises. These restaurants are known to the public as Naf Naf Middle Eastern Grill restaurants. The first franchise locations administered by the Company opened during March 2020. As of the fiscal years ended December 29, 2024 and December 31, 2023, 20 ~~and December 25, 2022~~, 16 ~~and 15~~ franchise locations, respectively, were operating across the United States. During the fiscal year ended December 29, 2024, five new franchise locations opened and one closed. During the fiscal year ended December 31, 2023, one franchise location opened. ~~During the fiscal year ended December 25, 2022, one franchise location was refranchised, and two other locations were repurchased by the Company's parent Company, Naf Naf Holdings, LLC.~~

Franchise agreements are executed for each unit operated by third parties which set out the terms of their arrangement with the Company. These franchise agreements require the franchisee to pay an initial, nonrefundable fee and continuing fees based upon a percentage of revenues.

### Basis of Accounting

The Company prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP). The Company uses a 52/53 week fiscal year that ends on the last Sunday of the calendar year. Fiscal 2024 and 2023 ~~and 2022~~ each consisted of 53 and 52 ~~and 53~~ weeks, respectively. As a result, the accompanying financial statements include the balance sheet as of December 29, 2024 and December 31, 2023 ~~and December 25, 2022~~ and the related statements of operations and changes in members' equity (deficit) and cash flows for the periods January 1, 2024 to December 29, 2024 and December 26, 2022 to December 31, 2023 ~~and December 27, 2021 to December 25, 2022~~.

### Covid-19 Virus

~~Beginning around March 2020, the Covid-19 virus was declared a global pandemic as it spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries was severely impacted for months and beyond as governments and their citizens took significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.~~

**~~1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)~~**

Use of Estimates

The preparation of the financial statements in conformity with USGAAP 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 revenue and expenses. Actual results could differ from those estimates.

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## 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

### Recently Adopted Accounting Guidance – Allowance for Credit Losses

~~In June 2016, the Financial Accounting Standards Board (FASB) issued new guidance, Accounting Standards Update (ASU) No. 2016-13, that created Topic 326, *Financial Instruments – Credit Losses*, in the Accounting Standards Codification (ASC). Topic 326 significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Trade accounts receivable held by the Company are subject to the guidance in Topic 326.~~

~~The Company adopted the standard effective December 26, 2022. The adoption of this new accounting pronouncement did not have a material effect on the financial statements.~~

### Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist primarily of initial franchise fees, amounts owed from franchisees, and other miscellaneous receivables.

The Company recognizes an allowance for expected credit losses at each balance sheet date. This estimate is derived from a review of the Company's historical losses based on the aging of receivables. Receivables with similar risk characteristics are pooled for the estimation of expected credits losses. Management adjusts its historical estimate based on its assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. At each reporting date, the Company updates its estimate of expected credit losses to reflect any changes in credit risk since the receivable was initially recorded.

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable and Allowance for Credit Losses (Continued)

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income ~~or an offset to credit loss expense~~ in the year of recovery, in accordance with the entity's accounting policy election. The Company has incurred no write-offs as a whole for the periods ending December 29, 2024 or December 31, 2023. Based upon the information available, the Company believes its allowance for credit losses is immaterial. However, actual write-offs might exceed the recorded allowance.

Concentration of Credit Risk

The Company maintains cash balances at one financial institution. At times during the year, amounts may exceed insured limits. The Company's cash balance exceeded insured limits by approximately ~~\$502,300~~ and ~~\$1,9950,000~~ as of December 29, 2024 and December 31, 2023 and December 25, 2022, respectively. Management does not expect any loss from the concentration.

Revenue Recognition

The Company derives its revenues from contracts with customers. The Company earns an initial franchise fee, a franchise development fee, and ongoing royalty fees under the Company's franchise agreements. Initial franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, the initial franchise fees are recognized over the contractual term of the franchise agreement as the Company's performance obligations are satisfied. The Company records a contract liability for the unearned portion of the initial franchise fees.

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

Franchise development fees represent the exclusivity rights for a geographical area paid to develop retail shops for a certain period of time, and is generally combined with the initial franchise fee as those fees are deemed to constitute a single performance obligation. Accordingly, franchise development fees received by the Company are also recorded as contract liabilities in the balance sheet and amortized over the life of the franchise development agreement. Royalty fees are based on a percentage of sales, thus considered variable consideration, and recorded as revenue at a point in time.

Significant Judgments and Estimates

There are no significant judgments involved in the recognition of revenue. Various economic factors could affect the recognition of revenues and cash flows, including the success of the franchisees.

**~~1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)~~**

Contract Balances

As discussed above, the Company records contract liabilities for upfront franchise fees provided. There are no other contract liabilities recorded by the Company. As of December 29, 2024, December 31, 2023, and December 25, 2022, ~~and December 26, 2021~~ contract liabilities totaled \$865,20,7408, \$1,099,992820,740, and \$1,15099,877992, respectively. As of December 29, 2024, December 31, 2023, and December 25, 2022, ~~and December 26, 2021~~, accounts receivable totaled \$220,564738, \$16,97622,564, and \$106,245976, respectively. During the periods ended December 29, 2024 and December 31, 2023 ~~and December 25, 2022~~, the Company recognized \$309,252128,032 and \$284,885309,252, respectively, of revenue from obligations satisfied (or partially satisfied) for upfront franchise fees provided. Of these totals, \$270,00083,747 and \$26470,02200, respectively, were recognized in each of the periods pursuant to the default and termination clause included within the Company's development rights rider to its franchise agreements. Pursuant to ~~the~~ this agreement, certain default provisions result in termination of the remaining rights under the contract. As a result, the remaining upfront franchise fees were forfeited by certain franchisees and revenue was accelerated given the nonrefundable nature.

**2. RELATED PARTY TRANSACTIONS**

The Company has a license agreement with Naf-Naf Holdings, LLC, its sole member. Naf-Naf Holdings, LLC owns the trademarks, recipes, and other intellectual property that the Company licenses to franchisees. There are no costs to the Company under this agreement.

**3. MEMBER'S EQUITY**

There is one class of membership units. To the extent, permissible by law under the Limited Liability Company laws as recorded in the State of Illinois, the member is not personally liable for any liabilities of the Company.

**4. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statement (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, nonrecognized subsequent events).

~~The Company has evaluated subsequent events through March 7, 2024 which was the date these financial statements were available for issuance, and determined that there were no significant unrecognized subsequent events through that date, except as discussed below.~~

**4. SUBSEQUENT EVENTS (Continued)**

~~Effective January 12, 2024, the Company was notified of a permanent closure by one of its franchisees. Pursuant to the closure, the franchisees' future development rights have been revoked and the non-refundable upfront franchise fees totaling approximately \$60,000 are to be forfeited in line with the default provisions of the contract.~~



~~NAF-NAF FRANCHISING LLC~~

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~~FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT~~

~~As of December 25, 2022 and December 26, 2021 and for the  
Periods December 27, 2021 to December 25, 2022 and  
December 28, 2020 to December 26, 2021~~



~~NAF-NAF FRANCHISING LLC~~  
TABLE OF CONTENTS

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	<u>Pages</u>
<del>INDEPENDENT AUDITOR'S REPORT</del> .....	<del>3-4</del>
<del>FINANCIAL STATEMENTS</del>	
<del>Balance Sheets</del>	<del>5</del>
<del>Statements of Operations and Changes in Member's Equity</del> .....	<del>6</del>
<del>Statements of Cash Flows</del>	<del>7</del>
<del>Notes to Financial Statements</del> .....	<del>8-11</del>



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**SIKICH.COM**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Managers  
 Naf Naf Franchising LLC

### Opinion

We have audited the accompanying financial statements of Naf Naf Franchising LLC (the Company), which comprise the balance sheets as of December 25, 2022 and December 26, 2021, and the related statements of operations and changes in members' equity and cash flows for the periods December 27, 2021 through December 25, 2022 and December 28, 2020 through December 26, 2021 and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naf Naf Franchising LLC as of December 25, 2022 and December 26, 2021, and the results of their operations and their cash flows for the periods December 27, 2021 through December 25, 2022 and December 28, 2020 through December 26, 2021, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Naf Naf Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

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

**Sikich LLP**

Naperville, Illinois  
March 16, 2023

**FINANCIAL STATEMENTS**

NAF-NAF FRANCHISING LLC

BALANCE SHEETS

December 25, 2022 and December 26, 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,239,610	\$ 1,632,999
Accounts receivable	16,976	10,245
Total current assets	2,256,586	1,643,244
<b>OTHER ASSETS</b>		
None	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,256,586</b>	<b>\$ 1,643,244</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Contract liabilities	\$ 37,000	\$ 22,542
Total current liabilities	37,000	22,542
<b>LONG-TERM LIABILITIES</b>		
Contract liabilities, net of current	1,062,992	1,137,335
Total liabilities	1,099,992	1,159,877
<b>MEMBER'S EQUITY</b>		
Paid-in capital	246,219	206,232
Retained earnings	910,375	277,135
Total member's equity	1,156,594	483,367
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$ 2,256,586</b>	<b>\$ 1,643,244</b>

See accompanying notes to financial statements.

NAF-NAF FRANCHISING LLC

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY

For the Periods December 27, 2021 through December 25, 2022 and  
December 28, 2020 through December 26, 2021

	<b>December 27, 2021 through December 25, 2022</b>	<b>December 28, 2020 through December 26, 2021</b>
<b>REVENUES</b>		
Franchise royalties	\$ 347,815	\$ 223,188
Initial franchise fees	284,885	11,688
Total revenues	632,700	234,876
<b>COST OF SALES</b>	-	-
Gross profit	632,700	234,876
<b>OPERATING EXPENSES</b>	832	2,324
Operating income	631,868	232,552
<b>OTHER INCOME (EXPENSE)</b>	1,372	-
<b>NET INCOME</b>	633,240	232,552
<b>MEMBER'S EQUITY, BEGINNING OF PERIOD</b>	483,367	88,724
Capital contribution	39,987	162,091
<b>MEMBER'S EQUITY, END OF PERIOD</b>	\$ 1,156,594	\$ 483,367

See accompanying notes to financial statements.

NAF-NAF FRANCHISING LLC

STATEMENTS OF CASH FLOWS

For the Periods December 27, 2021 through December 25, 2022 and  
December 28, 2020 through December 26, 2021

	<b>December 27, 2021 through December 25, 2022</b>	<b>December 28, 2020 through December 26, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 633,240	\$ 232,552
Changes in operating assets and liabilities:		
Accounts receivable	(6,731)	2,641
Contract liabilities	(59,885)	378,301
Net cash from operating activities	<u>566,624</u>	<u>613,494</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
None	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution	<u>39,987</u>	<u>162,091</u>
Net cash from financing activities	<u>39,987</u>	<u>162,091</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	606,611	775,585
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,632,999</u>	<u>857,414</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 2,239,610</u>	<u>\$ 1,632,999</u>

See accompanying notes to financial statements.

**NAF-NAF FRANCHISING LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 25, 2022 and December 26, 2021**

---

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Naf Naf Franchising LLC (the Company) is a single member LLC organized on June 6, 2018 in the State of Delaware. The liability of the member of the Company is limited to the member's total capital contributions.

The Company's principal business is to sell and administer new restaurant franchises. These restaurants are known to the public as Naf Naf Middle Eastern Grill restaurants. The first franchise locations administered by the Company opened during March 2020. As of the fiscal years ended December 25, 2022 and December 26, 2021, 15 and 7 franchise locations, respectively, were operating across the United States. During the fiscal year ended December 25, 2022, one franchise location was refranchised, and two other locations were repurchased by the Company's parent Company, Naf Naf Holdings, LLC.

Franchise agreements are executed for each unit operated by third parties which set out the terms of their arrangement with the Company. These franchise agreements require the franchisee to pay an initial, nonrefundable fee and continuing fees based upon a percentage of revenues.

Basis of Accounting

The Company prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP). The Company uses a 52/53 week fiscal year that ends on the last Sunday of the calendar year. Fiscal 2022 and 2021 each consisted of 52 weeks. As a result, the accompanying financial statements include the balance sheet as of December 25, 2022 and December 26, 2021 and the related statements of operations and changes in members' equity and cash flows for the periods December 27, 2021 to December 25, 2022 and December 28, 2020 to December 26, 2021.

Covid-19 Virus

Beginning around March 2020, the Covid-19 virus was declared a global pandemic as it spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries was severely impacted for months and beyond as governments and their citizens took significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of the financial statements in conformity with USGAAP 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 revenue and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of initial franchise fees and miscellaneous operating receivables.

Concentration of Credit Risk

The Company maintains cash balances at one financial institution. At times during the year, amounts may exceed insured limits. The Company's cash balance exceeded insured limits by approximately \$1,990,000 and \$1,383,000 as of December 25, 2022 and December 26, 2021, respectively. Management does not expect any loss from the concentration.

Revenue Recognition

The Company derives its revenues from contracts with customers. The Company earns an initial franchise fee, a franchise development fee, and ongoing royalty fees under the Company's franchise agreements. Initial franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, the initial franchise fees are recognized over the contractual term of the franchise agreement as the Company's performance obligations are satisfied. The Company records a contract liability for the unearned portion of the initial franchise fees. Franchise development fees represent the exclusivity rights for a geographical area paid to develop retail shops for a certain period of time, and is generally combined with the initial franchise fee as those fees are deemed to constitute a single performance obligation. Accordingly, franchise development fees received by the Company are also recorded as contract liabilities in the balance sheet and amortized over the life of the franchise development agreement. Royalty fees are based on a percentage of sales, thus considered variable consideration, and recorded as revenue at a point in time.

**~~1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)~~**

Significant Judgments and Estimates

~~There are no significant judgments involved in the recognition of revenue. Various economic factors could affect the recognition of revenues and cash flows, including the success of the franchisees.~~

Contract Balances

~~As discussed above, the Company records contract liabilities for upfront franchise fees provided. There are no other contract liabilities recorded by the Company. As of December 25, 2022, December 26, 2021, and December 27, 2020 contract liabilities totaled \$1,099,992, \$1,159,877, and \$781,576, respectively. As of December 25, 2022, December 26, 2021, and December 27, 2020, accounts receivable totaled \$16,976, \$10,245, and \$12,886, respectively. During the period ended December 25, 2022, the Company recognized \$284,885 of revenue from obligations satisfied (or partially satisfied) for upfront franchise fees provided. Of this total, \$264,022 was recognized pursuant to the default and termination clause included within the Company's development rights rider to its franchise agreements. Pursuant to the this agreement, certain default provisions result in termination of the remaining rights under the contract. As a result, the remaining upfront franchise fees were forfeited by certain franchisees and revenue was accelerated given the nonrefundable nature. During the period ended December 26, 2021, the Company recognized \$11,688 of revenue from obligations satisfied (or partially satisfied) for upfront franchise fees provided.~~

**~~2. RELATED PARTY TRANSACTIONS~~**

~~The Company has a license agreement with Naf Naf Holdings, LLC, its sole member. Naf Naf Holdings, LLC owns the trademarks, recipes, and other intellectual property that the Company licenses to franchisees. There are no costs to the Company under this agreement.~~

**~~3. MEMBER'S EQUITY~~**

~~There is one class of membership units. To the extent, permissible by law under the Limited Liability Company laws as recorded in the State of Illinois, the member is not personally liable for any liabilities of the Company.~~

**4. SUBSEQUENT EVENTS**

~~Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statement (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, nonrecognized subsequent events).~~

The Company has evaluated subsequent events through ~~March 16~~January 29, 2023~~5~~, which was the date these financial statements were available for issuance, and determined that there were no significant unrecognized subsequent events through that date.

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

**NAF-NAF FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

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FRANCHISEE NAME

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RESTAURANT ADDRESS

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## TABLE OF CONTENTS

SECTION	PAGE
1. Preambles.....	1
2. Acknowledgments.....	1
A. Grant of Franchise.....	3
B. Term.....	3
C. Territorial Rights.....	3
D. Reservation of Rights.....	4
E. Guaranty.....	5
F. Your Form and Structure	
4. Site Selection, Lease, and Developing the Restaurant.....	6
A. Site Selection and Acceptance	
B. Lease Acceptance.....	7
C. Development of Restaurant.....	8
D. Opening.....	9
5. Fees	10
A. Initial Franchise Fee.....	10
B. Royalty.....	10
C. Technology Fee.....	11
D. Payment Method and Timing.....	11
E. Administrative Fee and Interest on Late Payments	
F. Application of Payments and Right of Set-Off.....	12
G. Annual Increase in Fixed Fees and Amounts	
6. Training, Guidance, and Assistance.....	13
A. Initial Training.....	13
B. Retraining.....	14
C. Opening Set-Up and Support.....	14
D. Ongoing and Supplemental Training/Convention	
E. Training For Replacement Restaurant Managers	
F. Training for Restaurant Employees	
G. Training Cancellation Fees	

<b>SECTION</b>	<b>PAGE</b>
H. General Guidance and the Operations Manual.....	16
I. Delegation.....	17
7. Restaurant Operation and Brand Standards.....	17
A. Condition and Appearance of Restaurant.....	17
B. Compliance with Applicable Laws and Good Business Practices.....	18
C. Compliance with Brand Standards.....	19
D. Operating Principal.....	22
E. Approved Products, Services, and Suppliers.....	23
F. Computer System.....	24
G. Intranet.....	25
8. Marks.....	25
A. Ownership and Goodwill of Marks.....	25
B. Limitations on Use of Marks.....	26
C. Notification of Infringements and Claims.....	26
D. Discontinuance of Use of Marks.....	27
E. Indemnification for Use of Marks.....	27
9. Confidential Information.....	27
10. Consumer Data.....	29
11. Innovations.....	29
12. Exclusive Relationship.....	30
13. Advertising and Marketing.....	30
A. Market Introduction Program.....	30
B. Brand Fund.....	31
C. Approval of Marketing and Other External Communications.....	33
D. Local Marketing.....	33
E. Regional Advertising Cooperatives.....	34
F. System Website.....	34
G. Social Media Channels.....	35
14. Records, Reports, and Financial Statements.....	35
15. Inspections and Audits.....	37
A. Inspections.....	37

	B. Our Right to Audit.....	38
<b>SECTION</b>		<b>PAGE</b>
	A. Transfer by Us.....	38
	B. Transfer by You and Definition of Transfer	
	C. Conditions for Approval of Transfer	
	D. Transfer to a Wholly-Owned or Affiliated Entity.....	43
	E. Death or Disability.....	43
	F. Effect of Consent to Transfer.....	43
	G. Our Right of First Refusal.....	44
17.	Expiration of Agreement.....	45
18.	Termination of Agreement.....	46
	A. Termination by You.....	46
	B. Termination by Us	
	C. Assumption of Restaurant’s Management.....	49
	D. Other Remedies upon Default.....	50
19.	Rights and Obligations upon Termination or Expiration of This Agreement.....	51
	A. Payment of Amounts Owed and Liquidated Damages	
	B. De-Identification	
	C. Confidential Information	
	D. Notification to Customers	
	E. Covenant Not to Compete.....	53
	F. Option to Purchase Operating Assets	
	G. Continuing Obligations.....	56
20.	Relationship of the Parties; Indemnification.....	56
	A. Independent Contractors	
	B. No Liability for Acts of Other Party.....	57
	C. Taxes	
	D. Insurance	
	E. Indemnification	
21.	Enforcement.....	59
	A. Severability.....	59

B.	Waiver of Obligations and Force Majeure.....	60
<b>SECTION</b>		<b>PAGE</b>
C.	Costs and Attorneys' Fees.....	61
D.	You May Not Withhold Payments.....	61
E.	Rights of Parties Are Cumulative.....	61
F.	Arbitration.....	61
G.	Governing Law.....	63
H.	Consent to Jurisdiction.....	63
I.	Waiver of Punitive and Exemplary Damages.....	63
J.	Waiver of Jury Trial.....	64
K.	Binding Effect.....	64
L.	Limitations of Claims.....	64
M.	Construction.....	64
N.	The Exercise of Our Business Judgment.....	65
O.	No Affiliate Liability.....	66
22.	Compliance with Anti-Terrorism Laws.....	66
23.	Notices and Payments.....	66
24.	Electronic Mail.....	67
25.	Non-Waiver of Franchise Laws.....	67

**EXHIBITS**

Exhibit A – Basic Terms

Exhibit B-1 – Guaranty and Assumption of Obligations

Exhibit B-2 – Owner’s Undertaking of Non-Monetary Obligations

Exhibit C – Franchisee and Its Owners

Exhibit D – Lease Rider

Exhibit E – Sample Form of Confidentiality Agreement

**NAF-NAF FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

This Franchise Agreement (this “**Agreement**”) is made by and between **Naf-Naf Franchising LLC**, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”), and is effective as of the date we sign it as the franchisor, which is set forth next to our signature at the end of this Agreement (the “**Effective Date**”).

**1. Preambles**

We and certain of our affiliates have created, designed, and developed a fast-casual restaurant brand identified by the Marks (defined below) that currently offers and sells Middle-Eastern fare, including shawarma, falafel, hummus, and pita, and other food products and beverages.

We and certain of our affiliates have developed, and currently use, promote, and license, certain trademarks, service marks, and other commercial symbols for our restaurant brand, including “NAF NAF® Middle Eastern Grill” and “NAF NAF®,” and from time to time may create, use, and license new trademarks, service marks, and commercial symbols (collectively, the “**Marks**”). One of our affiliates owns the Marks, the Confidential Information (defined in Section 9 below), and all aspects of our branded system and has licensed us that intellectual property for use in our franchise program for NAF NAF Middle Eastern Grill restaurants (“**NAF NAF Restaurants**”).

We offer and grant franchises to operate a NAF NAF Restaurant using the NAF NAF business system, business formats, methods, procedures, designs, layouts, trade dress, standards, specifications, and Marks, all of which we and our affiliate periodically may improve, further develop, and otherwise modify (collectively, the “**Franchise System**”).

You have applied for a franchise to operate a NAF NAF Restaurant, and we are willing to grant you the franchise on the terms and conditions contained in this Agreement.

**2. Acknowledgments**

You acknowledge that:

- i. You independently investigated the NAF NAF Restaurant franchise opportunity and recognize that, like any other business, the nature of a NAF NAF Restaurant’s business may, and probably will, evolve and change over time.
- ii. Investing in a NAF NAF Restaurant involves business risks that could result in your losing a significant portion or all of your investment.
- iii. We have not made, and you have not relied on, any express or implied guaranty or representation as to the extent to which we and our affiliates will continue developing and expanding the NAF NAF Restaurant network.



- iv. Your business abilities and efforts are vital to your success.
- v. Attracting customers for your NAF NAF Restaurant will require you to make consistent marketing efforts in your community, including through media advertising, direct mail and on-line advertising, social media marketing and networking, and display and use of in-Restaurant promotional materials.
- vi. Retaining customers for your NAF NAF Restaurant will require you to maintain the premises, provide a high level of customer service, and adhere strictly to the Franchise System and our Brand Standards (defined in Section 6.H below).
- vii. You are committed to maintaining our Brand Standards.
- viii. Other than for disclosures in our franchise disclosure document, you have not received from us or our affiliates and are not relying upon any representations or guarantees, express or implied, of a NAF NAF Restaurant's potential volume, sales, income, or profits.
- ix. In their dealings with you, our officers, directors, employees, consultants, lawyers, and agents act only in a representative, and not in an individual, capacity, and business dealings between you and them as a result of this Agreement are deemed to be only between you and us.
- x. You have represented to us, to induce our signing this Agreement, that all application and qualification materials you gave us are accurate and complete, and you made no misrepresentations or material omissions to obtain the franchise.
- xi. You read this Agreement and our franchise disclosure document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high product quality and service standards (and the uniformity of those standards at each NAF NAF Restaurant) and to protect and preserve the goodwill of the Marks.
- xii. We have not made any representation, warranty, or other claim regarding this NAF NAF Restaurant franchise opportunity other than those made in this Agreement and our franchise disclosure document, and you independently evaluated this opportunity (including by using your business professionals and advisors) and relied solely upon those evaluations in deciding to sign this Agreement.
- xiii. You had an opportunity to ask questions and to review materials of interest to you concerning the NAF NAF Restaurant franchise opportunity.
- xiv. You had an opportunity, and we encouraged you, to have an attorney or other professional advisor review this Agreement and all other materials we gave or made available to you.

### 3. Grant of Franchise

#### A. Grant of Franchise

Subject to this Agreement's terms, we grant you the right, and you commit, to operate a NAF NAF Restaurant at the address identified on Exhibit A (the "**Restaurant**") using the Franchise System and the Marks. (If the Restaurant's address is unknown as of the Effective Date, the address will be determined as provided in Section 4.A and then listed on an amended and restated Exhibit A we will give you.) Except as provided in this Agreement, your right to operate the Restaurant is limited to products prepared and sold, and services provided, at the Restaurant location and does not include the right to distribute products and services over the Internet or to engage in other supply or distribution channels. You may not engage in any product delivery or catering activities away from the Restaurant's location unless and until we notify you in writing that you may do so (although we have no obligation to allow such activities by a certain date or at all). If we allow you to engage in such activities, you must comply with all related Brand Standards.

#### B. Term

The franchise term (the "**Term**") begins on the Effective Date and expires ten (10) years from the day on which the Restaurant first opens to the public for business. The Term is subject to earlier termination under Section 18. You agree to operate the Restaurant in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 18.

#### C. Territorial Rights

During the Term, we and our affiliates will not, except as provided in this Section and in Section 3.D, own or operate, or allow another franchisee or licensee to own or operate, another NAF NAF Restaurant that has its physical location within the geographic area described on Exhibit A (the "**Area of Protection**"). We may modify the Area of Protection only as provided in Exhibit A. If the Restaurant's address is unknown as of the Effective Date, we will describe the Area of Protection on an amended and restated Exhibit A that we will send you after we accept the Restaurant's site as provided in Section 4.A. The Area of Protection will always be defined to exclude any and all Non-Traditional Venues physically located within the Area of Protection. This means there are no restrictions whatsoever on our and our affiliates' activities in or at Non-Traditional Venues physically located within the Area of Protection, including, but not limited to, our and our affiliates' right to own and operate and grant others the right to own and operate NAF NAF Restaurants, and to engage in other foodservice operations under the Marks, at such Non-Traditional Venues. A "**Non-Traditional Venue**" means (i) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does not have unlimited access; (ii) mobile outlets, temporary or seasonal food service facilities; and/or (iii) commercial kitchen facilities that provide order and delivery-only services, which may include the associated online or mobile ordering and delivery services to and from locations in or outside of the Area of Protection. Examples of Non-Traditional Venues include mobile outlets (such as food trucks), "ghost" kitchens, grocery stores, concert venues, hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater,

truck-stop, travel center, and other venues operated by a master concessionaire or contract food service provider.

**D. Reservation of Rights**

Except for your location exclusivity described in Section 3.C above (which is subject to our and our affiliates' various rights with respect to Non-Traditional Venues physically located within the Area of Protection), we and our affiliates retain all rights with respect to NAF NAF Restaurants, the Marks, the sale of similar or dissimilar products and services, and any other activities we and they deem appropriate, whenever and wherever we and they desire, whether inside or outside the Area of Protection. Specifically, but without limitation, we and our affiliates reserve the following rights:

- i. to own and operate, and to allow other franchisees and licensees to own and operate, NAF NAF Restaurants at any locations outside the Area of Protection (including at the boundary of the Area of Protection) and on any terms and conditions we deem appropriate;
- ii. to offer and sell, and to allow others to offer and sell, inside and outside the Area of Protection, products and services that are identical or similar to and/or competitive with those offered and sold by NAF NAF Restaurants, whether identified by the Marks or other trademarks or service marks, through any distribution channels (including the Internet) other than NAF NAF Restaurants physically located within the Area of Protection and on any terms and conditions we deem appropriate;
- iii. to establish and operate, and to allow others to establish and operate, anywhere (including inside or outside the Area of Protection) businesses offering similar products and services under trademarks and service marks other than the Marks;
- iv. to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at NAF NAF Restaurants, and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating, including within the Area of Protection;
- v. to be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling products and services similar to those offered and sold at NAF NAF Restaurants, or by another business, even if such business operates, franchises, or licenses Competitive Businesses (defined in Section 12 below) inside or outside the Area of Protection; and
- vi. to engage in all other activities this Agreement does not expressly prohibit.

## **E. Guaranty**

The Guarantors must fully guarantee all of your financial and other obligations to us under this Agreement or otherwise arising from our franchise relationship with you, and agree personally to comply with this Agreement's terms, by executing the form of Guaranty attached as Exhibit B1. “**Guarantors**” means each owner owning at least a twenty percent (20%) ownership interest in you, or in an entity directly or indirectly owning at least a twenty percent (20%) ownership interest in you, and any other owner we designate as a Guarantor in Exhibit B. Each owner not owning at least a twenty percent (20%) ownership interest in you, or in an entity directly or indirectly owning at least a twenty percent (20%) ownership interest in you, must sign an Owner's Undertaking of Non-Monetary Obligations, in the form attached as Exhibit B-2, undertaking to be bound personally by specific non-monetary provisions in this Agreement. Each owner's name and his, her, or its percentage ownership interest in you are set forth in Exhibit C. Subject to our rights and your obligations in Section 16, you must notify us of any change in the information in Exhibit C within ten (10) days after the change occurs.

## **F. Your Form and Structure**

As a corporation, limited liability company, or general, limited, or limited liability partnership (each, an “**Entity**”), you agree and represent that:

- i. You have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly exist in good standing under the laws of the state of your incorporation or formation;
- ii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will, at our request, recite that this Agreement restricts the issuance and transfer of any direct or indirect ownership interests in you, and all certificates and other documents representing ownership interests in you will, at our request, bear a legend (the wording of which we may prescribe) referring to this Agreement's restrictions;
- iii. Your organizational documents, operating agreement, or partnership agreement, as applicable, will, at our request, contain a provision requiring any dissenting or non-voting interest-holders to execute all documents necessary to effectuate any action that is properly authorized under the organizational documents, operating agreement, or partnership agreement, as applicable;
- iv. Exhibit C to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date; and
- v. You may not use any Mark (in whole or in part) in, or as part of, your legal business name or email address or use any name that is the same as or similar to, or an acronym or abbreviation of, the NAF NAF name (although you may register the “assumed name” or “doing business as” name “NAF NAF” in the jurisdictions where you are formed and qualify to do business).

#### 4. Site Selection, Lease, and Developing the Restaurant

##### A. Site Selection and Acceptance

If the Restaurant's address is unknown as of the Effective Date, this Section 4.A will govern the site selection and acceptance process. Within six (6) months after the Effective Date (unless a different date is specified in a Development Rights Rider to which you (or your affiliate) and we are parties), you must obtain our written acceptance of, and secure, a site within the non-exclusive geographical area described in Exhibit A (the "**Site Selection Area**") at which to operate your Restaurant. You are required to use an experienced local real estate broker to manage the site selection process. The broker is required to complete and submit to us a trade area map and market plan of your Site Selection Area. The timeframe during which you must search for, propose, obtain our written acceptance of, and secure the Restaurant's site within the Site Selection Area (the "**Site Selection Period**") will expire upon the earliest of (i) our acceptance of the Restaurant's site and lease and giving you an amended and restated Exhibit A, (ii) this Agreement's termination, or (iii) six (6) months after the Effective Date (unless a different date is specified in a Development Rights Rider).

It is your responsibility to locate, evaluate, and select the Restaurant's site. We and our affiliates will not conduct site selection activities for you. We will review potential Restaurant sites you identify within the Site Selection Area and we may visit the Site Selection Area to review potential Restaurant sites. We may condition our proposed visit and acceptance of a proposed site on your first sending us complete site reports and other materials (including, without limitation, photographs and video recordings) we request. We will give you our then-current criteria for NAF NAF Restaurant sites (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size, and other physical and commercial characteristics) to help you select and identify your site. However, even if we give you information regarding a potential site or site criteria, you acknowledge that we have made, and will make, no representations or warranties of any kind, express or implied, about the site's suitability for a NAF NAF Restaurant or any other purpose or the likelihood that we ultimately will accept that site for the Restaurant's location.

You must submit all information we request when you propose a site, including a signed letter of intent specifying the key terms of the proposed lease or purchase transaction. We will use reasonable efforts to review and accept or reject each site you propose within twenty-one (21) days after we receive all requested information and materials. If we do not accept the site in writing within twenty-one (21) days, the site will be deemed rejected. We will not unreasonably withhold our acceptance of a site if, in our and our affiliates' experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites for NAF NAF Restaurants in the past. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you have chosen is accepted but not recommended due to its incompatibility with certain factors that bear on a site's suitability as a location for a NAF NAF Restaurant.

Our acceptance of a site indicates only that we believe the site is not inconsistent with sites that we regard as favorable or that otherwise have been successful sites for NAF NAF Restaurants in the past. Applying criteria appearing effective with other sites might not accurately reflect the

potential of all sites, and demographic or other factors included in or excluded from our criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a particular site fails to meet your expectations. Upon accepting a proposed site, we will list the accepted site's location as the Restaurant's address in Exhibit A. If you do not find and we do not accept a Restaurant site within six (6) months after the Effective Date (or a different date specified in a Development Rights Rider), then we may terminate this Agreement upon written notice.

You may not relocate the Restaurant to a new site without our prior written consent, which we may grant or deny as we deem best. We may condition relocation approval on (1) the new site and its lease being acceptable to us, (2) your paying us a reasonable relocation fee, (3) your reimbursing any costs we incur during the relocation process, (4) your confirming that this Agreement remains in effect and governs the Restaurant's operation at the new site with no change in the Term or, at our option, your signing our then-current form of franchise agreement to govern the Restaurant's operation at the new site for a new franchise term, (5) your signing a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) your continuing to operate the Restaurant at its original site until we authorize its closure, and (7) your taking, within the timeframe we specify and at your own expense, all action we require to de-brand and de-identify the Restaurant's former premises so it no longer is associated in any manner (in our opinion) with the Franchise System and the Marks.

## **B. Lease Acceptance**

You must send us for our written acceptance, which we will not unreasonably withhold, any lease or sublease (and any renewals and amendments of the lease or sublease) that will govern your occupancy and lawful possession of the Restaurant's site at least fifteen (15) business days before you intend to sign it. The lease or sublease must either (i) include the lease rider attached to this Agreement as Exhibit D or (ii) provide within its body the terms and conditions found in the lease rider. You may not sign any lease or sublease (or any renewal or amendment of the lease or sublease) we have not accepted in writing. We may (but have no obligation to) guide or assist you with the leasing process but will not negotiate the lease or sublease for you or provide any legal advice. If we do not accept the proposed lease or sublease in writing within fifteen (15) business days after we receive a complete copy, the lease or sublease will be deemed rejected. You acknowledge that our guidance or assistance and written acceptance of the lease or sublease (or renewal or amendment) are not a guarantee or warranty, express or implied, of the Restaurant's success or profitability or of the suitability of the lease or sublease for your business purposes. Our acceptance indicates only that we believe the site and the terms of the lease or sublease adequately protect our interests and/or the interests of other franchisees in the NAF NAF system, to the extent those interests are implicated in the lease or sublease. You must have a signed lease or sublease by the end of the Site Selection Period. You must send us a copy of the fully executed lease or sublease no later than ten (10) days after it is signed by all parties. After your lease or sublease is executed, you must send us prior notice of any revisions to its terms that you or your landlord might propose, and we have the right to accept or reject those proposed revisions before they become effective.

### C. Development of Restaurant

Besides the deadline for obtaining site acceptance and signing an accepted lease or sublease, you must within fifteen (15) months after the Effective Date (or, if earlier, on or before the date specified in any Development Rights Rider to which we and you (or your affiliate) are parties) (the “**Opening Deadline**”) (i) secure all financing required to develop and operate the Restaurant, (ii) obtain all permits and licenses required to construct and operate the Restaurant, (iii) construct all required improvements to the site and decorate the Restaurant in compliance with our approved plans and specifications, (iv) purchase or lease and install all required Operating Assets (defined below), (v) purchase an opening inventory of required, authorized, and approved products, materials, and supplies, (vi) complete all required training, and (vii) open your Restaurant in accordance with all requirements of this Agreement.

You must develop the Restaurant at your expense. Once a site has been accepted by us, you must provide a Lease Outline Drawing (“**LOD**”) in PDF and DWG format, from your landlord or architect. The LOD should include deck heights, any anomalies or encumbrances, as well as any items existing in the space. Once we receive this information, we will produce a Test Fit of the site for your review. The Test Fit should not be considered a final layout of the space, but rather a confirmation that the space will accommodate a prototypical NAF NAF Restaurant. Subsequent to your review and our approval, we will produce, for a fee set by us and subject to change from time to time, a Schematic from the Test Fit for you and your architect to create construction drawings. Our current fee for the Schematic is \$1500. Along with the Schematic, we will provide you and your architect conceptual drawings and specifications for a NAF NAF Restaurant (collectively, “**Concept Specifications**”), including requirements or recommendations (as applicable) for dimensions, design, interior layout, décor, signage, and Operating Assets. All decisions regarding the Restaurant’s development and layout, design, color scheme, finishes, improvements, décor, and Operating Assets are subject to our review and prior written approval, and once you receive our approval, you may not make any changes without our prior written approval. Our Concept Specifications will not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations (collectively, “**Laws**”), including those arising under the Americans with Disabilities Act, or any lease requirements or restrictions. You are solely responsible for complying with all Laws and must inform us of any changes to the Restaurant’s specifications that you believe are necessary to ensure such compliance. We have the right to pre-approve the architect and general contractor you propose to use to develop the Restaurant before you hire them.

You agree at your expense to construct, install all trade dress and Operating Assets in, and otherwise develop the Restaurant according to our standards, specifications, and directions. The Restaurant must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Restaurant (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and display materials we approve from time to time.

You agree to purchase or lease from time to time only approved brands, types, and models of Operating Assets according to our standards and specifications and, if we specify, only from one or more suppliers we designate or approve (which may include or be limited to us and/or certain of our affiliates). “**Operating Assets**” means all required furniture, fixtures, signs, and

equipment (including components of and required software licenses for the Computer System (defined in Section 7.F)) we periodically require for the Restaurant and the business you operate under this Agreement.

You must adapt the Concept Specifications for the Restaurant (the “**Adapted Plans**”) and make sure they comply with all Laws and lease requirements and restrictions. You must send us the Adapted Plans for our written approval before beginning the Restaurant’s build-out and all revised or “as built” plans and specifications prepared during the Restaurant’s construction and development. You may not begin the Restaurant’s build-out until we approve the Adapted Plans in writing, and you may not make any changes to the approved Adapted Plans without our prior written approval. Our review of the Adapted Plans is limited to reviewing your compliance with our Concept Specifications. Our review is not intended or designed to assess your compliance with Laws or lease requirements and restrictions; compliance in those areas is your responsibility.

You must develop the Restaurant in accordance with the Adapted Plans we have approved in writing. We own the Concept Specifications and all Adapted Plans. During the Restaurant’s build-out, we may physically inspect the Restaurant or require you to send us pictures and images (including recordings) of the Restaurant’s interior and exterior so we can review your development of the Restaurant in accordance with our Brand Standards. If your general contractor fails to send us the images/recordings we require for the Restaurant by the specified deadline (but not more often than bi-weekly), we may require you to pay us One Hundred Dollars (\$100) for each day the requested images/recordings are late (the “Development Images Deficiency Fee”). The Development Images Deficiency Fee, should one be charged, is deemed by us and you to be a reasonable estimate of our administrative and management costs to address your failure to submit the required images/recordings by their due date. The Development Images Deficiency Fee is not a penalty. We may debit your account for the Development Images Deficiency Fee or set off monies otherwise due and payable to you to cover the payment of the Development Images Deficiency Fee. You also must correct your deficiency, which is a default under this Agreement, whether or not we charge the Development Images Deficiency Fee.

#### **D.     Opening**

You must open the Restaurant for business on or before the Opening Deadline, provided, however, you may not do so until:

- i.     we inspect and approve in writing the Restaurant as having been developed in accordance with our specifications and standards. You must give us at least sixty (60) business days’ prior written notice of the Restaurant’s planned opening date and also notify us in writing when the Restaurant is ready for inspection or review. If we do not inspect or review the Restaurant within sixty (60) business days after you deliver notice that the Restaurant is ready for inspection or review, or if we do not comment in writing within seven (7) business days after our inspection or review, then the Restaurant is deemed approved to open. Our inspection and approval are limited to ensuring your compliance with our standards and specifications; our approval is not a waiver of our right to enforce any provision of this Agreement. Our inspection and approval likewise are not intended or

designed to assess compliance with Laws; compliance with Laws is your responsibility. We will not unreasonably withhold our approval of the Restaurant;

- ii. your Operating Partner and the Restaurant's Managers, as applicable, have completed to our satisfaction the initial training program described in Section 6.A;
- iii. the Restaurant has sufficient employees, trained by you, to manage and operate the Restaurant on a day-to-day basis in compliance with Brand Standards (you must at all times have ~~two~~three (23) fully-trained, shift runners, one of which is a certified Restaurant Managers managing the Restaurant's day-to-day, on-site operations, one of whom may be your Operating Partner for first and second restaurant only);
- iv. your Operating Partner, the Restaurant Managers, and the Restaurant's employees have completed all required third-party certifications for the food industry (including certifications required under Laws);
- v. you have satisfied all state and federal permitting, licensing, and other legal requirements for the Restaurant's lawful operation;
- vi. all amounts due to us, our affiliates, and principal suppliers have been paid;
- vii. you are not in default under any agreement with us, our affiliates, or principal suppliers;
- viii. we have received copies of all permits, licenses, insurance policies, and executed leases or subleases required by this Agreement; and
- ix. you have met all other opening requirements we have established in our Operations Manual (defined in Section 6.H).

## 5. Fees

### A. Initial Franchise Fee

You must pay us a Thirty-Thousand Dollar (\$30,000) initial franchise fee in a lump sum when you sign this Agreement (the "**Initial Franchise Fee**"). The Initial Franchise Fee is not refundable under any circumstances. We will credit toward the Initial Franchise Fee any deposit you (or an affiliate) paid us under a Development Rights Rider.

### B. Royalty

You agree to pay us, on or before the Wednesday following the end of each two (2) calendar-week period (the "**Payment Day**"), a royalty ("**Royalty**") equal to five percent (5%) of the Restaurant's Net Sales during the preceding two (2) calendar-week period. Each calendar week

currently begins on Monday and ends on Sunday, although upon notice to you we may change the first and last days of each calendar week for Royalty (and other payment) calculation purposes.

In this Agreement, “**Net Sales**” means the aggregate amount of all revenue and other consideration generated from any source, including, without limitation, the sale of products, services, and merchandise; other types of revenue you receive, including the proceeds of business interruption insurance; and (if barter is permitted by us) the value of products, services, and merchandise bartered in exchange for the Restaurant’s products, services, or merchandise. Net Sales are not reduced by the amount of any discounts on products or services sold to employees, family members, or other businesses you own or control or by the amount paid to, collected by, or shared with third-party food ordering and delivery systems with which we allow the Restaurant to do business. All of those transactions must be entered into the Computer System at the full, standard retail price for purposes of calculating Net Sales.

However, Net Sales exclude: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities; and (iv) promotional or marketing discounts we permit. In addition, Net Sales are reduced by the amount of any credits the Restaurant provides in accordance with the terms and conditions set forth in the Operations Manual. Each charge or sale upon credit will be treated as a sale for the full price on the day the charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale. Revenue from gift cards we approve for offer and sale at NAF NAF Restaurants is included in Net Sales when the gift card is used to pay for products and services. Your Restaurant may not issue or redeem any gift certificates, coupons, or gift, loyalty, or similar cards unless we first approve in writing their form and content and your proposed issuing and honoring/redemption procedures. We may grant or withhold our approval as we deem best.

**C. Technology Fee**

You agree to pay us a technology fee (“**Tech Fee**”) in the amount we periodically specify, but not to exceed \$1000 per month. The current Tech Fee is Five Hundred Dollars (\$500.00) per month. We agree that we will not raise the Tech Fee by more than Two Hundred Fifty Dollars (\$250) per month in any one calendar year. The Tech Fee is due and payable at the same time and in the same manner as the Royalty, unless we otherwise specify. NAF NAF Restaurants that we or our affiliates own are not required to pay the Tech Fee. We will use the Tech Fee to fund the technology expenditures we deem best for the Franchise System (as well as affiliated NAF NAF Restaurants).

We may allocate and spend Tech Fees in our sole judgment, including for salaries, wages, and benefits, direct technology program costs, and overhead expenses for the technology related activities. Despite payment of the Tech Fee to us, you must pay third-party vendors for the costs of and support services for your Restaurant’s Computer System. We have no obligation to account to you or other franchisees for our use of Tech Fees or to ensure that you or the Restaurant benefits directly or pro rata based on your Tech Fee payments.

**D. Payment Method and Timing**

You agree to sign and send us the documents we periodically require, or enable the electronic mechanism, authorizing us to debit your business checking or other account

automatically for the Royalty, Tech Fee, Brand Fund contribution, and other amounts due under this Agreement and any related agreement between us (or our affiliates) and you. If we institute an automatic debit program for the Restaurant, we will debit your account on or before the Payment Day for the Royalty, Tech Fee, Brand Fund contribution, and other amounts due. Funds must be available in the account before the Payment Day for withdrawal by electronic transfer. We may require you to obtain, at your expense, overdraft protection for your bank account in an amount we specify. You must reimburse any “insufficient funds” charges and related expenses we incur due to your failure to maintain sufficient funds in your bank account.

If you fail to report the Restaurant’s Net Sales when required, we may debit your account for one hundred twenty-five percent (125%) of the Royalty, Tech Fee, and Brand Fund contribution we debited for the previous payment period. If the amount we debit from your account is less than the amount you actually owe us for the payment period (once we determine the Restaurant’s actual Net Sales), we will debit your account for the balance due on the day we specify. If the amount we debit from your account is greater than the amount you actually owe us for the payment period (once we determine the Restaurant’s actual Net Sales), we will credit the excess, without interest, against the amount we may debit from your account for the following payment period.

We have the right, at our sole option upon notice to you, to change from time to time the timing and terms for payment of Royalties, Tech Fees, Brand Fund contributions, and other amounts due to us under this Agreement. You may not subordinate to any other obligation your obligation to pay us Royalties, Tech Fees, Brand Fund contributions, or any other amount due under this Agreement.

**E. Administrative Fee and Interest on Late Payments**

In addition to our other remedies, including, without limitation, the right to terminate this Agreement under Section 18, if you fail to pay (or make available for withdrawal from your account) any amounts you owe us or our affiliates relating to this Agreement or the Restaurant, those amounts will bear interest, accruing as of their original due dates, at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the Law allows, whichever is less. In addition, you must pay us a One Hundred Dollar (\$100) administrative fee for each payment not made to us or our affiliate when due (or for each dishonored payment) to cover the increased costs and expenses incurred due to your failure to pay the amounts when due.

**F. Application of Payments and Right of Set-Off**

Notwithstanding any designation you make, we may apply any of your payments (whether made by debit or otherwise) to any of your past due indebtedness to us or our affiliates relating to this Agreement or the Restaurant. We may set off any amounts you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners, whether in connection with this Agreement or otherwise.

**G. Annual Increase in Fixed Fees and Amounts**

We reserve the right to increase the amount of any fixed fee, fixed payment, or fixed amount stated under this Agreement based on changes in the Index (defined below) (“**Annual**

**Increase**”). An Annual Increase to such fees, payments, and amounts may occur only once during any calendar year and may not exceed the corresponding cumulative increase in the Index since the Effective Date or, as the case may be, the date on which the last Annual Increase became effective for the particular fixed fee, payment, or amount being increased. Any and all Annual Increases will be made at the same time during the calendar year. “Index” refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for all Items (1982 – 1984 = 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics, or in a successor index. Notwithstanding this Section, if any fixed fee, payment, or amount due under this Agreement encompasses any third-party charges we collect from you on a pass-through basis (i.e., for ultimate payment to the third party), we also reserve the right to increase the fixed fee, fixed payment, or fixed amount beyond the Annual Increase to reflect increases in the third party’s charges to us.

## 6. Training, Guidance, and Assistance

### A. Initial Training

We will furnish without additional charge, at a designated training location of our choice (which may be our corporate headquarters, an operating NAF NAF Restaurant, and/or your Restaurant) and/or through video and other electronic means, an initial training program (“**Initial Training**”) on operating a NAF NAF Restaurant for up to four (4) people, including your Operating Partner and the Restaurant’s on-site managers (each, a “**Restaurant Manager**”). Initial Training will last for approximately four (4) weeks and focuses on our philosophy, Brand Standards, and the material aspects of operating a NAF NAF Restaurant, excluding aspects relating to labor relations and employment practices. Before you open the Restaurant to the public, at least three (3) people (or at least two (2) people if this is your second or subsequent NAF NAF Restaurant), ~~including your Operating Partner,~~ must complete Initial Training to our satisfaction and pass applicable operations and proficiency tests. For the first 90 days of operation, you must have three (3) fully trained, ~~certified~~ managers ~~(or, two (2) if this is your second or subsequent NAF NAF~~ of whom must be certified (meaning that they have completed our Manager In Training program at a certified training Restaurant). You must at all times have one (1) fully- trained, certified Restaurant Manager ~~(which may be your Operating Partner)~~ managing the Restaurant’s day-to-day, on-site operations. You must maintain three (3) managers who have completed all positional training and the Shift Leader training module. Your Operating Partner may function as one of the certified managers for your first and second Naf Naf Restaurant, but upon beginning construction of a third location, your Operating Partner must function in an above-store, multi-unit role.

If at any time we determine that you are operating your Restaurant without the required number of fully trained, certified managers, we will give you sixty (60) days to cure this default by hiring new manager(s) and having them successfully complete training at our facilities. If, after sixty (60) days you are still operating your Restaurant without the required number of fully trained, certified managers, then you will owe us a fee of \$1000 per missing or untrained manager (in addition to any other fees incurred for Brand Standards violations, inspection fees or otherwise), and an additional \$1000 fee for every thirty (30) days thereafter that you continue to operate without the required number of fully trained, certified managers.

You are responsible for paying your employees' wages, benefits, and travel, hotel, and food expenses while they attend training. We will give you information about the number of hours your employees are actively involved in classroom and in-restaurant training, and you are responsible for evaluating any other information you believe you need to ensure your employees are accurately paid during training. You also are responsible for maintaining workers'

compensation insurance over your employees during training and must send us proof of that insurance two weeks prior to the outset of the training program. Everyone attending training must have a state health certificate.

## **B. Retraining**

If your Operating Partner or a Restaurant Manager fails to complete Initial Training to our satisfaction, or we determine after an inspection that retraining is necessary because the Restaurant is not operating according to Brand Standards, we may require that he or she attend a retraining session at our designated training location, and we may charge our then-current training fee if we mandate the retraining as the result of an uncured failure to operate the Restaurant in accordance with Brand Standards. You are responsible for all employee compensation and expenses during retraining. We may terminate this Agreement if your Operating Partner fails to complete Initial Training to our satisfaction. The Initial Franchise Fee is not refundable under any circumstances.

You may request additional or repeat training for the Operating Partner and your Restaurant Managers at the end of Initial Training if they do not feel sufficiently trained to operate a NAF NAF Restaurant. We and you will jointly determine the duration of any additional training, which is subject to our personnel's availability. You must pay our then-current training fee for additional or repeat training conducted at your Restaurant or in your market area. No fee is due for training at our own designated training location. However, if you do not expressly inform us that your Operating Partner or Restaurant Managers do not feel sufficiently trained to operate a NAF NAF Restaurant, they will be deemed to have been trained sufficiently to operate a NAF NAF Restaurant.

## **C. Opening Set-Up and Support**

We will send an "opening team" (involving the number of people we determine) to the Restaurant in connection with its opening to the public for business for up to seven (7) days (typically starting before and continuing after opening), as we deem best under the circumstances, to help you train your employees on our philosophy and Brand Standards (but not matters relating to labor relations and employment practices) and prepare the Restaurant for opening. We will pay for our opening team's wages and travel, hotel, and living expenses. We require photographs of the store set-up prior to sending the opening team to travel to your location. These photographs will show equipment setup, smallwares organization, receipt and organization of all dry goods and chemicals, and general organization and readiness of all areas of the store. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase (excluding training relating to labor relations and employment practices), you must pay our personnel's daily charges (including wages) and travel, hotel, and living expenses. We may delay the Restaurant's opening until all required training has been satisfactorily completed.

## **D. Ongoing and Supplemental Training/Convention**

We may require your Operating Partner and/or Restaurant Managers to attend and complete satisfactorily various training courses and programs offered periodically during the Term by us or third parties at the times and locations we designate. You are responsible for all compensation and expenses during their attendance. If you request any training courses and

programs to be provided locally, then subject to our training personnel's availability, you must pay our then-current training fee and the travel and living expenses for our training personnel.

Besides attending and/or participating in various training courses and programs, at least one of your representatives (an owner or another designated representative we approve) must at our request (in our sole discretion) attend an annual meeting of all NAF NAF Restaurant franchisees at a location we designate. You must pay all costs to attend. You must pay any meeting fee we charge even if your representative does not attend (whether or not we excuse that nonattendance).

**E. Training for Replacement Restaurant Managers**

If you no longer employ a Restaurant Manager or become aware that a Restaurant Manager intends to leave his or her position, you must immediately seek a new manager for the Restaurant (the "**Replacement Manager**") in order to protect the NAF NAF Restaurant brand. You must appoint the Replacement Manager within sixty (60) days after the last day of the former Restaurant Manager's employment. The Replacement Manager must satisfactorily complete training appropriate for the position, including our standard Initial Training. No fee is due for training at our own designated training location. However, you are responsible for the compensation and expenses of training attendees.

**F. Training for Restaurant Employees**

Your Operating Partner or Restaurant Managers must properly train all Restaurant employees to perform the tasks required of their positions. We may develop and make available training tools and recommendations for you to use in training the Restaurant's employees to comply with Brand Standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in Brand Standards.

We may periodically and without prior notice review the Restaurant's performance to determine if the Restaurant meets our Brand Standards. If we determine that the Restaurant is not operating according to Brand Standards, we may, in addition to our other rights under this Agreement, recommend that your Operating Partner or a Restaurant Manager retrain one or more Restaurant employees.

**G. Training Cancellation Fees**

If your Operating Partner or any Restaurant Manager cancels participation in any training program for which he or she pre-registers and pays us a training fee, we will not refund or reimburse the training fee you paid. If participation is cancelled more than two (2) weeks before the class or program is scheduled to begin, we will apply one-half ( $\frac{1}{2}$ ) of the training fee as a credit toward the fees due for a future training class or program that your Operating Principal or Restaurant Manager attends. However, if participation is cancelled two (2) weeks or less before

the class or program is scheduled to begin, you will receive no credit at all toward future training fees due.

## **H. General Guidance and the Operations Manual**

We periodically will advise you or make recommendations regarding the Restaurant's operation with respect to:

- i. standards, specifications, operating procedures, and methods that NAF NAF Restaurants use;
- ii. purchasing required or recommended Operating Assets and other products, services, supplies, and materials;
- iii. supervisory employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Restaurant employees); and
- iv. accounting, advertising, and marketing.

We may guide you through our operations manual and other technical manuals ("**Operations Manual**"), in bulletins or other written materials, by electronic media, by telephone consultation, and/or at our office or the Restaurant. If you request and we agree to provide, or we determine that you need, additional or special guidance, assistance, or training, you agree to pay our then-applicable charges, including reasonable training fees and our personnel's daily charges and travel and living expenses. Any specific ongoing training, conventions, advice, or assistance we provide does not obligate us to continue providing that training, convention, advice, or assistance, all of which we may discontinue and modify at any time.

We will give you access to our Operations Manual, which will be made available to you through the Intranet (defined in Section 7.G below) or another restricted website to which you will have password access. Any passwords or digital identifications necessary to access the Operations Manual are considered part of Confidential Information. The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules we periodically issue for developing and operating a NAF NAF Restaurant ("**Brand Standards**") and information on your other obligations under this Agreement. We may modify the Operations Manual periodically to reflect changes in Brand Standards, but those modifications will not alter your fundamental rights or status under this Agreement. You agree to communicate to your employees, in a timely fashion, all updates to the Operations Manual. You must monitor the website weekly for updates to the Operations Manual or Brand Standards. You agree to keep all parts of the Operations Manual secure and restrict access to any passwords for accessing the Operations Manual. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual's contents are confidential and not to disclose any part of the Operations Manual to any person other than Restaurant employees and others needing access in order to

perform their duties, but only if they agree to maintain its confidentiality by signing a form of confidentiality agreement. We have the right to pre-approve the form used (an acceptable sample of which is attached as Exhibit E). You may not at any time copy, duplicate, record, or otherwise

reproduce any part of the Operations Manual, except for certain forms specified in the Operations Manual.

While we have the right to pre-approve the form of confidentiality agreement you use with Restaurant employees and others having access to our Confidential Information in order to protect that Confidential Information, under no circumstances will we control the forms or terms of employment agreements you use with Restaurant employees or otherwise be responsible for your labor relations. In addition, Brand Standards do not include any personnel policies or procedures, or any Restaurant security-related policies or procedures, that we (at our option) may make available to you in the Operations Manual or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your Restaurant's operation. You and we agree that we do not dictate or control labor or employment matters for franchisees and NAF NAF Restaurant employees, and we are not responsible for the safety and physical security of Restaurant employees, guests, and visitors.

### **I. Delegation**

We have the right from time to time to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether they are our affiliates, agents, or independent contractors with which we contract to perform such obligations.

## **7. Restaurant Operation and Brand Standards**

### **A. Condition and Appearance of Restaurant**

You may not use, or allow another to use, any part of the Restaurant for any purpose other than operating a NAF NAF Restaurant in compliance with this Agreement. You must place or display at the Restaurant (interior and exterior), according to our guidelines, only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials we periodically specify. You agree to maintain the condition and appearance of the Restaurant, the site, and the Operating Assets in accordance with Brand Standards. Without limiting that obligation, you must take the following actions during the Term at your own expense: (i) thorough cleaning, repainting, and redecorating of the Restaurant's interior and exterior at intervals we periodically specify and at our direction; (ii) interior and exterior repair of the Restaurant and the site as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out, unsafe, or obsolete Operating Assets, or Operating Assets no longer meeting our Brand Standards, at intervals we periodically specify (or, if we do not specify an interval for replacing an Operating Asset, as that Operating Asset needs to be repaired or replaced).

In addition to your obligations described above, we periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Restaurant and/or incur higher operating costs. You agree to implement any changes in mandatory Brand Standards within the time period we request as if they were part of this Agreement on the Effective Date. However, except for changes in the

Computer System and signage and logo (i.e., Restaurant exterior and interior graphics), the timing and amounts for which are not limited, and except for changes provided in Sections 16.C.ii.(f) and (h) in connection with a transfer, the timing and amounts for which are not limited, we will not

obligate you, unless the expenditure is required by a lease or applicable Law, to make any capital modifications:

- i. during the first two (2) years of the Term (unless we also then require all other NAF NAF Restaurants, including NAF NAF Restaurants owned by us or our affiliates, to make the particular capital modifications, in which case you must take the action required of all other NAF NAF Restaurants); or
- ii. during the last two (2) years of the Term, unless the proposed capital modifications during those last two (2) years (the amounts for which are not limited) are in connection with Restaurant upgrades, remodeling, refurbishing, and similar activities for your acquisition of a successor franchise (as provided in Section 17.iii).

This means that, besides the rights we reserve above, we may from time to time, but not more than once during the Term by the end of the seventh (7<sup>th</sup>) year after the Restaurant commences operation (and unrelated to your potential acquisition of a successor franchise), require you substantially to alter the Restaurant's appearance, layout and/or design, and/or replace a material portion of the Operating Assets, in order to meet our then-current requirements and then-current Brand Standards for new NAF NAF Restaurants. You acknowledge that this could obligate you to make extensive structural changes to, and significantly remodel and renovate, the Restaurant, and/or to spend substantial amounts for new Operating Assets. You agree to spend any sums required in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining Term). Within sixty (60) days after receiving written notice from us, you must prepare plans according to the standards and specifications we prescribe and, if we require, using architects and contractors we designate or approve, and you must submit those plans to us for written approval. You agree to complete all work according to the plans we approve within the time period we reasonably specify and in accordance with this Agreement.

We also may from time to time require you to participate in certain test programs for new products, services, and/or Operating Assets. This could obligate you to spend money for new Operating Assets and to incur other operating costs associated with the Restaurant. We need not reimburse you for those items. You agree to maintain and timely send us any records and reports we require related to the test programs. We may discontinue any test programs before their scheduled completion dates and choose not to implement any changes to the Franchise System.

## **B. Compliance with Applicable Laws and Good Business Practices**

You must secure and maintain all licenses, permits, and certificates required for the Restaurant's operation and operate the Restaurant in full compliance with all Laws, including government regulations relating to occupational hazards, advertising, health, environment, employment, workers' compensation and unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales and service taxes. Your

advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. The Restaurant must in all dealings with its customers, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You

may not engage in any business or advertising practice that could injure our business and the goodwill associated with the Marks, the Franchise System, and other NAF NAF Restaurants. You must notify us in writing immediately if (i) any legal charge is asserted against you or the Restaurant (even if there is no formal proceeding), (ii) any action, suit, or proceeding is commenced against you or the Restaurant, (iii) you receive any report, citation, or notice regarding the Restaurant's failure to comply with any licensing, health, cleanliness, or safety Law or standard, or (iv) any bankruptcy or insolvency proceeding or an assignment for the benefit of creditors is commenced by or against you, your owners, or the Restaurant.

### **C. Compliance with Brand Standards**

You agree to comply with all Brand Standards, as we may periodically modify them, as if they were part of this Agreement. You may not offer, sell, or provide at or from the Restaurant any products or services not authorized in the Operations Manual. You must offer, sell, and provide all products and services we prescribe from time to time. Brand Standards may direct any aspect of the Restaurant's operation and maintenance, including any one or more of the following:

- i. required and/or authorized food products, beverages, recipes, and food-handling and preparation procedures; required and/or authorized services; unauthorized and prohibited food products, beverages, and services; storage, cooking, baking, and packaging procedures and techniques; and inventory requirements so the Restaurant may operate at full capacity. We always have the right to approve or disapprove in advance all items and services to be used or sold by the Restaurant. We may withdraw our approval of previously-authorized products and services;
- ii. sales, marketing, advertising, and promotional programs and the materials and media used in those programs, including participating in and complying with the requirements of any special advertising, marketing, and promotional programs we periodically specify;
- iii. adequate staffing levels for the Restaurant to operate the Restaurant in compliance with Brand Standards, appearance of Restaurant personnel, and courteous service to customers. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Restaurant employees are exclusively under your control at the Restaurant. You must communicate clearly with Restaurant employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of NAF NAF Restaurants, and our affiliates are not their employer and do not engage in any employer-type

activities (including those described above) for which only franchisees are responsible. You must obtain an acknowledgment (in the form we specify

or approve) from all Restaurant employees that you (and not we or our affiliates) are their employer;

- iv. standards, procedures, and requirements for responding to customer complaints, including reimbursing us promptly if we resolve a customer complaint because you fail to do so as or when required;
- v. maximum, minimum, or other pricing requirements for products and services the Restaurant sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all NAF NAF Restaurants must participate, and price advertising policies, in each case to the maximum extent the law allows;
- vi. standards and recommendations for training your Restaurant's supervisory personnel to follow Brand Standards;
- vii. use and display of the Marks at the Restaurant and on napkins, boxes, bags, wrapping paper, labels, forms, paper and plastic products, and other supplies;
- viii. delivery and catering services, including your obligation to deliver products to customers, to engage with third-party food ordering and delivery systems, and to ring up and account for delivery and catering charges not included in the price of products only in the manner we permit;
- ix. quality-assurance, food-safety audit, guest-satisfaction, "mystery-shop," and in-Restaurant music programs, including your using and paying directly our designated third-party service providers;
- x. days and hours of operation;
- xi. accepting credit and debit cards and other payment systems;
- xii. issuing and honoring/redeeming gift certificates, coupons, and gift and loyalty cards and administering customer loyalty and similar programs. You must participate in, and comply with the requirements of, our gift card and other customer loyalty programs. You agree that we may draft from your bank account all monies paid to you for gift cards and similar customer loyalty initiatives and hold those monies until the gift cards and similar customer loyalty initiatives are redeemed at a NAF NAF Restaurant. However, we may keep any prepaid amounts that are not used by customers to the extent allowed by Law. We also may cap the amounts we reimburse you when a gift card is used to pay for the Restaurant's products and services if that gift card was purchased at a discounted price at a retailer other than a NAF NAF Restaurant;

- xiii. standards and procedures for using blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, ~~live-~~  
live-blogging

blogging tools like Twitter, virtual worlds, file, audio, and video-sharing sites, and other similar social-networking media or tools (collectively, “Social Media”) that in any way reference the Marks or involve the Restaurant (except to the extent our standards or procedures are prohibited under Law); and

xiv. any other aspects of operating and maintaining the Restaurant that we determine are useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and NAF NAF Restaurants.

Brand Standards will not include any employment-related policies or procedures or dictate or regulate the employment terms and conditions for the Restaurant’s employees. Any information we provide (in the Operations Manual or otherwise) concerning employment-related policies or procedures, or relating to employment terms and conditions for Restaurant employees, is only a recommendation, and not a requirement, for your optional use.

As described in Section 7.A above, we have the right periodically to modify and supplement Brand Standards, which may require you to invest additional capital in the Restaurant and incur higher operating costs. Those Brand Standards will constitute legally binding obligations on you when we communicate them. Although we retain the right to establish and modify periodically the Brand Standards you have agreed to follow, you retain complete responsibility and authority for the Restaurant’s management and operation and for implementing and maintaining Brand Standards at the Restaurant.

You acknowledge the importance of operating the Restaurant in full compliance with this Agreement and Brand Standards. You further acknowledge that your deviation from any contractual requirement, including any Brand Standard, is a violation of this Agreement and will trigger incalculable administrative and management costs for us to address the violation (separate and apart from any damages your violation might cause to the Franchise System, our business opportunities, or the goodwill associated with the Marks). Therefore, you agree to compensate us for our incalculable administrative and management costs by paying us Two Hundred Fifty Dollars (\$250) for each deviation from a contractual requirement, including any Brand Standard, cited by us (**the “Non-Compliance Fee”**). (The Non-Compliance Fee does not apply to payment defaults for which we may charge late fees and interest under Section 5.D above.) We and you deem the Non-Compliance Fee to be a reasonable estimate of our administrative and management costs and not a penalty. We may debit your bank account for Non-Compliance Fees or set off monies otherwise due and payable to you to cover the payment of Non-Compliance Fees. We must receive the Non-Compliance Fee within five (5) days after we notify you that we are charging it due to your violation. We need not give you a cure opportunity before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not prevent us from seeking to recover damages to the Franchise System, our business opportunities, or the goodwill associated with the Marks due to your violation, seeking injunctive relief to restrain any subsequent or continuing violation, and/or formally defaulting you and terminating this Agreement under Section 18.B.

#### **D. Operating Principal**

Upon signing this Agreement, you must designate an owner owning at least twenty percent (20%) of your ownership interests to serve as your operating principal (the “**Operating Principal**”). The Operating Principal will communicate directly with us on behalf of your franchise. Your Operating Principal’s decisions will be final and binding on you, we may rely solely on the Operating Principal’s decisions without discussing the matter with another person or entity, and we will not be liable for actions we take based on your Operating Principal’s decisions or actions. The Operating Principle is required to attend a 3-5 day Executive Training at a Naf Naf Corporate training location.

You must also designate an owner owning at least five percent (5%) of your ownership interests to serve as your operating partner (the “**Operating Partner**”). At all times during the Term, there must be an Operating Principal and an Operating Partner in place. An Operating Principal may also serve as Operating Partner.

The Operating Partner must meet the following qualifications and any other standards we set forth from time to time in the Operations Manual or otherwise communicate to you:

- i. We must approve the proposed Operating Partner in writing before the Effective Date. We have the right, as we deem best, to approve or disapprove the proposed Operating Partner or any proposed change in the individual designated as the Operating Partner.
- ii. The Operating Partner is responsible for managing your day-to-day business. The Operating Partner must have sufficient decision-making authority to make decisions on your behalf that are essential to the Restaurant’s effective and efficient operation. The Operating Partner must communicate directly with us regarding any Restaurant-related matters (excluding matters relating to labor relations and employment practices).
- iii. The Operating Partner may be a Restaurant Manager (for the first Naf Naf Restaurant only) or may designate other individuals to serve as Restaurant Managers, provided the Operating Partner ensures that the designees fulfill all obligations in accordance with this Agreement’s terms. The Operating Partner remains fully responsible for each Restaurant Manager’s performance.
- iv. The Operating Partner must successfully complete Initial Training before you open the Restaurant to the public. If the Operating Partner fails to complete Initial Training to our satisfaction, we may terminate this Agreement in accordance with Section 18. The Initial Franchise Fee is not refundable.
- v. If you want or need to change the individual designated as the Operating Partner, you must immediately seek a new individual (the “Replacement

Operating Partner”) for that role in order to protect our brand. You must appoint the Replacement Operating Partner within thirty (30) days after the former Operating Partner no longer occupies that position. One of your

other owners must serve as the operating partner until you designate, and we approve in writing, the Replacement Operating Partner. The Replacement Operating Partner must satisfactorily complete Initial Training within thirty (30) days after we approve the individual. No fee is due for training at our own designated training location. However, you are responsible for the Replacement Operating Partner's compensation and travel and living expenses during training.

#### **E. Approved Products, Services, and Suppliers**

We may periodically designate and approve standards, specifications, brands, models, manufacturers, suppliers, and/or distributors for the Operating Assets and other products and services we periodically authorize for use or sale by NAF NAF Restaurants. You must purchase or lease all Operating Assets and other products and services you use or sell at the Restaurant only according to our Brand Standards and, if we require, only from suppliers or distributors we designate or approve (which may include or be limited to us, certain of our affiliates, and/or other restricted sources). We and/or our affiliates may derive revenue based on your purchases and leases, including, without limitation, from charging you (at prices exceeding our and their costs) for products and services we or our affiliates sell you and from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by suppliers that we designate, approve, or recommend for some or all NAF NAF Restaurant franchisees. We and our affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes we and our affiliates deem appropriate.

If you want to purchase or lease any Operating Assets or other products or services from a supplier or distributor we have not then approved (if we require you to buy or lease the product or service only from an approved supplier or distributor), then you must establish to our reasonable satisfaction that the product or service is of equivalent quality and functionality to the product or service it replaces and the supplier or distributor is, among other things, reputable, financially responsible, and adequately insured for product liability claims. You must pay upon request any actual expenses we incur to determine whether or not the products, services, suppliers, or distributors meet our requirements and specifications. We may condition our written approval of a supplier or distributor on requirements relating to product quality and safety, prices, consistency, warranty, reliability, financial capability, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, at our option, either directly to us or to any third party we designate for testing. If we approve a supplier or distributor you recommend, you agree that we may allow other NAF NAF Restaurants to purchase or lease the Operating Assets or other products or services from those suppliers or distributors without limitation and without compensation to you. Despite the foregoing, we may limit the number of approved suppliers and distributors with which you may deal, designate sources you must use, and refuse any of your requests for any reason, including, without limitation, because we have already

designated an exclusive source (which might be us or one of our affiliates) for a particular item or service or believe that doing so is in the NAF NAF Restaurant network's best interests. We make no guaranty, warranty, or promise that we will obtain the best pricing or most advantageous terms

on behalf of NAF NAF Restaurants. We also do not guaranty the performance of suppliers and distributors to NAF NAF Restaurants. We are not responsible or liable if the products or services provided by a supplier or distributor fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

We have the right (without liability) to consult with your suppliers about the status of your account with them and to advise your suppliers and others with whom you, we, our affiliates, and other franchisees deal that you are in default under any agreement with us or our affiliates (but only if we or our affiliate has notified you of such default).

#### **F. Computer System**

You agree to obtain and use the computer hardware and software, point-of-sale system, dedicated telephone and power lines, modems, printers, tablets, smart phones, and other computer-related accessories and peripheral equipment we periodically specify (the “**Computer System**”). At our option, you must use the Computer System to access the Intranet and to input and access information about your sales and operations. You must maintain the Computer System’s continuous operation. We will have unlimited access to all information maintained on the Computer System (excluding matters relating to labor relations and employment practices) and to the content of any NAF NAF e-mail accounts we provide you.

We may periodically modify the Computer System’s specifications and components. Our modification of Computer System specifications, and/or other technological developments or events, may require you to purchase, lease, or license new or modified computer hardware, software, peripherals, and other components and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, you must incur the costs to obtain the computer hardware, software, peripherals, and other components comprising the Computer System (and additions and modifications) and required service or support. These costs are not covered by the Tech Fee you must pay us under Section 5.C above. Within ninety (90) days after we deliver notice to you, you must obtain the Computer System components we designate and ensure that your Computer System, as modified, is functioning properly.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed or maintained by or for us (including the Intranet), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates periodically prescribe to regulate your use of, and our (or our affiliates’) and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you upfront and ongoing fees for any required or recommended proprietary software or technology we or our affiliates license to you if we determine in our sole judgment that the license of the proprietary software or technology is not covered by the Tech Fee you must pay us.

Despite your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) acquiring, operating, maintaining, and upgrading the Computer System; (2) the manner in which your

Computer System interfaces with our and any third party's computer system; (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded; and (4) independently determining what is required for you to comply (and then complying) at all times with the most current version of the Payment Card Industry Data Security Standards, and with all Laws governing the use, disclosure, and protection of Consumer Data (defined in Section 10) and the Computer System, and validating compliance with those standards and Laws as may be periodically required. The Computer System must permit twenty-four (24) hours per day, seven (7) days per week electronic communications between you and us, including access to the Internet and Intranet (but excluding matters relating to labor relations and employment practices).

## **G. Intranet**

We have established and may maintain an Intranet. We will issue Brand Standards for the Intranet's use. Those Brand Standards will address, among other things, (1) restrictions on using abusive, slanderous, or otherwise offensive language in electronic communications, (2) restrictions on communications among franchisees endorsing or encouraging breach of any franchisee's franchise agreement, (3) confidential treatment of materials we transmit via the Intranet, (4) password protocols and other data security precautions, (5) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, (6) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet, and (7) our right to remove any posts we consider to be inconsistent with our Brand Standards for the Intranet's use. We expect to adopt and adhere to a reasonable privacy policy. However, as the Intranet's administrator, we have the right to access and view any communication posted on the Intranet. We will own all intellectual property and other rights in the Intranet and all information it contains, including its domain name or URL, the log of "hits" by visitors, any personal or business data visitors supply, and all information relating to the Restaurant's customers, whether that information is contained on your Computer System or our (or our designee's) computer system (collectively, the "Data").

You must establish and continually maintain electronic connection with the Intranet allowing us to send messages to and receive messages from you. Your obligation to maintain connection with the Intranet applies during the entire Term (unless we dismantle the Intranet or suspend your access). You must pay our then-current monthly or other fee to participate in the Intranet or as we otherwise require to maintain and operate the Intranet. We do not currently charge a fee for the Intranet. If you fail to pay when due any required amount, or fail to comply with any Intranet Brand Standard, we may (in addition to our other rights under this Agreement) temporarily suspend your access to any chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach.

## **8. Marks**

### **A. Ownership and Goodwill of Marks**

Your right to use the Marks is derived only from this Agreement and is limited to your operating the Restaurant according to this Agreement and all mandatory Brand Standards we prescribe during the Term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our (and our licensor's) rights in the Marks. Any use of the Marks relating to the

Restaurant, and any goodwill that use establishes, are for our (and our licensor's) exclusive benefit. We (and our licensor) may take the action necessary to enforce all trademark use obligations under this Agreement. This Agreement does not confer any goodwill or other interests in the Marks upon you, other than the right to operate the Restaurant according to this Agreement. All provisions in this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we periodically authorize you to use. You may not at any time during or after the Term contest or assist any other person to contest the validity, or our (or our licensor's) ownership, of the Marks.

**B. Limitations on Use of Marks**

You agree to use the Marks as the Restaurant's sole identification, subject to the notices of independent ownership we periodically designate. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you), (iii) in selling any unauthorized products or services, (iv) as part of any domain name, homepage, electronic address, metatag, or otherwise in connection with any website or other online presence without our consent, (v) in any user name, screen name, or profile in connection with any Social Media sites, except in compliance with our guidelines set forth in the Operations Manual or otherwise communicated to you, or (vi) in any other manner we have not expressly authorized in writing. You may not use any Mark to advertise the transfer, sale, or other disposition of the Restaurant or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You must give the notices of trademark and service mark registrations we periodically specify and obtain any fictitious or assumed name registrations that applicable Law requires. You may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Marks (unless the Marks are readily removable from such property) and must advise your proposed lenders of this restriction.

To the extent you use any Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of Restaurant employees and that we, as the franchisor of NAF NAF Restaurants, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Restaurant employees that you (and not we or our affiliates) are their employer.

**C. Notification of Infringements and Claims**

You agree to notify us immediately of any actual or apparent infringement or challenge to your use of any Mark, any person's claim of any rights in any Mark (or any identical or confusingly similar trademark), or unfair competition relating to any Mark. You may not communicate with any person other than us and our licensor, our respective attorneys, and your attorneys regarding any infringement, challenge, or claim. We and our licensor may take the action we deem

appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You must sign any documents and take any other reasonable actions we and our, and our licensor's, attorneys deem necessary or advisable to protect

and maintain our (and our licensor's) interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our (and our licensor's) interests in the Marks.

**D. Discontinuance of Use of Marks**

If we believe at any time that it is advisable for us and/or you to modify, discontinue using, and/or replace any Mark, and/or to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse your expenses to comply with those directions (such as your costs to change signs or to replace supplies for the Restaurant), any loss of revenue due to any modified or discontinued Mark, or your expenses to promote a modified or substitute trademark or service mark.

**E. Indemnification for Use of Marks**

We agree to reimburse your damages and expenses incurred in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided your use has been consistent with this Agreement, the Operations Manual, and Brand Standards communicated to you and you have timely notified us of, and complied with our directions in responding to, the proceeding. At our option, we and/or our affiliate(s) may defend and control the defense of any proceeding arising from or relating to your use of any Mark under this Agreement.

**9. Confidential Information**

We and certain of our affiliates possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law, relating to developing and operating NAF NAF Restaurants (the “**Confidential Information**”), which includes, but is not limited to:

- i. information in the Operations Manual and our Brand Standards;
- ii. layouts, designs, and other Plans for NAF NAF Restaurants;
- iii. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating NAF NAF Restaurants;
- iv. marketing research and promotional, marketing, and advertising programs for NAF NAF Restaurants;
- v. strategic plans, including expansion strategies and targeted demographics;

- vi. knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, products, services, materials, and supplies that NAF NAF Restaurants use and sell;

- vii. knowledge of the operating results and financial performance of NAF NAF Restaurants other than the Restaurant;
- viii. customer solicitation, communication, and retention programs, along with Data used or generated in connection with those programs;
- ix. all Data and other information generated by, or used or developed in, operating the Restaurant, including Consumer Data, and any other information contained from time to time in the Computer System or that visitors (including you) provide to the System Website; and
- x. any other information we reasonably designate as confidential or proprietary.

You will not acquire any interest in any Confidential Information, other than the right to use certain Confidential Information as we specify in operating the Restaurant during the Term according to Brand Standards and this Agreement's other terms and conditions. You acknowledge that using any Confidential Information in another business would constitute an unfair method of competition with us and our affiliates, suppliers, and franchisees. You acknowledge and agree that Confidential Information is proprietary, includes our and our affiliates' trade secrets, and is disclosed to you only on the condition that you, your owners, your Operating Principal, and your employees agree, and you and they do agree:

- i. not to use any Confidential Information in another business or capacity and at all times to keep Confidential Information absolutely confidential, both during and after the Term (afterward for as long as the information is not generally known in the restaurant industry);
- ii. not to make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;
- iii. to adopt and implement all reasonable procedures we periodically specify to prevent unauthorized use or disclosure of Confidential Information, including disclosing it only to Restaurant personnel and others needing to know the Confidential Information in order to operate the Restaurant and using confidentiality and non-disclosure agreements with those having access to Confidential Information. (We have the right to pre-approve the forms of agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of NAF NAF Restaurants. Under no circumstances will we control the forms or terms of employment agreements you use with Restaurant employees or otherwise be responsible for your labor relations or employment practices); and

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- iv. not to sell, trade, or otherwise profit in any way from the Confidential Information (including by selling or assigning any Consumer Data or related information or Data), except during the Term using methods we have approved.

“Confidential Information” does not include information, knowledge, or know-how that lawfully is or becomes generally known in the restaurant industry or that you knew from previous business experience before we gave you access to it (directly or indirectly) or before you began training or operating the Restaurant. If we include any matter in Confidential Information, anyone claiming it is not Confidential Information must prove that the exclusion in this paragraph applies.

## **10. Consumer Data**

You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers (“**Consumer Data**”) and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all Laws governing the use, protection, and disclosure of Consumer Data. If there is a Data Security Incident at the Restaurant, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the NAF NAF Restaurant brand (including giving us or our designee access to your Computer System, whether remotely or at the Restaurant). We (and our designated affiliates) have the right, but no obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and all franchise term for the new

NAF NAF® Restaurants. your failure to comply with this Agreement or any requirements for protecting the Computer System and Consumer Data, you must indemnify us under Section 20.E. “**Data Security Incident**” means any act that initiates either internally or from outside the Restaurant’s computers, point-of-sale terminals, and other technology or networked environment and violates the Law or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the Franchise System, NAF NAF Restaurants, or their Data or to view, copy, or use Consumer Data or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial of service; unauthorized use of a system for processing or storage of Data; and changes to system hardware, firmware, or software characteristics without our knowledge, instruction, or consent.

## **11. Innovations**

All ideas, concepts, techniques, or materials relating to a NAF NAF Restaurant, whether or not protectable intellectual property and whether created by or for you or your owners, employees, or contractors (“**Innovations**”), must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any Innovation does not qualify as a “work made-for-hire” for us, by this paragraph you assign ownership of and all related rights to that Innovation to us and agree to sign (and to cause your owners, employees,

and contractors to sign) whatever assignment or other documents we periodically request to evidence our ownership and to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating the Restaurant or otherwise without our prior written approval.

## 12. Exclusive Relationship

You acknowledge that we granted you the rights under this Agreement in consideration of and reliance upon your and your owners' agreement to deal exclusively with us with respect to the products and services that NAF NAF Restaurants offer and sell. You therefore agree that, during the Term, neither you, your owners, nor any members of your or their Immediate Families (defined below) will:

- i. have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange and representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding;
- ii. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
- iii. directly or indirectly loan any money or other thing of value, or guarantee any other person's loan, to any Competitive Business or any owner, director, officer, manager, employee, or agent of any Competitive Business, wherever located or operating; or
- iv. divert or attempt to divert any actual or potential business or customer of the Restaurant to a Competitive Business.

The term “**Competitive Business**,” as used in this Agreement, means any (a) restaurant or other food-service business for which thirty percent (30%) or more of the food menu (i.e., excluding beverages) consists of Middle Eastern- and/or Mediterranean-style items, or (b) business granting franchises or licenses to others to operate the type of business described in clause (a), other than a NAF NAF Restaurant operated under a franchise agreement with us. The term “**Immediate Family**” includes the named individual, his or her spouse, and all children of the named individual or his or her spouse. You agree to obtain similar covenants from your senior personnel whom we specify, including the Restaurant Manager and officers and directors, by having them sign the form of agreement we specify or pre-approve. We may pre-approve the forms of agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of NAF NAF Restaurants. Under no circumstances will we control the forms or terms of employment agreements you use with Restaurant employees or otherwise be responsible for your labor relations or employment practices.

## 13. Advertising and Marketing

### A. Market Introduction Program

You must conduct and spend at least Ten-Thousand Dollars (\$10,000) on a market introduction program for the Restaurant. We expect this program to begin approximately one (1)

month before and to continue for approximately one (1) month after the Restaurant opens (although we may specify a different timeframe). We will consult with you about the type of market introduction program that we believe is most suitable for your Restaurant's market. We must pre-approve in writing your proposed market introduction program, and you must send it to us for review at least fifteen (15) days, before its planned rollout date. If we do not accept the market introduction program in writing within fifteen (15) days after receiving it, it will be deemed rejected. You agree to implement the approved program according to Brand Standards and our other requirements. At our request, you must pay us for the program's anticipated costs, which we then will either spend on your behalf in the Restaurant's market or re-pay you as you send us invoices or receipts confirming your commitment with vendors to move forward with the approved program.

## **B. Brand Fund**

We have established a fund ("**Brand Fund**" or "**Fund**") for advertising, marketing, research and development, public relations, social media management, and customer relationship management programs and materials, the purpose of which is to enhance, promote, and protect the NAF NAF Restaurant brand and Franchise System. You agree to contribute to the Brand Fund the amounts we periodically specify, but not to exceed three percent (3%) of the Restaurant's Net Sales during each two (2) calendar-week period (except as provided below). Your Brand Fund contribution is due and payable at the same time and in the same manner as the Royalty or in such other manner we periodically specify. NAF NAF Restaurants that we and our affiliates own are not required to contribute to the Brand Fund.

We have the right to increase your required Brand Fund contribution by up to an additional two percent (2%) of the Restaurant's Net Sales (for a total of up to five percent (5%) of the Restaurant's Net Sales) to the extent we concurrently and proportionately reduce your minimum required Local Marketing Spending Requirement under Section 13.D below. (Your minimum required expenditures under this Section 13.B and under Sections 13.D and 13.E below will not exceed, in the aggregate, five percent (5%) of the Restaurant's Net Sales. We may adjust the percentages among the various required expenditures throughout the Term.)

We will direct all programs the Brand Fund finances, with sole control over all creative and business aspects of the Fund's activities. The Brand Fund may pay for preparing, producing, and placing video, audio, and written materials, digital and electronic media, and Social Media; developing, maintaining, and administering one or more System Websites; administering national, regional, and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; establishing regional and national promotions and partnerships and hiring spokespersons to promote the NAF NAF Restaurant brand; and supporting public relations, market research and development, and other advertising, promotion, marketing, and brand-related activities. The Brand Fund periodically may give you samples of advertising, marketing, and promotional formats and materials (collectively,

“**Marketing Materials**”) at no cost. We may sell you multiple copies of Marketing Materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Brand Fund separately from our other funds (although we need not keep Brand Fund contributions in a separate bank account) and not use the Brand Fund for any of our general operating expenses. However, the Brand Fund may reimburse us and our affiliates for the reasonable salaries and benefits of personnel who manage and administer, or otherwise provide assistance or services to, the Brand Fund (including, without limitation, our culinary, creative, public relations, marketing, and social media personnel); the Brand Fund's administrative costs; travel expenses of personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and other expenses we and our affiliates incur administering or directing the Brand Fund and its programs, including conducting market research, preparing Marketing Materials, collecting and accounting for Brand Fund contributions, paying taxes due on Brand Fund contributions we receive, and any other costs or expenses we incur operating or as a consequence of the Fund. The Brand Fund is not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may use new Brand Fund contributions to pay Brand Fund deficits incurred during previous years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and allow you to review it upon reasonable request. We may (but need not) have the Brand Fund audited annually, at the Brand Fund's expense, by a certified public accountant we designate. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 13.B.

The Brand Fund's principal purposes are to maximize recognition of the Marks, increase patronage of NAF NAF Restaurants, and enhance, promote, and protect the NAF NAF Restaurant brand and Franchise System. Although we will try to use the Brand Fund in the aggregate to develop and implement Marketing Materials and programs benefiting all NAF NAF Restaurants, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by NAF NAF Restaurants operating in that geographic area or that any NAF NAF Restaurant benefits directly or in proportion to its Brand Fund contribution from the development of Marketing Materials or the implementation of programs. The Brand Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs (including the System Website) prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect unpaid Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this Section 13.B, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may at any time defer or reduce the Brand Fund contributions of any NAF NAF Restaurant franchisee and, upon thirty (30) days' prior written notice to you, reduce or suspend

Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will either (i) spend the remaining Fund balance on permitted programs and expenditures or (ii) distribute all unspent

funds to our then-existing franchisees, and to us and our affiliates, in proportion to their and our respective Brand Fund contributions during the preceding twelve (12) month period.

### **C. Approval of Marketing and Other External Communications**

All advertising, promotion, marketing, and public relations activities you conduct and Marketing Materials you prepare must be legal and not misleading and conform to the policies set forth in the Operations Manual or that we otherwise prescribe from time to time. To protect the goodwill that we and certain of our affiliates have accumulated in the “NAF NAF” name and other Marks, at least thirty (30) days before you intend to use them, you must send us samples or proofs of (a) all Marketing Materials we have not prepared or already approved, and (b) all Marketing Materials we have prepared or already approved which you propose to change in any way. However, you need not send us any Marketing Materials in which you have simply completed the missing Restaurant-specific or pricing information based on templates we sent you. If we do not approve your Marketing Materials in writing within twenty (20) business days after we actually receive them, they will be deemed approved for use. We will not unreasonably withhold our approval. You may not use any Marketing Materials we have not approved or have disapproved. We reserve the right upon thirty (30) days’ prior written notice to require you to discontinue using any previously-approved Marketing Materials.

### **D. Local Marketing**

You agree to spend at least two percent (2%) of the Restaurant’s monthly Net Sales on approved Marketing Materials and advertising, marketing, and promotional programs for the Restaurant (the “**Local Marketing Spending Requirement**”). We will not count any of the following expenditures towards your Local Marketing Spending Requirement: Brand Fund contributions, price discounts or reductions you provide as a promotion, permanent on-premises signs, lighting, administrative costs, transportation vehicles (even if they display the Marks), employee incentive programs, and other amounts that we, in our reasonable judgment, deem inappropriate to satisfy the Local Marketing Spending Requirement. You must share with us periodically (every two to three months) your local marketing plan, and obtain our pre-approval of that plan. Then, after executing the marketing plan, you must provide us with copies of receipts documenting that you spent the required 2% of your Restaurant’s monthly Net Sales on approved Marketing Materials and programs. ~~Alternatively, you may pay us the Local Marketing Spending Requirement at the same time and in the same manner as the Royalty, or in such other manner as we periodically specify, and we will spend the amounts that you pay us as the Local Marketing Spending Requirement for advertising, marketing and promotional programs in your market, in accordance with a brand local store marketing plan that has been adapted and optimized for your market. If you choose to create and execute your own local marketing plan, and~~ If we determine that you are not spending the required amount, that you are failing to create an effective plan, that you are not obtaining our pre-approval of your plan, or that you are not executing well on your plan, then we may require that you pay us the 2% of your Restaurant’s monthly Net Sales for us to spend in your local market.

You acknowledge that the marketing activities in which you engage will materially affect your Restaurant’s success or lack of success. While you agree to the Local Marketing Spending Requirement above, that amount might be insufficient for you to achieve your business objectives.

Subject to the minimum above, you alone are responsible for determining how much to spend on, and the nature of, Marketing Materials and other approved advertising, marketing, and promotional programs for the Restaurant in order to achieve your business objectives. You may need to include

an employee dedicated to marketing on your operations team in order to successfully implement adequate advertising, marketing and promotional programs for the Restaurant.

**E. Regional Advertising Cooperatives**

We may designate a geographic area for an advertising cooperative (a “**Cooperative**”). The Cooperative’s members in any area are the owners of all NAF NAF Restaurants located and operating in that area (including us and our affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine. We may change, dissolve, and merge Cooperatives. Each Cooperative’s purpose is, with our approval, to administer advertising programs and develop Marketing Materials for the area the Cooperative covers. If, as of the Effective Date, we have established a Cooperative for the geographic area in which the Restaurant is located, or if we establish a Cooperative in that area during the Term, you automatically will become a member of the Cooperative and then must participate as its governing documents require. We reserve the right to require you to contribute up to two percent (2%) of the Restaurant’s monthly Net Sales to the Cooperative. Any Cooperative dues you contribute will count toward the Local Marketing Spending Requirement under Section 13.D but will not affect your market introduction program obligations under Section 13.A or be credited toward your required Brand Fund contributions.

**F. System Website**

We or our designees may establish a website or series of websites for the NAF NAF Restaurant network: (1) to advertise, market, and promote NAF NAF Restaurants, the products and services they offer, and/or the NAF NAF Restaurant franchise opportunity; (2) to function as the Intranet; and/or (3) for any other purposes we deem appropriate for NAF NAF Restaurants (collectively, the “**System Website**”). The System Website may, but need not, provide you with a separate interior webpage or “micro-site” (accessible only through the System Website) referencing your Restaurant and/or otherwise allow you to participate in the System Website. Only we may develop and modify a micro-site for you. Your micro-site always must comply with Brand Standards. You must give us the information and materials we request for you to participate in the System Website, whether or not on a micro-site. In doing so, you represent that they are accurate and not misleading and do not infringe another party’s rights. We will own all intellectual property and other rights in the System Website, your micro-site, and all information they contain (including, without limitation, any Data).

We will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the System Website, including your micro-site (if any). We will update or add information on your micro-site, if any, as frequently as we deem appropriate. You must pay our then-current monthly or other fee to participate in the various aspects of the System Website or as we otherwise require to maintain and operate the System Website’s various features and functions (if, or to the extent, the Brand Fund or Tech Fee does not pay for these costs). We have final approval rights over all information on the System Website, including your micro-site, if any. We may implement and periodically modify Brand Standards for the System Website.

We will maintain your micro-site, if any, and otherwise allow you to participate in the System Website only while you are in substantial compliance with this Agreement and all Brand

Standards (including those for the System Website). If you are in material default of any obligation under this Agreement or Brand Standards, we may, in addition to our other remedies, temporarily suspend your participation in the System Website until you fully cure the default. We will permanently terminate your access to and participation in the System Website upon this Agreement's expiration or termination.

All Marketing Materials you develop for the Restaurant must contain notices of the System Website's URL in the manner we periodically designate. You may not develop, maintain, or authorize any other website, online presence, or electronic medium mentioning or describing the Restaurant or displaying any Marks without our prior written approval. Except for the System Website, you may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.

Nothing in this Section limits our right to maintain websites other than the System Website or to offer and sell products and services under the Marks from the System Website, another website, or otherwise over the Internet without payment or any other obligation to you.

- G. Social Media Channels.** We or our designees establish, manage and own different current and upcoming social media channels for the NAF NAF Restaurant network to (1) advertise, market, and promote NAF NAF Restaurants, the products and services they offer, and or the NAF NAF Restaurant franchise opportunity; (2) for any other purposes we deem appropriate for NAF NAF Restaurants (collectively, the "Social Media Channels"). We may, but need not, approve you to create a separate social media presence referencing your Restaurant for local purposes only, and it's at our discretion to approve or deny a request for a local page. If approved, the local page must be set up as a child of the principal brand page where NAF NAF can have access and authority to review, edit, delete and manage the content of the page and any data associated with it. The name, look and feel and content of those local social media channels must follow all our brand standards and require prior written approval from NAF NAF. We will own all intellectual property and other rights in the Social Media Channels, and all information they contain. We may at any time request access, control, pause, deactivate, merge or delete your local Social Media Channels and we may use the Brand Fund's assets or the Tech Fee to develop, maintain, operate, update, and market, the Social Media Channels.

#### **14. Records, Reports, and Financial Statements**

In order to assure consistency and reliability with respect to the various forms of financial reporting you must make to us, you must establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats (including, at our option, the accounting methods and chart of accounts) we prescribe from time to time. The records and information contained in this system will not include any records or information relating to the Restaurant's employees, as you control exclusively your labor relations and employment practices. You must use a Computer System to maintain certain revenue data and other information (including Consumer Data) and give us access to that data and other information (but excluding employee records, as you control exclusively your labor relations and employment practices) in the manner we specify. We may, as often as we deem appropriate (including on a

daily, continuous basis), independently access the Computer System and retrieve all information

regarding the Restaurant's operation (other than Restaurant employee records, as you control exclusively your labor relations and employment practices). You must give us:

- i. on or before the Payment Day, statistical reports showing the Restaurant's total Net Sales, product mix, customer count, and other information we request regarding you and the Restaurant covering the previous two-week period;
- ii. within forty-five (45) days after the end of each of your fiscal years, annual profit and loss and cash flow statements; and
- iii. within fifteen (15) days after our request, exact copies of federal and state income, sales tax, and other tax returns and any other forms, records, books, reports, and other information we periodically require relating to you or the Restaurant (other than Restaurant employee records, as you control exclusively your labor relations and employment practices).

You must submit to us, using the forms that we provide to you, complete and accurate statements of (i) the costs that you incurred developing the Restaurant prior to the Opening Date, which shall be due to us within 30 calendar days after the Opening Date and (ii) the costs that you incur during the first ninety (90) days of operating your Restaurant, which shall be due to us within 120 calendar days after the Opening Date.

We may periodically specify the form and content of the reports and financial statements described above. You must verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data from such reports and statements (and to identify the Restaurant as the source of such reports and statements) for any business purpose we determine in our sole judgment, including the right to identify the Restaurant and disclose its individual financial results in both a financial performance representation appearing in Item 19 of our franchise disclosure document and a supplemental financial performance representation.

You agree to preserve and maintain all records, in the manner we periodically specify, in a secure location at the Restaurant or at another location we have approved in writing for at least five (5) years after the end of the fiscal year to which such records relate or for any longer time the Law requires. If we reasonably determine that any report or financial statement you send us is willfully or recklessly, and materially, inaccurate, we may require you to prepare audited financial statements annually during the Term until we determine that your reports and statements accurately reflect the Restaurant's business and operations.

If you fail to give us any statistical, financial, accounting, or other report, statement, or record we require for the Restaurant by the specified deadline, we may require you to pay us One Hundred Dollars (\$100) for each day the requested report, statement, or record is late (the "Records Deficiency Fee"). The Records Deficiency Fee, should one be charged, is deemed by us and you to be a reasonable estimate of our administrative and management costs to address your failure to submit the required report, statement, or record by its due date. The Records Deficiency Fee is not a penalty. We may debit your account for the Records Deficiency Fee or set off monies otherwise

correct due and payable to you to cover the payment of the Records Deficiency Fee. You also must

your records deficiency, which is a default under this Agreement, whether or not we charge the Records Deficiency Fee.

## **15. Inspections and Audits**

### **A. Inspections**

To determine whether you and the Restaurant are complying with this Agreement, all Brand Standards, and food safety standards, we and our designated representatives and vendors (including “mystery” shoppers) have the right before you open the Restaurant for business and afterward from time to time during your regular business hours, and without prior notice to you, to inspect and evaluate the Restaurant, observe and record operations (including through electronic monitoring), remove samples of products and supplies, interview and interact with the Restaurant’s supervisory employees and customers, inspect all books and records relating to the Restaurant, and access all electronic records on your Computer System to the extent necessary to ensure compliance with this Agreement and all Brand Standards (in all cases excluding records relating to labor relations and employment practices, as you control exclusively labor relations and employment practices for Restaurant employees). You must cooperate with us and our representatives and vendors in those activities. We will give you a written summary of the evaluation. Without limiting our other rights and remedies under this Agreement, you must promptly correct at your own expense all deficiencies (i.e., failures to comply with Brand Standards) noted by our evaluators within the time period we specify under the audit process in the operations manual.

We then may conduct , or pay a third party to conduct, one or more follow-up evaluations to confirm that you have corrected the deficiencies and otherwise are complying with this Agreement and all Brand Standards. You must pay the actual costs of ~~the first~~each follow-up audit, including our personnel’s daily charges (including wages) of Five Hundred to One Thousand Dollars (\$500 - \$1000) per day and travel, hotel, and living expenses. ~~We, if applicable. In addition, we~~ may charge you a One Thousand Five Hundred Dollar (\$1,500) inspection fee, ~~plus our personnel’s daily charges (including wages) of Five Hundred to One Thousand Dollars (\$500 – \$1000) per day and travel, hotel, and living expenses,~~ for the second and each follow-up evaluation we make, and for each inspection you specifically request, until your Restaurant meets Brand Standards.

Because we do not have the right to inspect your employment records, you agree to confirm for us periodically (in the manner specified in Brand Standards) that the Restaurant’s employees have all certifications required by Law.

### **B. Our Right to Audit**

We and our designated representatives may at any time during your business hours, and without prior notice to you, examine the Restaurant’s business, bookkeeping, and accounting records, sales and income tax records and returns, and other records (other than records we have no authority to control and/or remedy, such as your employment records, as you control exclusively your labor relations and employment practices). You must fully cooperate with our representatives and independent accountants conducting any inspection or audit. If any inspection or audit discloses an understatement of the Restaurant’s Net Sales, you must pay us, within ten

(10) days after receiving the inspection or audit report, the amounts due on the understatement plus

our administrative fee and interest from the date originally due until the date of payment. If any inspection or audit discloses an overstatement of the Restaurant's Net Sales, we will credit you (without interest) for the overpayment. Further, if an inspection or audit is necessary due to your failure to furnish reports, supporting records, or other information as required or on a timely basis, or if our examination reveals an understatement exceeding two percent (2%) of the amount you actually reported to us for the period examined, you must reimburse our costs for the examination, including, without limitation, legal fees, independent accountants' fees, and travel expenses, room and board, and compensation for our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable Law.

## **16. Transfer**

### **A. Transfer by Us**

We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After we assign this Agreement to a third party that expressly assumes this Agreement's obligations, we no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to you as if it had been an original party to this Agreement. Specifically and without limiting the foregoing, you agree that we may sell our assets (including this Agreement), the Marks, or the Franchise System to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, securitization, or other economic or financial restructuring.

### **B. Transfer by You and Definition of Transfer**

You acknowledge that the rights and duties this Agreement creates are personal to you and your owners, and we have granted you the rights under this Agreement in reliance upon our perceptions of your and your owners' character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither: (i) this Agreement or any interest in this Agreement; (ii) the Restaurant or any right to receive all or a portion of the profits, losses, or capital appreciation relating to the Restaurant; (iii) all or substantially all of the Operating Assets; (iv) any ownership interest in you; nor (v) a controlling ownership interest in an Entity with an ownership interest in you, may be transferred without our prior written approval. A transfer of the Restaurant's ownership, possession, or control, or all or substantially all of the Operating Assets, may be made only with the concurrent transfer (to the same proposed transferee) of the franchise rights (with the transferee assuming this Agreement or signing our then-current form of franchise agreement and related documents, as we may require). Any transfer without our prior written approval is a breach of this Agreement and has no effect, meaning you and your owners will continue to be obligated to us for all your obligations under this Agreement.

In this Agreement, the term “**transfer**” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including the following events:

- i. transfer of record or beneficial ownership of stock or any other ownership interest or the right to receive (directly or indirectly) all or a portion of the profits, losses, or any capital appreciation relating to the Restaurant;
- ii. a merger, consolidation, or exchange of ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or a redemption of ownership interests;
- iii. any sale or exchange of voting interests or securities convertible to voting interests, or any management or other agreement granting the right (directly or indirectly) to exercise or control the exercise of any owner's voting rights or to control your (or an Entity with an ownership interest in you) or the Restaurant's operations or affairs;
- iv. transfer in a divorce, insolvency, or Entity dissolution proceeding or otherwise by operation of law;
- v. transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- vi. pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security or collateral, foreclosure upon or attachment or seizure of the Restaurant, or your transfer, surrender, or loss of the Restaurant's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the Restaurant's assets (not including this Agreement or the franchise rights) to a lender that finances your acquisition, development, and/or operation of the Restaurant without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice. Notwithstanding the above, you may not pledge, hypothecate, or grant a security interest in any property that bears or displays the Marks (unless the Marks are readily removable from such property) and must advise your proposed lenders of this restriction.

**C. Conditions for Approval of Transfer**

If you and your owners are in full compliance with this Agreement, then, subject to this Section 16.C's other provisions, we will approve a transfer meeting all of this Section's requirements.

- i. We will approve the transfer of a non-controlling ownership interest in you if the proposed transferee's owners are of good moral character, have no ownership interest in and do not perform services for (and have no affiliates with an ownership interest in or performing services for) a Competitive Business, otherwise meet our then-applicable standards for non-controlling owners of NAF NAF Restaurant franchisees, sign our then-current form of Guaranty and Assumption of Obligations or, if applicable, Owner's Undertaking of Non-Monetary Obligations, and pay us a Five Thousand

Dollar (\$5,000) transfer fee. The term “**controlling ownership interest**” is defined in Section 21.M.

- ii. If the proposed transfer involves the franchise rights granted by this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, or is one of a series of transfers (regardless of the timeframe over which those transfers take place) in the aggregate transferring the franchise rights granted by this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, then all of the following conditions must be met before or concurrently with the proposed transfer’s effective date (provided, however, there may be no such transfer until after the Restaurant has opened for business):
  - a. (i) the transferee and its direct and indirect owners have the necessary business experience, aptitude, and financial resources to operate the Restaurant, (ii) the transferee otherwise is qualified under our then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including the transferee and its affiliates are in substantial operational compliance, at the time of the application, under all other franchise agreements for NAF NAF Restaurants to which they then are parties with us), and (iii) the transferee and its owners are not restricted by another agreement (whether or not with us) from purchasing the Restaurant or the ownership interest in you or the Entity that owns a controlling ownership interest in you;
  - b. you have paid all required Royalties, Brand Fund contributions, Tech Fees, and other amounts owed to us and our affiliates relating to this Agreement and the Restaurant, have submitted all required reports and statements, and are not in breach of any provision of this Agreement or another agreement with us or our affiliates relating to the Restaurant;
  - c. neither the transferee nor any of its direct or indirect owners or affiliates operates, has an ownership interest in, or performs services for a Competitive Business;
  - d. the transferee’s Operating Principal and management personnel, if different from your management personnel, satisfactorily complete our then-current Initial Training;
  - e. the transferee has the right to occupy the Restaurant’s site for the expected franchise term;
  - f. the transferee and each of its owners (if the transfer is of the franchise rights granted by this Agreement), or you and your owners

(if the transfer is of a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you), if we so require, sign our then-current form of franchise agreement and related documents (including a Guaranty and Assumption of Obligations and, if applicable, Owner's Undertaking of Non-Monetary Obligations), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, provided, however, that (i) the term of the new franchise agreement signed will equal this Agreement's unexpired Term, (ii) the Royalty, Tech Fee, and Brand Fund contribution levels specified in this Agreement will be substituted into the then-current form of franchise agreement that you sign for the balance of the initial franchise term, and (iii) the Area of Protection defined in this Agreement will be substituted into the then-current form of franchise agreement that you sign for the balance of the initial franchise term. If the transferee has the right to possess the Restaurant for no less than an additional ten (10) years following the transfer's proposed effective date, we may (but have no obligation to) grant the transferee a full ten (10) year term under the new franchise agreement signed if the transferee commits to repair and/or replace Operating Assets and upgrade the Restaurant in accordance with our then-current requirements and specifications for new NAF NAF Restaurants within the timeframe we specify following the transfer's effective date. If we grant a full ten (10) year term, however, our then-current fees, including the Royalty, Tech Fee, and Brand Fund contributions, will apply to the Restaurant, and we may change the definition of the Area of Protection;

- g. you or the transferee pays us a transfer fee equal to fifty percent (50%) of our then-current initial franchise fee for new franchisees;
- h. the transferee agrees to repair and/or replace Operating Assets and upgrade the Restaurant in accordance with our then-current requirements and specifications for new NAF NAF Restaurants within the timeframe we specify following the transfer's effective date;
- i. you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, representatives, agents, successors, and assigns;
- j. we have determined that the purchase price, payment terms, and required financing will not adversely affect the transferee's operation of the Restaurant;

- k. if you or your owners finance any part of the purchase price, you and they agree that the transferee's obligations under promissory notes, agreements, or security interests reserved in the Operating Assets or ownership interests in you are subordinate to the transferee's (and its owners') obligation to pay Royalties, Brand Fund contributions, Tech Fees, and other amounts due to us and our affiliates and otherwise to comply with this Agreement;
- l. you and your transferring owners (and members of their Immediate Families) agree, for two (2) years beginning on the transfer's effective date, not to engage in any activity proscribed in Section 19.E below; and
- m. you and your transferring owners will not directly or indirectly at any time afterward or in any manner (except with other NAF NAF Restaurants you or they own or operate): (i) identify yourself or themselves in any business as a current or former NAF NAF Restaurant or as one of our franchisees; (ii) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, or other indicia of a NAF NAF Restaurant for any purpose; or (iii) utilize for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with us.

If the proposed transfer is to or among your owners, your or their Immediate Family members, or an Entity you control, or if the transferee either is a franchisee in good standing for the past five (5) years or managed a franchised or company-owned NAF NAF Restaurant for at least five (5) years, then the transfer fee in clause (g) will be Five Thousand Dollars (\$5,000). You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you, and our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct. You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Restaurant, and to withhold consent for the reasons specified above. You waive any claim that the action we take in good faith to protect our business interests in connection with a proposed transfer constitutes tortious interference with contractual or business relationships. Similarly, we may review all information regarding the Restaurant you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you have given us or we have made regarding the Restaurant.

Notwithstanding anything to the contrary in this Section 16, we need not consider a proposed transfer of a controlling or non-controlling ownership interest in you, or a proposed transfer of this Agreement, until you (or an owner) and the proposed transferee first send us a copy of the bona fide offer to purchase or otherwise acquire the particular interest from you (or the owner). For an offer to be considered "bona fide," we may require it to include a copy of all

proposed agreements between you (or your owner) and the proposed transferee related to the sale, assignment, or transfer.

**D. Transfer to a Wholly-Owned or Affiliated Entity**

Notwithstanding Section 16.C above, if you are in full compliance with this Agreement, you may transfer this Agreement, together with the Operating Assets and all other assets associated with the Restaurant, to an Entity that will conduct no business other than the Restaurant and, if applicable, other NAF NAF Restaurants and of which you or your then-existing owners own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all Restaurant assets are owned, and the Restaurant is operated, only by that single Entity. You must provide us notice of the proposed transfer and any information we request regarding the Entity and its ownership, and pay a transfer fee of One Thousand Five Hundred Dollars (\$1,500). The Entity must expressly assume all of your obligations under this Agreement, but you will remain personally liable under this Agreement as if the transfer to the Entity did not occur. Transfers of ownership interests in that Entity are subject to the restrictions in Section 16.C.

**E. Death or Disability**

i. Transfer Upon Death or Disability

Upon the death or disability of one of your owners, that owner's executor, administrator, conservator, guardian, or other personal representative (the "**Representative**") must transfer the owner's ownership interest in you (or an owner) to a third party. That transfer (including transfer by bequest or inheritance) must occur, subject to our rights under this Section 16.E, within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all terms and conditions in this Section 16. A failure to transfer such interest within this time period is a breach of this Agreement.

ii. Operation upon Death or Disability

If, upon the death or disability of one of your owners, the Restaurant's day-to-day operations are not being managed by two (2) fully-trained, certified Restaurant Managers, then you or the Representative (as applicable) must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint one or more new managers to operate the Restaurant. The managers must at your expense satisfactorily complete the training we designate within the time period we specify. We have the right to assume the Restaurant's management, as described in Section 18.C, for the time we deem necessary if the Restaurant is not in our opinion being managed properly upon the death or disability of one of your owners.

**F. Effect of Consent to Transfer**

Our consent to any transfer is not a representation of the fairness of any contract terms between you (or your owner) and the transferee, a guarantee of the Restaurant's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand full compliance with this Agreement.

## **G. Our Right of First Refusal**

If you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you at any time determines to sell or transfer for consideration the franchise rights granted by this Agreement and the Restaurant (or all or substantially all of its Operating Assets), a controlling ownership interest in you, or a controlling ownership interest in an Entity with a controlling ownership interest in you (except to or among your current owners or in a transfer under Section 16.D, which are not subject to this Section 16.G), you agree to obtain from a responsible and fully-disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which, as noted in Section 16.C above, we may require to include a copy of all proposed agreements related to the sale or transfer). The offer must include details of the proposed sale's payment terms and the financing sources and terms of the proposed purchase price and provide for an earnest money deposit of at least five percent (5%) of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be a fixed dollar amount, without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to the rights granted by this Agreement and the Restaurant (or all or substantially all of its Operating Assets), a controlling ownership interest in you, or a controlling ownership interest in an Entity with a controlling ownership interest in you. It may not relate to any other interests or assets. We may require you (or your owners) to send us copies of any materials or information you send to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (i) we may substitute cash for any form of payment proposed in the offer; (ii) our credit will be deemed equal to the credit of any proposed buyer; (iii) the closing will be not less than sixty (60) days after we notify you of our election to purchase or, if later, the closing date proposed in the offer; (iv) you and your owners must sign the general release described in Section 16.C(i) above; and (v) we must receive, and you and your owners agree to make, all customary representations, warranties, and indemnities given by the seller of the assets of a business or of ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests; your and your owners' authorization to sell, as applicable, any ownership interests or assets without violating any Law, contract, or requirement of notice or consent; liens and encumbrances on ownership interests and assets; validity of contracts and liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Restaurant before the closing of our purchase. If the offer is to purchase all of your ownership interests, we may elect instead to purchase all of the Restaurant's assets (and not any of your ownership interests) on the condition that the amount we pay you for such assets equals the full value of the transaction as proposed in the offer (i.e., the value of all assets to be sold and of all liabilities to be assumed).

Once you or your owners submit the offer and related information to us triggering the start of the thirty (30) day decision period referenced above, the offer is irrevocable for that thirty (30) day period. This means we have the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if you or your owners change your, his, her, or its mind

during that period and prefer after all not to sell the particular interest that is the subject of the offer. You and your owners may not withdraw or revoke the offer for any reason during the thirty (30) days, and we may exercise the right to purchase the particular interest in accordance with this Section's terms.

If we exercise our right of first refusal and close the transaction, you and your transferring owners agree that, for two (2) years beginning on the closing date, you and they (and members of your or their Immediate Families) will be bound by the non-competition covenants contained in Section 19.E.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we approve the transfer as provided in this Section 16. If you or your owners do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the sale's terms (which you agree to tell us promptly), we will have an additional right of first refusal during the thirty (30) days following either expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

We have the unrestricted right to assign this right of first refusal to a third party (including an affiliate), which then will have the rights described in this Section 16.G. We waive our right of first refusal for sales or transfers to Immediate Family members meeting the criteria in Section 16.C.

## **17. Expiration of Agreement**

When this Agreement expires (unless it is terminated sooner), you will have the right to acquire a successor franchise to continue operating the Restaurant as a NAF NAF Restaurant for ten (10) years under our then-current form of franchise agreement, but only if you have:

- i. requested in writing a business review at least six (6) months, but not more than nine (9) months, before the end of the Term;
- ii. substantially complied with all of your obligations under this Agreement and all other agreements with us or our affiliates related to the Restaurant, and operated the Restaurant in substantial compliance with Brand Standards, during the Term, as noted in the business review we conduct; and
- iii. at our option, either (a) remodeled and upgraded the Restaurant and otherwise brought the Restaurant into full compliance with then-applicable specifications and standards for new NAF NAF Restaurants (regardless of cost) before this Agreement expires, or (ii) agreed to relocate the Restaurant to a substitute site we have accepted and construct and develop a new NAF NAF Restaurant at that site.

To acquire a successor franchise, you and your owners must: (i) sign our then-current form of franchise agreement (and related documents), which may contain terms and conditions differing

materially from any and all of those in this Agreement, including higher Royalties, Tech Fees, and Brand Fund contributions and a modified or smaller Area of Protection, and will be modified to reflect that it is for a successor franchise; (ii) pay us a successor franchise fee equal to fifty percent (50%) of our then-current Initial Franchise Fee for new franchisees; and (iii) sign a general release in the form we specify as to any and all claims against us, our affiliates, and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If you fail to sign and return the documents referenced above, together with the successor franchise fee, within thirty (30) days after we deliver them to you, that will be deemed your irrevocable election not to acquire a successor franchise. If you (and your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise (at or after the business review) and on the date on which this Agreement expires, in substantial compliance with this Agreement and all other agreements with us or our affiliates related to the Restaurant, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its Term under Section 18. We may condition our grant of a successor franchise on your completing certain requirements on or before designated deadlines following commencement of the successor franchise term.

## **18. Termination of Agreement**

### **A. Termination by You**

You may terminate this Agreement if we materially breach any of our obligations under this Agreement and fail to correct that breach within thirty (30) days after you deliver written notice to us of the breach; provided, however, if we cannot reasonably correct the breach within those thirty (30) days but give you, within the thirty (30) days, evidence of our effort to correct the breach within a reasonable time period, then the cure period will run through the end of that reasonable time period. Your termination of this Agreement other than according to this Section 18.A will be deemed a termination without cause and your breach of this Agreement.

### **B. Termination by Us**

We may, at our option, terminate this Agreement, effective immediately upon delivery of written notice of termination to you, upon the occurrence of any one of the following events:

- i. you (or any of your direct or indirect owners) have made or make any material misrepresentation or omission in connection with your application for and acquisition of the franchise or your operation of the Restaurant, including, without limitation, by intentionally or through your gross negligence understating the Restaurant's Net Sales for any period;
- ii. you fail (a) to obtain our written acceptance of the site, to secure the accepted site under a lease or sublease we accept, or otherwise to meet any development obligation identified in Section 4 on or before the deadline, or (b) to develop, open, and begin operating the Restaurant in compliance with this Agreement and Brand Standards (including with a fully-trained staff) on or before the Opening Deadline;

- iii. you (a) abandon the Restaurant, meaning you have deserted, walked away from, or closed the Restaurant under circumstances leading us to conclude that you have no intent to return to the Restaurant, regardless of how many days have passed since the apparent abandonment, or (b) fail actively and continuously to operate the Restaurant (a failure to operate the Restaurant for over three (3) consecutive days will be deemed a default under this clause (b), except where closure is due to fire, riot, flood, terrorist acts, or natural disaster and you notify us within three (3) days after the particular occurrence to obtain our written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before we will require you to re-open);
- iv. you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you makes a purported transfer in violation of Section 16;
- v. you (or any of your direct or indirect owners) are or have been convicted by a trial court of, or plead or have pleaded guilty or no contest to, a felony;
- vi. you (or any of your direct or indirect owners) engage in any dishonest, unethical, immoral, or similar conduct as a result of which your (or the owner's) association with the Restaurant (or the owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks;
- vii. a lender forecloses on its lien on a substantial and material portion of the Restaurant's assets;
- viii. an entry of judgment against you involving aggregate liability of Twenty-Five Thousand Dollars (\$25,000) or more in excess of your insurance coverage, and the judgment remains unpaid for ten (10) days or more following its entry;
- ix. you (or any of your direct or indirect owners) misappropriate any Confidential Information or violate any provisions of Section 12, including, but not limited to, by holding interests in or performing services for a Competitive Business;
- x. you violate any material Law relating to the Restaurant's development, operation, or marketing and do not (a) correct the noncompliance or violation within fifteen (15) days after delivery of written notice of the noncompliance or violation or (b) completely correct the noncompliance or violation within the time period prescribed by Law, unless you are in good faith contesting your liability for the violation through appropriate proceedings or provide reasonable evidence of your continued efforts to correct the violation within a reasonable time period;

- xi. you fail to report the Restaurant's Net Sales or to pay us or any of our affiliates any amounts when due and do not correct the failure within five (5) days after delivery of written notice;
- xii. you underreport the Restaurant's Net Sales by two percent (2%) or more on three (3) separate occasions within any twenty-four (24) consecutive-month period or by five percent (5%) or more during any reporting period;
- xiii. you fail to maintain the insurance this Agreement requires or to send us satisfactory evidence of such insurance within the required time, or significantly modify your insurance coverage without our written approval, and do not correct the failure within five (5) days after delivery of written notice;
- xiv. you fail to pay when due any federal or state income, service, sales, employment, or other taxes due on the Restaurant's operation, unless you are in good faith contesting your liability for such taxes through appropriate proceedings;
- xv. you (or any of your direct or indirect owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive-month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you (which includes failures identified and reported to you during any inspection we conduct under Section 15.A), or (b) fail on two (2) or more separate occasions within any six (6) consecutive-month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you (which includes failures identified and reported to you during any inspection we conduct under Section 15.A);
- xvi. you fail to pay amounts you owe to our designated, approved, or recommended suppliers within thirty (30) days following the due date (unless you are contesting the amount in good faith), or you default (and fail to cure within the allocated time) under any note, lease, or agreement we deem material relating to the Restaurant's operation or ownership, and do not correct the failure within five (5) days after delivery of written notice;
- xvii. you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of your property; the Restaurant is attached, seized, or levied upon, unless the attachment, seizure, or levy is vacated within sixty (60) days; or any order appointing a receiver, trustee, or liquidator of you or the Restaurant is not vacated within sixty (60) days following its entry;

- xviii. your or any of your owners' assets, property, or interests are blocked under any Law relating to terrorist activities, or you or any of your owners otherwise violate any such Law;
- xix. you lose the right to occupy the Restaurant's premises due to your lease default (even if you have not yet vacated the Restaurant's premises);
- xx. you lose the right to occupy the Restaurant's premises (but not due to your lease default), or the Restaurant is damaged to such an extent that you cannot operate the Restaurant at its existing location over a thirty (30) day period, and you fail both to relocate the Restaurant to a substitute site we accept and to begin operating the Restaurant at that substitute site within one hundred fifty (150) days from the first date on which you could not operate the Restaurant at its existing location;
- xxi. you fail to comply with any other obligation under this Agreement or any other agreement between us (or any of our affiliates) and you relating to the Restaurant, including, without limitation, any Brand Standard, and do not correct the failure to our satisfaction within thirty (30) days after we deliver written notice;
- xxii. you cause or contribute to a Data Security Incident or fail to comply with any requirements to protect Consumer Data; or
- xxiii. we have sent a notice of termination under another franchise agreement for a NAF NAF Restaurant between you (or any of your affiliates) and us, regardless of the reason for such termination, or you (or any of your affiliates) have terminated another franchise agreement with us without cause.

### **C. Assumption of Restaurant's Management**

If you abandon or fail actively to operate the Restaurant for any period, and under the circumstances described in Sections 16.E and 18.D, we or our designee has the right (but not the obligation) to enter the site and assume the Restaurant's management for any time period we deem appropriate. Our manager will exercise control over the working conditions of the Restaurant's employees only to the extent such control is related to our legitimate interest in protecting, and is necessary at that time to protect, the quality of our products, services, or brand. If we assume the Restaurant's management, all revenue from the Restaurant's operation during our management period will (except as provided below) be kept in a separate account, and all Restaurant expenses will be charged to that account. In addition to all other fees and payments owed under this Agreement on account of the Restaurant's operation, we may charge you a reasonable management fee, not to exceed ten percent (10%) of the Restaurant's Net Sales, plus any out-of-pocket expenses incurred in connection with the Restaurant's management. We or our designee will have a duty to use only reasonable efforts and, if we or our designee is not grossly negligent and does not commit an act of willful misconduct, will not be liable to you or your owners for any debts, losses, lost or reduced profits, or obligations the Restaurant incurs, or to any of your creditors for any supplies,

products, services, or other assets or services the Restaurant purchases, while we or our designee manages it. We may require you to sign our then-current form of management agreement, which will govern the terms of our management of the Restaurant.

If we or our designee assumes the Restaurant's management due to your abandonment or failure actively to operate the Restaurant, or after termination or expiration of this Agreement while we are deciding whether to exercise our right to purchase the Restaurant's Operating Assets under Section 19.F, we or our designee may retain all, and need not pay you or otherwise account to you for any, Net Sales generated while we or our designee manages the Restaurant.

#### **D. Other Remedies upon Default**

Upon your failure to remedy any noncompliance with any provision of this Agreement or any Brand Standard, or another default specified in any written notice issued to you under Section 18.B, within the time period (if any) we specify in our notice, we have the right, until the failure has been corrected to our satisfaction, to take any one or more of the following actions:

- i. suspend your right to participate in one or more advertising, marketing, or promotional programs that we or the Brand Fund provides;
- ii. suspend or terminate your participation in any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);
- iii. refuse to provide any operational support this Agreement requires;
- iv. require your Operating Partner and/or Restaurant Manager(s) to complete satisfactorily supplemental training courses and programs and pay our ten-current training fee and travel and living expenses for our training personnel; and/or
- v. assume the Restaurant's management, as described in Section 18.C, for the time we deem necessary in order to correct the default, for all of which costs you must reimburse us (in addition to the amounts you must pay us under Section 18.C).

Exercising any of these rights will not constitute an actual or constructive termination of this Agreement or be our sole and exclusive remedy for your default. If we exercise any remedies in this Section 18.D rather than terminate this Agreement, we may at any time after the applicable cure period under the written notice has lapsed (if any) terminate this Agreement without giving you any additional corrective or cure period. During any suspension period, you must continue paying all fees and other amounts due under, and otherwise comply with, this Agreement and all related agreements. Our election to suspend your rights as provided above is not our waiver of any breach of this Agreement. If we rescind any suspension of your rights, you are not entitled to any compensation (including, without limitation, repayment, reimbursement, refunds, or offsets) for any fees, charges, expenses, or losses you might have incurred due to our exercise of any suspension right provided above.

## **19. Rights and Obligations upon Termination or Expiration of This Agreement**

### **A. Payment of Amounts Owed and Liquidated Damages**

You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date we determine the amounts due to us, the Royalties, Brand Fund contributions, Tech Fees, late fees and interest, and other amounts owed to us (and our affiliates) that are then unpaid. If we terminate this Agreement on any ground specified under Section 18.B, or if you terminate this Agreement without cause, before the Term's scheduled expiration date, you also will be liable to us for all of our damages caused by your breach of contract, including liquidated damages as described below.

If we terminate this Agreement on any ground specified under Section 18.B, or if you terminate this Agreement without cause, before the Term's scheduled expiration date, you agree to pay us within fifteen (15) days after the effective date of the termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalties, Brand Fund contributions and Tech Fees you were required to pay from the date the Restaurant opened through the date of the early termination multiplied by the lesser of (a) thirty-six (36), or (b) the number of months remaining in the Agreement had it not been terminated, except that liquidated damages will not under any circumstances be less than One Hundred Thousand Dollars (\$100,000).

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalties, Brand Fund contributions and Tech Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalties, Brand Fund contributions and Tech Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

This liquidated damages provision only covers our damages from the loss of cash flow from the Royalties, Brand Fund contributions and Tech Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than Royalties, Brand Fund contributions and Tech Fees provisions. You and each of your owners agree that this liquidated damages provision does not give us an adequate remedy at law for any default hereunder, or for the enforcement of, any provision of this Agreement other than the Royalties, Brand Fund contributions and Tech Fee provisions.

### **B. De-Identification**

Upon termination or expiration of this Agreement, you must de-identify the Restaurant in compliance with this Section 19.B and as we reasonably require. De-identification includes, but is not limited to, taking the following actions:

- i. beginning on the De-identification Date (defined below), you and your owners may not directly or indirectly at any time afterward or in any manner (except in connection with other NAF NAF Restaurants you or they own and operate): (a) identify yourself or themselves in any business as a current

or former NAF NAF Restaurant or as one of our current or former franchisees; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, or other indicia of a NAF NAF Restaurant for any purpose; or (c) use for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with us.

- ii. within fifteen (15) days after the De-identification Date, you must take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;
- iii. if we do not exercise the option under Section 19.F below, you must, at your own cost and without any payment from us for such items, at our option, deliver to us, make available to us for pick-up, or destroy, in any case within twenty (20) days after the De-identification Date, all signs, Marketing Materials, forms, and other materials containing any Mark. If you fail to do so voluntarily when we require, we and our representatives may enter the Restaurant at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our actual out-of-pocket costs of doing so, plus an administrative fee of fifteen percent (15%);
- iv. if we do not exercise the option under Section 19.F below, you must, at your own cost and without any payment from us for such items, at our option, deliver to us, make available to us for pick-up, or destroy, in any case within thirty (30) days after the De-identification Date, all equipment and other materials that are proprietary to the NAF NAF Restaurant brand. If you fail to do so voluntarily when we require, we and our representatives may enter the Restaurant at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our actual out-of-pocket costs of doing so, plus an administrative fee of fifteen percent (15%);
- v. if we do not exercise the option under Section 19.F below, you must at your own expense, within twenty (20) days after the De-identification Date, make the alterations we specify to distinguish the Restaurant clearly from its former appearance and from other NAF NAF Restaurants in order to prevent public confusion. If you fail to do so voluntarily when we require, we and our representatives may enter the Restaurant at our convenience and take this action without liability to you, your landlord, or any other third party for trespass or any other claim. We need not compensate you or the landlord for any alterations. You must reimburse our actual out-of-pocket costs of de-identifying the Restaurant, plus an administrative fee of fifteen percent (15%);

- vi. you must, within fifteen (15) days after the De-identification Date, notify the telephone company and all telephone directory publishers (both web-based and print) of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; authorize, and not interfere with, the transfer of those numbers and directory listings to us or at our direction; and/or instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and
- vii. you must immediately cease using or operating any website or other online presence or electronic media, including social networking websites, related to the Restaurant or the Marks, take all action required to disable such websites or social networking website accounts, and cancel all rights in and to any accounts for such websites (unless we request you to assign them to us).

The “**De-identification Date**” means: (i) if we exercise the option under Section 19.F, the closing date of our (or our designee’s) purchase of the Restaurant’s assets; or (ii) if we do not exercise the option under Section 19.F, the date upon which that option expires or we notify you of our decision not to exercise, or to withdraw our previous exercise, of that option, whichever occurs first.

#### **C. Confidential Information**

Upon termination or expiration of this Agreement, you and your owners must immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials to which we gave you access. You may not sell, trade, or otherwise profit in any way from any Consumer Data or other Confidential Information at any time after expiration or termination of this Agreement.

#### **D. Notification to Customers**

Upon termination or expiration of this Agreement, we have the right to contact (at our expense) previous, current, and prospective customers to inform them that a NAF NAF Restaurant no longer will operate at the Restaurant’s location or, if we intend to exercise the option under Section 19.F, that the Restaurant will operate under new management. We also have the right to inform them of other nearby NAF NAF Restaurants. Exercising these rights will not constitute interference with your contractual or business relationship with those customers.

#### **E. Covenant Not to Compete**

Upon our termination of this Agreement in compliance with its terms, your termination of this Agreement without cause, or expiration of this Agreement (without the grant of a successor franchise), you and your owners agree that neither you, they, nor any member of your or their Immediate Families will:

- i. have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in any Competitive Business located or operating:
    - a. at the Restaurant’s site; or
    - b. within ten (10) miles of the Restaurant’s site; or
    - c. within five (5) miles of another NAF NAF Restaurant in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section 19.E,
- provided that this restriction does not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange and representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding; or
- ii. perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business located or operating:
    - a. at the Restaurant’s site; or
    - b. within ten (10) miles of the Restaurant’s site; or
    - c. within five (5) miles of another NAF NAF Restaurant in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section 19.E.

You, each owner, and you and their Immediate Families will each be bound by these competitive restrictions for two (2) years beginning on the effective date of this Agreement’s termination or expiration. However, if a restricted person does not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for that non-compliant person will not start to run until the date on which that person begins to comply with the competitive restrictions (whether or not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Section and will resume when that person resumes compliance. These restrictions also apply after transfers and other events, as provided in Section 16 above. You (and your owners) expressly acknowledge that you (and they) possess skills and abilities of a general nature and have other opportunities for exploiting those skills. Consequently, our enforcing the covenants made in this Section 19.E will not deprive you (and them) of personal goodwill or the ability to earn a living.

**F. Option to Purchase Operating Assets**

- i. Exercise of Option

Upon our termination of this Agreement in compliance with its terms, your termination of this Agreement without cause, or expiration of this Agreement (without the grant of a successor franchise), we have the option, exercisable by giving you written notice before or within thirty (30) days after the effective date of termination or expiration, to purchase the Operating Assets and other assets associated with the Restaurant's operation that we designate. We have the unrestricted right to assign this purchase option to a third party (including an affiliate), which then will have the rights and obligations described in this Section 19.F. We are entitled to all customary representations, warranties, and indemnities in our asset purchase, including representations and warranties regarding ownership and condition of, and title to, assets; liens and encumbrances on assets; validity of contracts and liabilities affecting the assets, contingent or otherwise; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Restaurant before the closing of our purchase.

If you or one of your affiliates owns the site at which the Restaurant is located, we (or our assignee) may elect to lease that site from you or the affiliate for an initial five (5) or ten (10) year term (at our option), with one (1) renewal term of five (5) or ten (10) years (again at our option), on commercially reasonable terms. If you lease the Restaurant's site from an unaffiliated lessor, you agree (at our option) to assign the lease to us or to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the lease.

#### ii. Purchase Price

If we elect to purchase all or substantially all of the Operating Assets and other assets associated with the Restaurant's operation, the purchase price for those assets will be their fair market value, although fair market value will not include any value for (a) the franchise or any rights granted by this Agreement, (b) goodwill attributable to our Marks, brand image, and other intellectual property, or (c) participation in the network of NAF NAF Restaurants. In all cases, we may exclude from the assets purchased any Operating Assets or other items not reasonably necessary (in function or quality) to the Restaurant's operation or that we have not approved as meeting Brand Standards; the purchase price will reflect those exclusions. We and you must work together in good faith to agree upon the assets' fair market value within fifteen (15) days after we deliver our notice exercising our right to purchase. If we and you cannot agree on fair market value within this fifteen (15) day period, fair market value will be determined by the following appraisal process.

Fair market value will be determined by one (1) independent accredited appraiser upon whom we and you agree who, in conducting the appraisal, will be bound by the criteria specified above. We and you agree to select the appraiser within fifteen (15) days after we deliver our purchase notice (if we and you do not agree on fair market value before then). If we and you cannot agree on a mutually-acceptable appraiser within the fifteen (15) days, we will send you a list of three (3) independent appraisers, and you must within seven (7) days select one (1) of them to be the designated appraiser to determine the purchase price. Otherwise, we have the right to select the appraiser. We and you will share equally the appraiser's fees and expenses. Within thirty (30) days after delivery of notice invoking the appraisal mechanism, we and you each must send the appraiser our and your respective calculations of the purchase price, with such detail and supporting documents as the appraiser requests and according to the criteria specified above. Within fifteen (15) days after receiving both calculations, the appraiser must decide whether our proposed

purchase price or your proposed purchase price most accurately reflects the assets' fair market value. The appraiser has no authority to compromise between the two (2) proposed purchase prices; it is authorized only to choose one or the other. The appraiser's choice will be the purchase price and is final.

iii. Closing

We will pay the purchase price at the closing, which will take place not later than thirty (30) days after the purchase price is determined. However, we may decide after the purchase price is determined not to complete the purchase and will have no liability to you for choosing not to do so. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us (or our affiliates). At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; (b) all of the Restaurant's licenses and permits that may be assigned; and (c) possessory rights to the Restaurant's site.

If you cannot deliver clear title to all purchased assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If we exercise our rights under this Section 19.F, then for two (2) years beginning on the closing date, you and your owners (and members of your and their Immediate Families) will be bound by the non-competition covenants contained in Section 19.E.

**G. Continuing Obligations**

All of our and your (and your owners') obligations expressly surviving expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination and until they are satisfied in full.

**20. Relationship of the Parties; Indemnification**

**A. Independent Contractors**

This Agreement does not create a fiduciary relationship between you and us (or any affiliate of ours). You have no authority, express or implied, to act as an agent for us or our affiliates for any purpose. You are, and will remain, an independent contractor responsible for all obligations and liabilities of, and for all losses or damages to, the Restaurant and its assets, including any personal property, equipment, fixtures, or real property, and for all claims or demands based on damage to or destruction of property or based on injury, illness, or death of any person, directly or indirectly, resulting from the Restaurant's operation. Further, we and you are not and do not intend to be partners, joint venturers, associates, or employees of the other in any way, and we (and our affiliates) will not be construed to be jointly liable for any of your acts or omissions under any circumstances. We (and our affiliates) are not the employer or joint employer of the Restaurant's employees. Your Operating Principal is solely responsible for managing and operating the Restaurant and supervising the Restaurant's employees. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Restaurant personnel, and

others as the Restaurant's owner, operator, and manager under a franchise we have granted and to place notices of independent ownership at the Restaurant and on the forms, business cards, stationery, advertising, e-mails, and other materials we require from time to time.

We (and our affiliates) will not exercise direct or indirect control over the working conditions of Restaurant personnel, except to the extent such indirect control is related to our legitimate interest in protecting the quality of our products, services, or brand. We (and our affiliates) do not share or codetermine the employment terms and conditions of the Restaurant's employees and do not affect matters relating to the employment relationship between you and the Restaurant's employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. To that end, you must notify Restaurant personnel that you are their employer and that we, as the franchisor of NAF NAF Restaurants, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Restaurant employees that you (and not we or our affiliates) are their employer.

**B. No Liability for Acts of Other Party**

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our relationship with you is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising from the Restaurant's operation or the business you conduct under this Agreement.

**C. Taxes**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, employment, or other taxes, whether levied upon you or the Restaurant, due to the business you conduct (except for our own income taxes). You must pay those taxes and reimburse us for any taxes we must pay to any taxing authority on account of either your Restaurant's operation or payments you make to us (except for our own income taxes), plus an administrative fee of fifteen percent (15%).

**D. Insurance**

During the Term, you must obtain and maintain certain types and amounts of insurance coverage as required by us. We currently require you to have the following minimum insurance coverage: (a) workers' compensation with employers liability limits meeting statutory requirements in your state of operation with \$500,000 minimum coverage; (b) General Liability with limits of at least \$1,000,000 each occurrence, \$1,000,000 personal and advertising injury, \$2,000,000 products and completed operation aggregate, and a \$2,000,000 general aggregate; (c) Business Interruption insurance for at least 12 months of sustained loss; (d) Umbrella with limits of at least \$2,000,000 covering the general liability, auto and employers liability; (e) Automobile with at least \$1,000,000 combined single limit for hired/non-owned auto at a minimum; and (f)

~~During the Term, you must maintain in force at your sole expense insurance coverage for the Restaurant in the amounts, and covering the risks, we periodically specify in the Operations Manual, including Builder's Risk coverage~~Builder's Risk insurance at limits required by your landlord. We recommend but do not require, that you maintain Employment Practices Liability (EPLI) insurance, including coverage for Wage and Hour, with a limit of at least \$1,000,000. We may require some or all of your insurance policies to provide for waiver of subrogation in favor of us and all of our affiliates. Your insurance carriers must be licensed to do business in the state in which the Restaurant is located and be rated A- or higher by A.M. Best and Company, Inc. (or such similar criteria we periodically specify). Insurance policies must be in effect before you begin constructing the Restaurant. We may periodically increase the amounts of coverage required under those insurance policies and/or require different or additional insurance coverage at any time to reflect inflation, identification of

new risks, changes in Law or standards of liability, higher damage awards, or relevant changes in circumstances. Insurance policies must name us and all of our affiliates as additional insureds and provide for ten (10) days' prior written notice to us of any policy's material modification, cancellation, or non-renewal or any non-payment. You must periodically, including before the Restaurant opens, send us a valid certificate of insurance or duplicate insurance policy evidencing the coverage specified above and the payment of premiums. We may require you to use our designated insurance broker to facilitate your compliance with these insurance requirements. We have the right to obtain insurance coverage for the Restaurant at your expense if you fail to do so, in which case you must reimburse our actual out-of-pocket costs plus an administrative fee of fifteen percent (15%). We also have the right to defend claims in our sole discretion.

## **E. Indemnification**

(1) Indemnification Obligation. You must defend, indemnify, and hold harmless us and our affiliates, our and their permitted successors and assigns, and each of our and their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "**Indemnified Parties**") from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of or relating to: (a) the Restaurant's operation; (b) the business you conduct under this Agreement; (c) your breach of this Agreement; (d) your noncompliance or alleged noncompliance with any Law; or (e) any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. "**Losses**" includes all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(2) Indemnification Procedure. We will promptly notify you of any claim that may give rise to a claim of indemnity under this Section 20.E, provided, however, that the failure to provide such notice will not release you from your indemnification obligations under this Section 20.E, except to the extent you are actually and materially prejudiced by such failure. You have the right,

upon written notice delivered to the Indemnified Party within fifteen (15) days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (a) the Indemnified Party has been

advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you, and, in the reasonable opinion of the Indemnified Party, the counsel that you have selected could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, (b) you do not assume responsibility for such Losses in a timely manner, (c) the claim involves any elements of our and our affiliates' intellectual property, or (d) you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to assume the defense of any claims and employ counsel of its own choosing, and you must pay the reasonable fees and disbursements of such Indemnified Party's counsel as

incurred; provided that in any case, you will not be obligated to pay the expenses of more than one separate counsel for all Indemnified Parties taken together. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, has the right to participate in such claim and to retain its own counsel at such party's own expense.

(3) Cooperation and Settlement. You or the Indemnified Party (as the case may be) must keep you or the Indemnified Party (as the case may be) reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim which it is maintaining and cooperate in good faith with each other with respect to the defense of any such claim. You may not, without the prior written consent of the Indemnified Parties, (a) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Parties, or (b) settle or compromise any claim in any manner that may adversely affect the Indemnified Parties other than as a result of money damages or other monetary payments which will be paid by you. No claim which is being defended in good faith by you in accordance with the terms of this Section 20.E may be settled by the Indemnified Parties without your prior written consent.

(4) Willful Misconduct or Gross Negligence. You have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions. However, nothing in this Section 20.E(4) limits your obligation to defend us and the other Indemnified Parties under Section 20.E(1) (Indemnification Obligation).

(5) Survival and Recovery. Your obligations in this Section 20.E will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 20.E. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 20.E.

## **21. Enforcement**

### **A. Severability**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable. If, for any reason, any part is held to be invalid

or contrary to or in conflict with any applicable present or future Law in a final, unappealable ruling issued by any court, arbitrator, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant restricting competitive activity is deemed unenforceable due to its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be reformed to the extent necessary to be reasonable and enforceable, and then enforced to the fullest extent permissible, under the Laws and public policies applied in the jurisdiction whose Laws determine the covenant's validity. If any applicable and binding Law

requires more notice than this Agreement requires of the termination of this Agreement or of our refusal to grant a successor franchise, or if under any applicable and binding Law any provision of this Agreement or any Brand Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the Law will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or Brand Standard to the extent required to be valid and enforceable or delete the unlawful provision entirely. You agree to be bound by any promise or covenant imposing the maximum duty the Law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

**B. Waiver of Obligations and Force Majeure**

We and you may in writing unilaterally waive or reduce any contractual obligation or restriction upon the other, effective upon delivery of written notice to the other or another effective date stated in the waiver notice. However, no interpretation, change, termination, or waiver of any provision of this Agreement will bind us unless in writing, signed by one of our officers, and specifically identified as an amendment to this Agreement. No modification, waiver, termination, discharge, or cancellation of this Agreement affects the right of any party to this Agreement to enforce any claim or right under this Agreement, whether or not liquidated, which occurred before the date of such modification, waiver, termination, discharge, or cancellation. Any waiver granted is without prejudice to any other rights we or you have, is subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand your strict compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice varying from this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including your compliance with any Brand Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other NAF NAF Restaurants; the existence of franchise agreements for other NAF NAF Restaurants containing provisions differing from those contained in this Agreement; or our acceptance of any payments from you after any breach of this Agreement. No special or restrictive legend or endorsement on any payment or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We may remove any legend or endorsement, which will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform obligations results from: (i) acts of God; (ii) fires, strikes, embargoes, war, terrorist acts or similar events, or riot; (iii) compliance with the orders, requests, or regulations of any federal, state, or municipal government; or (iv) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. However, these causes will not excuse payment of amounts owed at the time of the occurrence or payment of Royalties, Brand Fund contributions, Tech Fees, and other amounts due afterward.

**C. Costs and Attorneys' Fees**

If we incur costs and expenses (internal or external) to enforce our rights or your obligations under this Agreement because you have failed to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree to reimburse all costs and expenses we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Your obligation to reimburse us arises whether or not we begin a formal legal proceeding against you to enforce this Agreement. If we do begin a formal legal proceeding against you, the reimbursement obligation applies to all costs and expenses we incur preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has completely ended (including appeals and settlements).

**D. You May Not Withhold Payments**

You may not withhold payment of any amounts owed to us or our affiliates due to our alleged nonperformance of our obligations under this Agreement or for any other reason. You specifically waive any right you have at Law or in equity to offset any monies you owe us or our affiliates or to fail or refuse to perform any of your obligations under this Agreement.

**E. Rights of Parties Are Cumulative**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy that we or you are entitled by Law to enforce.

**F. Arbitration**

All controversies, disputes, or claims between us (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) arising out of or related to:

- i. this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Restaurant or any provision of any such agreements;
- ii. our relationship with you;

iii. the validity of this Agreement or any other agreement between you (or your owner) and us (or our affiliate) relating to the Restaurant, or any provision of any such agreements, and the validity and scope of the arbitration obligation under this Section; or

iv. any Brand Standard,

must be submitted for arbitration to the American Arbitration Association. Except as otherwise provided in this Agreement, such arbitration proceedings will be heard by one (1) arbitrator in accordance with the then-existing Commercial Arbitration Rules of the American Arbitration

Association. All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Sections 1 *et seq.*) will be governed by it and not by any state arbitration law.

The arbitrator has the right to award any relief he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (in accordance with 21.C above), provided that: (i) the arbitrator has no authority to declare any Mark generic or otherwise invalid; and (ii) subject to the exceptions in Section 21.I, we and you waive to the fullest extent the Law permits any right to or claim for any punitive, exemplary, treble, and other forms of multiple damages against the other. The arbitrator's award and decision will be conclusive and bind all parties covered by this Section, and judgment upon the award may be entered in a court specified or permitted in Section 21.H below.

We and you will be bound by any limitation under this Agreement or applicable Law, whichever expires first, on the timeframe in which claims must be brought. We and you further agree that, in connection with any arbitration proceeding, each must submit or file any claim constituting a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim not submitted or filed in the proceeding will be barred. The arbitrator may not consider any settlement discussions or offers either you or we made. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for the arbitration proceeding to take place and by doing so do not waive or relinquish our right to seek recovery of those costs in accordance with Section 21.C above.

We and you agree that arbitration will be conducted on an individual basis and not in a class, consolidated, or representative action, that only we (and our affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. Despite the foregoing or anything to the contrary in this Section or Section 21.A, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 21.F,

then we and you agree that this arbitration clause will not apply to that dispute, and such dispute will be resolved in a judicial proceeding in accordance with this Section 21.F).

This Section's provisions are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after and notwithstanding expiration or termination of this Agreement.

Despite your and our agreement to arbitrate, each has the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, each must contemporaneously submit its dispute for arbitration on the merits as provided in this Section.

## **G. Governing Law**

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or other federal Law, all controversies, disputes, or claims arising from or relating to:

- i. this Agreement or any other agreement between you (or your owners) and us (or our affiliates) relating to the Restaurant;
- ii. our relationship with you;
- iii. the validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliate) relating to the Restaurant; or
- iv. any Brand Standard,

will be governed by the Laws of the State of Illinois, without regard to its conflict of laws rules. However, the provisions of the Illinois Franchise Disclosure Act, and any successor or similar legislation regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply to the matters in clauses (i) through (iv) above under any circumstances unless their jurisdictional requirements and definitional elements are met independently, without reference to this Section, and no exemption to their application exists.

## **H. Consent to Jurisdiction**

Subject to the arbitration obligations in Section 21.F, you and your owners agree that all judicial actions brought by us against you or your owners, or by you or your owners against us, our affiliates, or our or their respective owners, officers, directors, agents, or employees, relating to this Agreement or the Restaurant must be brought exclusively in the state or federal court of general jurisdiction located closest to where we, as franchisor, have our principal business address when the action is commenced. You and each of your owners irrevocably submit to the jurisdiction of such courts and waive any objection you or they might have to either jurisdiction or venue. Despite the foregoing, we may bring an action seeking a temporary restraining order or temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which you reside or the Restaurant is located.

**I. Waiver of Punitive and Exemplary Damages**

EXCEPT FOR YOUR INDEMNIFICATION OBLIGATIONS UNDER SECTION 20.E AND CLAIMS BASED ON YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT THE LAW PERMITS ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IF THERE IS A DISPUTE BETWEEN US AND YOU (AND/OR YOUR OWNERS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES HE, SHE, OR IT SUSTAINS.

**J. Waiver of Jury Trial**

SUBJECT TO THE ARBITRATION OBLIGATIONS IN SECTION 21.F, WE AND YOU (AND YOUR OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER US OR YOU (OR YOUR OWNERS). WE AND YOU (AND YOUR OWNERS) ACKNOWLEDGE THAT WE AND YOU (AND THEY) MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERING THIS WAIVER'S RAMIFICATIONS.

**K. Binding Effect**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors-in-interest. Subject to our right to modify the Operations Manual and Brand Standards, this Agreement may not be modified except by a written agreement signed by both you and us that is specifically identified as an amendment to this Agreement.

**L. Limitations of Claims**

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US AND EXCEPT FOR OUR (AND CERTAIN OF OUR RELATED PARTIES') RIGHT TO SEEK INDEMNIFICATION FROM YOU FOR THIRD-PARTY CLAIMS AS PROVIDED IN THIS AGREEMENT, ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN US AND YOU WILL BE BARRED UNLESS AN ARBITRATION OR JUDICIAL PROCEEDING, AS PERMITTED, IS COMMENCED IN THE APPROPRIATE FORUM WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE VIOLATION, ACT, OR CONDUCT GIVING RISE TO THE CLAIM OCCURS, REGARDLESS OF WHEN THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.

**M. Construction**

The preambles and exhibits are part of this Agreement, which, together with any riders or addenda signed at the same time as this Agreement and together with the Operations Manual and

Brand Standards, constitutes our and your entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to this Agreement's subject matter. There are no other oral or written representations, warranties, understandings, or agreements between us and you relating to this Agreement's subject matter. Notwithstanding the foregoing, nothing in this Agreement disclaims or requires you to waive reliance on any representation we made in the most recent franchise disclosure document (including its exhibits and amendments) we delivered to you or your representative. Any policies we adopt and implement from time to time to guide our decision-making are subject to change, are not a part of this Agreement, and do not bind us. Except as provided in Sections 20.E and 21.F, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Headings of sections and paragraphs in this Agreement are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all your obligations to us under this Agreement, include any of our affiliates with whom you deal. “**Affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “**Control**” means the power to direct or cause the direction of management and policies. If two or more persons are at any time the owners of your rights under this Agreement and/or the Restaurant, whether as partners or joint venturers, their representations, warranties, obligations, and liabilities to us will be joint and several. “**Owner**” means any person holding a direct or indirect ownership interest (whether of record, beneficial, or otherwise) or voting rights in you (or your owner or a transferee of this Agreement and the Restaurant or any interest in you), including any person who has a direct or indirect interest in you (or your owner or a transferee), this Agreement, or the Restaurant or any other direct or indirect legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, whether a “controlling ownership interest” is involved must be determined both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). “**Person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days mean calendar days and not business days.

The term “**Restaurant**” includes all assets of the NAF NAF Restaurant you operate under this Agreement, including its revenue and income. “**Include**,” “**including**,” and words of similar import will be interpreted to mean “including, but not limited to,” and the terms following such words will be interpreted as examples, and not an exhaustive list, of the appropriate subject matter.

This Agreement will become valid and enforceable only upon its full execution by you and us, although we and you need not be signatories to the same original, facsimile, or electronically-transmitted counterpart of this Agreement. A faxed copy of an originally-signed signature page, a

scanned copy of an originally-signed signature page that is sent as a .pdf by email, or a signature page bearing an electronically/digitally captured signature and transmitted electronically will be deemed an original.

## **N. The Exercise of Our Business Judgment**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best according to our business judgment, to vary Brand Standards or other aspects of the Franchise System for any franchisee. You have no right to require us to grant you a similar variation or accommodation.

We have the right to develop, operate, and change the Franchise System in any manner this Agreement does not specifically prohibit. Whenever this Agreement reserves our right to take or withhold an action, or to grant or decline to grant you the right to take or omit an action, we may, except as this Agreement specifically provides, make our decision or exercise our rights based on information then available to us and our judgment of what is best for us, NAF NAF Restaurant franchisees generally, or the Franchise System when we make our decision, whether or not we could have made other reasonable or even arguably preferable alternative decisions and whether or not our decision promotes our financial or other individual interest.

**O. No Affiliate Liability**

You acknowledge and agree that none of our past, present, or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, affiliates, controlling parties, entities under common control, ownership, or management, vendors, service providers, agents, attorneys, or representatives will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement, (ii) any claim against us based on, in respect of, or by reason of the relationship between you and us, or (iii) any claim against us based on any of our alleged unlawful acts or omissions.

**22. Compliance with Anti-Terrorism Laws**

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any Anti-Terrorism Law. “**Anti-Terrorism Laws**” mean Executive Order 13224 issued by the President of the United States and all other present and future Laws, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners’ assets under the Anti-Terrorism Laws, constitutes good cause for immediate termination of this Agreement, as provided in Section 18 above.

**23. Notices and Payments**

All acceptances, approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive them

in accordance with this Section 23. All such acceptances, approvals, requests, notices, and reports will be deemed delivered at the time delivered by hand; or one (1) business day after deposit with a nationally-recognized commercial courier service for next business day delivery; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and/or, with respect to any approvals and notices we send you or your owners, at the Restaurant’s address. Payments and certain information and reports you must send us under this Agreement will be deemed delivered on any of the applicable dates described above or, if earlier, when we actually receive them electronically (all payments, information, and reports must be

received on or before their due dates in the form and manner specified in this Agreement). As of the Effective Date of

this Agreement, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

To us:

Naf-Naf Franchising LLC  
720 North Franklin Street, Suite 400  
Chicago, Illinois 60654  
Attn: Chief Executive Officer

Notices to you and your owners:

## **24. Electronic Mail**

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize e-mail transmission to you during the Term by us and our employees, vendors, and affiliates (“**Official Senders**”). You further agree that: (i) Official Senders are authorized to send e-mails to your supervisory employees whom you occasionally authorize to communicate with us; (ii) you will cause your officers, directors, and supervisory employees to consent to Official Senders’ transmission of e-mails to them; (iii) you will require such persons not to opt out of or otherwise ask to no longer receive e-mails from Official Senders while such persons work for or are associated with you; and (iv) you will not opt out of or otherwise ask to no longer receive e-mails from Official Senders during the Term. The consent given in this Section 24 will not apply to the provision of formal notices by either party under this Agreement under Section 23 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

## **25. Non-Waiver of Franchise Laws**

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.

*[Signatures on next page]*

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement, to be effective as of the date set forth next to our signature below.

~~NAF-NAF FRANCHISING LLC,~~  
a Delaware limited liability company

**FRANCHISEE**

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

\_\_\_\_\_  
[Name]

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

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

Date: \_\_\_\_\_, 20\_\_\*\*

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

\*\*Effective Date

Date: \_\_\_\_\_, 20\_\_

NAF-NAF FRANCHISING LLC, a  
Delaware limited liability company

FRANCHISEE

[Name]

Date:      , 20\_\_\*\* \*\*Effective Date

By:

Title:

| [Name]

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

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

| Date: \_\_\_\_\_, 20

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**EXHIBIT A**  
**TO THE NAF-NAF FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

**BASIC TERMS**

1. The non-exclusive Site Selection Area is described as follows:

\_\_\_\_\_ (see attached map, if applicable). The Site Selection Area is simply the geographical area within which you have the right to look for the Restaurant's site. It will not determine the size or description of the Area of Protection.

2. The Restaurant's physical address is \_\_\_\_\_  
If you have not found and secured the Restaurant's site as of the Effective Date, we and you will identify the Restaurant's physical address in the blank above after you find and secure the site.

3. The Restaurant's Area of Protection is described as follows:

\_\_\_\_\_ (see attached map, if applicable). If you have not found and secured the Restaurant's site as of the Effective Date, we and you will define the Area of Protection in the blank above (and, if applicable, on the attached map) after you find and secure the site. (We may modify the Area of Protection during the Franchise Agreement term if the Restaurant relocates.)

**NAF-NAF FRANCHISING LLC, a**  
Delaware limited liability company

**FRANCHISEE**

\_\_\_\_\_  
[Name]  
By: \_\_\_\_\_ Title: \_\_\_\_\_

\_\_\_\_\_  
[Name]  
By: \_\_\_\_\_

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

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

Date: \_\_\_\_\_, 20\_\_

NAF NAF FA (2025)

Date: \_\_\_\_\_, 20\_\_

A-1

**EXHIBIT B-1**  
**TO THE NAF-NAF FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given this \_\_\_\_\_  
\_\_\_\_\_, 20\_\_ , by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by **NAF-NAF FRANCHISING LLC**, a Delaware limited liability company (“**Franchisor**”), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including, without limitation, any extensions of its term) and afterward as provided in the

Agreement, that \_\_\_\_\_ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including, without limitation, any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including, without limitation, any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in Sections 21, 22, and 23 of the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor’s pursuit of any remedies against Franchisee or another person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence Franchisor may from time to time grant to Franchisee or to another person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, any release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including, without limitation, any extensions of its term) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or any of its owners and for so long as Franchisor has any cause of action against Franchisee or any of its owners; (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) any Franchisee indebtedness to the undersigned, for whatever reason, whether currently existing or hereafter arising, will at all times be inferior and subordinate to any indebtedness owed by Franchisee to Franchisor or its affiliates.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned will be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he or she may be entitled; and (iii) all rights to assert or plead any statute of limitations or other limitations period as to or relating to this Guaranty. The undersigned expressly acknowledges that the obligations under this Guaranty survive expiration or termination of the Agreement.

If Franchisor seeks to enforce this Guaranty in an arbitration, judicial, or other proceeding and prevails in that proceeding, Franchisor is entitled to recover its reasonable costs and expenses (including, but not limited to, attorneys' fees, arbitrators' fees, expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses, and travel and living expenses) incurred in connection with the proceeding. If Franchisor is required to engage legal counsel in connection with the undersigned's failure to comply with this Guaranty, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs, even if Franchisor does not commence a judicial or arbitration proceeding.

Subject to the arbitration obligations set forth in the Agreement and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where Franchisor has its principal business address when the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. **FRANCHISOR AND THE UNDERSIGNED IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY OF THEM. EACH ACKNOWLEDGES THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.**

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

**GUARANTOR(S)**

**PERCENTAGE OF OWNERSHIP IN  
FRANCHISEE**

_____	_____ %
<u>[Name]</u>	
_____	<u>[Signature]</u>
_____	_____ %
<u>[Name]</u>	_____ %
_____	_____ %
<u>[Signature]</u>	_____ %
_____	
_____	_____ %
<u>[Name]</u>	
_____	<u>[Signature]</u>



**EXHIBIT B-2**  
**TO THE NAF-NAF FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

**OWNER’S UNDERTAKING OF NON-MONETARY OBLIGATIONS**

**THIS OWNER’S UNDERTAKING OF NON-MONETARY OBLIGATIONS** is given this \_\_\_\_\_, 20\_\_ , by \_\_\_\_\_ .

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by **NAF-NAF FRANCHISING LLC**, a Delaware limited liability company (“**Franchisor**”), with \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”), each of the undersigned unconditionally agrees (a) to be personally bound by, and personally liable for his or her own breach of, Sections 3.E, 3.F, 6.H, 7.B, 7.D, 7.G, 8, 9, 10, 11, 12, 13.F, 16, 17, 19 (except for Section 19.A), 20.B, 22, 23, and 24 of the Agreement, and (b) to be personally bound by Sections 2, 21.A, 21.B, 21.F, 21.G, 21.H, 21.I, 21.J, 21.K, 21.L, and 21.M of the Agreement. None of the undersigned will be responsible for any of Franchisee’s payment obligations under the Agreement.

The undersigned consents and agrees that this liability will not be contingent or conditioned upon Franchisor’s pursuit of any remedies against Franchisee or another person and will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence Franchisor may from time to time grant to Franchisee or to another person, including, without limitation, the acceptance of any partial performance or the compromise or release of any claims, none of which will in any way modify or amend this Undertaking, which will continue and be irrevocable during the term of the Agreement (including, without limitation, any extensions of its term) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or its owners and for so long as Franchisor has any cause of action against Franchisee or any of its owners. This Undertaking will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this Undertaking, for the express purpose that none of the undersigned will be deemed a “creditor” of Franchisee under any applicable bankruptcy law with respect to Franchisee’s obligations to Franchisor; (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Undertaking, notice of non-performance of any obligations hereby assumed, protest and notice of default to any party with respect to the nonperformance of any obligations hereby assumed, and any other notices and legal or equitable defenses to which he or she may be entitled; and (iii) all rights to assert or plead any statute of limitations or other limitations period as to or relating to this Undertaking. The undersigned expressly acknowledges that the obligations under this Undertaking survive expiration or termination of the Agreement.

If Franchisor seeks to enforce this Undertaking in an arbitration, judicial, or other proceeding and prevails in that proceeding, Franchisor is entitled to recover its reasonable costs and expenses (including, but not limited to, attorneys' fees, arbitrators' fees, expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses, and travel and living expenses) incurred in connection with the proceeding. If Franchisor is required to engage legal counsel in connection with the undersigned's failure to comply with this Undertaking, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs, even if Franchisor does not commence a judicial or arbitration proceeding.

Subject to the arbitration obligations set forth in the Agreement and the provisions below, each of the undersigned agrees that all actions arising under this Undertaking or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where Franchisor has its principal business address when the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Undertaking and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. **FRANCHISOR AND THE UNDERSIGNED IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY OF THEM. EACH ACKNOWLEDGES THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.**

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Signature]

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

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Signature]

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

**EXHIBIT C**  
**TO THE NAF-NAF FRANCHISING LLC FRANCHISE AGREEMENT**

**FRANCHISEE AND ITS OWNERS**

**Effective Date:** This Exhibit C is current and complete as of \_\_\_\_\_, 20\_\_

Franchisee was incorporated or formed on \_\_\_\_\_, 20\_\_, under the laws of the State of \_\_\_\_\_. Franchisee has not conducted business under any name other than Franchisee's corporate, limited liability company, or partnership name and (if applicable) \_\_\_\_\_. The following is a list of Franchisee's directors or managers (if applicable) and officers as of the effective date shown above:

<u>Name</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____

~~**Owners.** The following list includes the full name of each person who is one of Franchisee's direct or indirect owners and fully describes the nature of each owner's interest (attach additional pages if necessary).~~

<u>Owner's Name</u>	<u>Description of Interest</u>
_____	_____
_____	_____
_____	_____

~~**Operating Principal.** Franchisee's Operating Principal is \_\_\_\_\_.  
His or her contact information for notice is \_\_\_\_\_.~~

~~**Operating Partner.** Franchisee's Operating Partner is \_\_\_\_\_.  
His or her contact information for notice is \_\_\_\_\_.~~

NAF-NAF FRANCHISING LLC, a  
Delaware limited liability company

FRANCHISEE

\_\_\_\_\_  
[Name]

**FRANCHISEE**

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

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

Date: \_\_\_\_\_, 20  20

[Name]

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

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

Date: \_\_\_\_\_, 20\_\_



prior written approval.

(b) Tenant may assign or sublet the Lease to Franchisor, Franchisor's affiliate or any Approved Franchisee (as hereafter defined) at any time during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. Landlord will not impose or assess any assignment or subletting fee or similar payment or accelerate rental payments under the Lease in connection with such assignment or sublet. If the assignment or sublet is to Franchisor, it will not be effective until Franchisor or its affiliate gives Landlord written notice of its acceptance of such assignment or sublet.

(c) If Franchisor elects to assume the Lease under the terms of this Rider, (i) Tenant will remain solely liable for its obligations under the Lease prior to the date of assignment and assumption, including amounts owed to the Landlord and will remain liable for its continuing obligations under the Lease unless and until released from those obligations by Landlord and (ii) Franchisor will have the right to assign or sublet the Premises to an Approved Franchisee, whereupon (x) Franchisor shall automatically be released of its obligations under the Lease and (y) the Approved Franchisee will be responsible for its obligations under the Lease incurred after the effective date of the assignment. An "Approved Franchisee" means a third-party that meets Franchisor's then-existing criteria for qualifying as a Naf Naf franchisee (the "Franchisee Criteria"). As of the date hereof, the Franchisee Criteria are as follows: a minimum net worth of \$1,800,000, calculated as the excess of its total assets (excluding goodwill and intangibles) over its total liabilities, as determined in accordance with sound accounting principles, consistently applied, of which \$600,000 must be cash or cash equivalents.

4. Franchisor's Access and Cure Rights.

(a) Franchisor or its affiliates may enter the Premises pursuant to the Franchise Agreement to make any modifications or alterations necessary to protect its proprietary marks, signs, décor and materials displaying any marks, designs or logos owned by Franchisor or to cure any default under the Lease or Franchise Agreement at any time and without prior notice to Landlord.

(b) Franchisor will have an additional fifteen (15) days from the expiration of Tenant's cure period in which to cure a Tenant violation.

5. Lease Modifications. Tenant will not renew or extend the term of the Lease or modify the Lease in any manner without Franchisor's prior written approval.

6. Default and Notice. Upon the occurrence of any of the following:

(a) a default by Tenant under the Lease (whether or not Landlord intends to terminate the Lease due to such default), the Franchise Agreement or any document or instrument securing or relating to the Franchise Agreement; or

(b) the termination of the Franchise Agreement before its term expires by Franchisor or by Tenant for any reason, other than an uncured default by Franchisor,

Franchisor will have the right (but not the obligation), exercisable upon delivery of written notice to Tenant and Landlord, to compel an assignment or sublet of the Lease, and all of Tenant's rights under the Lease, to Franchisor, its affiliate or an Approved Franchisee, at Franchisor's option. If Franchisor (or its assignee or sublessee) exercises the rights under this Paragraph 6, Tenant will have

no further right, title, or interest under the Lease or to the Premises, but will remain liable to Landlord for all rents, charges, and other obligations under the Lease accruing before the date upon which Franchisor, its affiliate or an Approved Franchisee assumes possession of the Premises.

7. Lease Expiration or Termination. Upon the expiration or earlier termination of the Lease, Landlord agrees to cooperate and allow Franchisor to enter the Premises, no later than thirty (30) days after said expiration or termination and without cost and without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other non-building items identifying the Premises as a Naf Naf® Restaurant and to make such other modifications as are reasonably necessary to distinguish the Premises from Naf Naf® Restaurants. In the event Franchisor exercises its option to purchase assets of Tenant, Landlord agrees to permit Franchisor to remove all such assets being purchased by Franchisor; provided, however, in no event may Franchisor remove any of the following from the Premises: (a) the building, (b) the heating, air-conditioning, ventilating, mechanical, electrical, lighting, wiring, plumbing, sewer, sprinkler, cooking exhaust hoods, ducts, ventilators and fans and fire extinguishing equipment, fixtures and systems in, on, at, attached to and/or about such building and/or the Land or (c) the flooring and carpeting in such building.

8. Consideration; No Liability.

(a) Landlord acknowledges that the provisions of this Rider are required pursuant to the Franchise Agreement and that Tenant may not lease the Premises without this Rider.

(b) Landlord acknowledges that Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor and that Landlord has entered into this Rider with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

(c) Nothing contained in this Rider makes Franchisor or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of Franchisor or its affiliates.

9. Miscellaneous.

(a) This Rider shall be binding on the parties and their successors and permitted assigns.

(b) To the extent of any conflict between the terms of the Lease and the terms of this Rider, the terms of this Rider shall control.

(c) This Rider may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties agree that the use of facsimile or PDF signatures for the negotiation and execution of this Rider shall be legal and binding and shall have the same full force and effect as if originally signed.

10. Third-Party Beneficiary. Franchisor (and its successors) is an intended third-party beneficiary with respect to the terms set forth in this Rider with independent rights to enforce such terms, and neither Landlord nor Tenant may alter or limit any such terms without Franchisor's prior written approval.

IN WITNESS WHEREOF, the parties have signed this Rider as of the date written above.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_, \_\_\_\_\_,  
a(n) \_\_\_\_\_ a(n) \_\_\_\_\_

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

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

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

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

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT E**  
**TO THE NAF-NAF FRANCHISING LLC**  
**FRANCHISE AGREEMENT**

**SAMPLE FORM OF CONFIDENTIALITY AGREEMENT**

In consideration of my employment or contract with and/or interest in \_\_\_\_\_ (the “**Franchisee**”) and the salary, honorariums, wages, and/or fees paid to me, I acknowledge that **NAF-NAF FRANCHISING LLC**, a Delaware limited liability company having its principal place of business at 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**Naf Naf**”), has imposed the following conditions on the Franchisee, any owner of the Franchisee, and the Franchisee’s officers, directors, and senior personnel. As a condition of performing services for or having an interest in Franchisee, I agree to accept the following conditions without limitation:

1. Without obtaining Naf Naf’s prior written consent (which consent Naf Naf may withhold in its sole discretion), I will (i) not disclose, publish, or divulge to any other person, firm, or corporation, through any means, any of Naf Naf’s Confidential Information either during or after my employment by or association with Franchisee, (ii) not use the Confidential Information for any purposes other than as related to my employment or association with Franchisee, and (iii) not make copies or translations of any documents, data, or compilations containing any or all of the Confidential Information, commingle any portion of the documents, data, or compilations, or otherwise use the documents, data, or compilations containing Confidential Information for my own purpose or benefit. I also agree to surrender any material containing any of Naf Naf’s Confidential Information upon request or upon termination of my employment or association with Franchisee. I understand that the Operations Manual is provided by Naf Naf to Franchisee for a limited purpose, remains Naf Naf’s property, and may not be reproduced, in whole or in part, without Naf Naf’s prior written consent.

For purposes of this Agreement, “**Confidential Information**” means certain information, processes, methods, techniques, procedures, and knowledge, including know-how (which includes information that is secret and substantial), manuals, and trade secrets (whether or not judicially recognized as a trade secret), developed or to be developed by Naf Naf relating directly or indirectly to the development or operation of a NAF NAF Restaurant. With respect to the definition of know-how, “**secret**” means that the know-how as a body or in its precise configuration is not generally known or easily accessible, and “**substantial**” means information that is important and useful to Franchisee in developing and operating Franchisee’s Restaurant. Without limiting the foregoing, Confidential Information includes, but is not limited to:

- i. information in the Operations Manual and Brand Standards;
- ii. layouts, designs, and other plans and specifications for NAF NAF Restaurants;
- iii. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating NAF NAF Restaurants;

- iv. marketing research and promotional, marketing, and advertising programs for NAF NAF Restaurants;
- v. knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, products, services, materials, and supplies that NAF NAF Restaurants use and sell;
- vi. knowledge of the operating results and financial performance of NAF NAF Restaurants other than Franchisee's Restaurant;
- vii. customer solicitation, communication, and retention programs, along with Data used or generated in connection with those programs;
- viii. all Data and all other information generated by, or used or developed in, the Restaurant's operation, including Consumer Data, and any other information contained from time to time in the Computer System or that visitors (including you) provide to the System Website; and
- ix. any other information Naf Naf reasonably designates as confidential or proprietary.

2. If there is a dispute or question arising out of the interpretation of this Agreement or any of its terms, the laws of the State of [\_\_\_\_\_] will govern. *[Insert franchisee's home state.]*

3. I acknowledge receipt of a copy of this Agreement and that I have read and understand this Agreement. This Agreement may not be modified except in writing with the prior approval of an officer of each of Franchisee and Naf Naf.

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

Social Security No.: \_\_\_\_\_  
 or Tax ID No. \_\_\_\_\_  
 Address: \_\_\_\_\_

Phone: \_\_\_\_\_  
 Fax: \_\_\_\_\_

Check the following that apply:

- |                                   |   |
|-----------------------------------|---|
| <input type="checkbox"/> Owner    | <input type="checkbox"/> Senior Personnel       |
| <input type="checkbox"/> Officer  | <input type="checkbox"/> Other (please specify) |
| <input type="checkbox"/> Director |   |

**EXHIBIT C**

**DEVELOPMENT RIGHTS RIDER TO FRANCHISE AGREEMENT**

**DEVELOPMENT RIGHTS RIDER TO  
NAF-NAF FRANCHISING LLC  
FRANCHISE AGREEMENT**

1. **Background.** This Development Rights Rider (the “Rider”) is made between NAF-NAF FRANCHISING LLC (“we,” “us,” or “our”) and \_\_\_\_\_ (“you” or “your”). This Rider is attached to, and intended to be a part of, the Franchise Agreement that we and you are signing concurrently with signing this Rider (the “First Franchise Agreement”) for the development and operation of your first NAF NAF® Middle Eastern Grill Restaurant (“NAF NAF® Restaurant”) at a location to be specified within the Territory (defined below). We and you are signing this Rider because you want the right to develop additional NAF NAF® Restaurants (besides the Restaurant covered by the First Franchise Agreement) within the Territory over a certain time period, and we are willing to grant you those development rights if you comply with this Rider.

2. **Grant of Development Rights.** Subject to your strict compliance with this Rider, we grant you the right to develop \_\_\_\_\_ (\_\_\_\_\_) NAF NAF® Restaurants (including the NAF NAF® Restaurant covered by the First Franchise Agreement), according to the mandatory development schedule described in Exhibit A to this Rider (the “Schedule”), within the following geographic area (the “Territory”): \_\_\_\_\_

NAF NAF® Restaurants that you (or your affiliates) are permitted to operate at Restricted Venues (defined below) physically located in the Territory do not count toward your compliance with the Schedule.

If you (and, to the extent applicable, your Approved Affiliates (defined in Section 3 below)) are fully complying with all of your (and their) obligations under this Rider, the First Franchise Agreement, and all other franchise agreements then in effect between us and you (and, to the extent applicable, your Approved Affiliates) for the development and operation of NAF NAF® Restaurants, then during this Rider’s term only, we (and our affiliates) will not, except in the situations described below, establish and operate or grant to others the right to establish and operate NAF NAF® Restaurants having their physical locations within the Territory.

The exceptions referenced above to your exclusive right to establish NAF NAF® Restaurants having their physical locations within the Territory are described in this paragraph. If:

(i) we become aware during this Rider’s term of one or more opportunities to establish and operate a NAF NAF® Restaurant at a location within the Territory for which that location’s owner or manager sets financial, experience, or organizational standards for an acceptable operator (for example, a national or multi-regional concessionaire) that you do not and cannot satisfy when the opportunity becomes available; or

(ii) the location is a Non-Traditional Venue (which is defined to mean a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater,

truck-stop, or similar venue) (the locations referenced in (i) and (ii) are referred to collectively as “Restricted Venues”),

then we (or our affiliates) may pursue the opportunity for that Restricted Venue and establish, or franchise or license another to establish, a NAF NAF® Restaurant at that Restricted Venue. Our, our affiliate’s, or another franchisee’s or licensee’s development and operation of a NAF NAF® Restaurant at a Restricted Venue in the Territory do not count toward your compliance with the Schedule. As noted above, NAF NAF® Restaurants that you (or your affiliates) are permitted to operate at Restricted Venues physically located in the Territory likewise do not count toward your compliance with the Schedule.

The location exclusivity described above (with the noted exceptions) is the only restriction on our (and our affiliates’) activities within the Territory during this Rider’s term. You acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Territory, including, without limitation, those we reserve in the First Franchise Agreement. After this Rider expires or is terminated (regardless of the reason for termination), we and our affiliates have the right, without any restrictions whatsoever, to (a) establish and operate, and grant to others the right to establish and operate, NAF NAF® Restaurants having their physical locations within the Territory and (b) continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within the Territory.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS RIDER, AND YOUR RIGHTS UNDER THIS RIDER ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE MAY ENFORCE THIS RIDER STRICTLY.

3. **Development Obligations.** To maintain your rights under this Rider, you (and/or Approved Affiliates) must, by the dates specified in the Schedule, sign franchise agreements for and then construct, develop, and have open and operating within the Territory the agreed-upon minimum number of NAF NAF® Restaurants. If your owners establish a new legal entity to operate one or more of the NAF NAF® Restaurants to be developed pursuant to this Rider and that new legal entity’s ownership is completely identical to your ownership, that legal entity automatically will be considered an “Approved Affiliate” without further action. However, if the new legal entity’s ownership is not completely identical to your ownership, you first must seek our approval for that new entity to develop and operate the proposed Restaurant as an Approved Affiliate. We may refuse any such request if you and/or your owners do not (a) own and control at least two-thirds of the new entity’s ownership interests and (b) have the authority to exercise voting and management control of the Restaurant proposed to be owned by the new entity.

You (and/or your Approved Affiliates) will operate each NAF NAF® Restaurant under a separate franchise agreement with us. The franchise agreement (and related documents, including Guaranty and Assumption of Obligations) that you and your owners (or your Approved Affiliate and its owners) must sign for each Restaurant developed pursuant to this Rider will be our then-current form of franchise agreement (and related documents, including Guaranty and Assumption of Obligations), any or all terms of which may differ substantially and materially from any or all

terms contained in the First Franchise Agreement, provided, however, that the Royalty, Tech Fee, Brand Fund contribution, and minimum required Market Introduction Program expense specified under our then-current form of franchise agreement will (if different) be modified for the initial franchise term for each new Restaurant to be the same as those specified in the First Franchise Agreement unless you (and your Approved Affiliates) are not then in full compliance with this Rider and all other franchise agreements then in effect between us and you (and your Approved Affiliates) for NAF NAF® Restaurants. If you (and your Approved Affiliates) are not then in full compliance with this Rider and all other franchise agreements then in effect between us and you (and your Approved Affiliates) for NAF NAF® Restaurants, then the Royalty, Tech Fee, Brand Fund contribution, and minimum required Market Introduction Program expense specified under our then-current form of franchise agreement will not be modified for the initial franchise term for the new NAF NAF® Restaurants.

Despite any contrary provision contained in the newly-signed franchise agreements, your (and your Approved Affiliates') additional NAF NAF® Restaurants within the Territory must be open and operating by the dates specified in the Schedule. To retain your rights under this Rider, each NAF NAF® Restaurant opened pursuant to this Rider must operate continuously throughout this Rider's term in full compliance with its franchise agreement.

4. **Subfranchising and Sublicensing Rights**. This Rider does not give you any right to franchise, license, subfranchise, or sublicense others to develop and operate NAF NAF® Restaurants. Only you (and/or Approved Affiliates) may construct, develop, open, and operate NAF NAF® Restaurants pursuant to this Rider. This Rider also does not give you (or your Approved Affiliates) any independent right to use the NAF NAF® Middle Eastern Grill trademark or our other trademarks and commercial symbols. The right to use our trademarks and commercial symbols is granted only under a franchise agreement signed directly with us. This Rider only grants you potential development rights if you fully comply with its terms.

5. **Development Fee**. As consideration for the development rights we grant you in this Rider, you must pay us when you sign this Rider a total of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (the "Development Fee"), which equals (a) the Thirty-Thousand Dollar (\$30,000) initial franchise fee due under the First Franchise Agreement, plus (b) total deposits equaling \_\_\_\_\_ Thousand Dollars (\$ \_\_\_\_\_) for the additional NAF NAF® Restaurants you agree to construct, develop, and operate. Our initial franchise fee for each NAF NAF® Restaurant you develop under this Rider is Thirty-Thousand Dollars (\$30,000). The deposits appearing above represent Fifteen-Thousand Dollars (\$15,000) for each NAF NAF® Restaurant you commit to develop after the first Restaurant. The Development Fee is consideration for the rights we grant you in this Rider and for reserving the Territory for you to the exclusion of others (except as provided in this Rider) while you are in compliance, is fully earned by us when we and you sign this Rider, and is not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this Rider for that reason.

While the Development Fee is not refundable under any circumstances, each time you (or your Approved Affiliate) sign a franchise agreement for another NAF NAF® Restaurant to be developed within the Territory, we will apply the deposit related to that Restaurant (which is part

of the Development Fee) toward the initial franchise fee due for that Restaurant (leaving the Fifteen- Thousand Dollar (\$15,000) balance of the initial franchise fee due at time of signing).

6. **Grant of Franchises.** You must send us a separate application for each NAF NAF® Restaurant that you (or your Approved Affiliate) wish to develop in the Territory. You agree to provide in our Site Acceptance Request (SAR) all information and materials we request to assess each proposed Restaurant site. You must locate, evaluate, and select the Restaurant's site. We will not select sites for you. In granting you development rights under this Rider, we are relying on your knowledge of the real estate market in the Territory and your ability to locate and access sites. We will give you our then-current criteria for NAF NAF® Restaurant sites (including, without limitation, population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, parking, size, and other physical and commercial characteristics) to help you select and identify each Restaurant Site. We will not unreasonably withhold our acceptance of a SAR if, in our and our affiliates' experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for NAF NAF® Restaurants. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you have chosen is accepted but not recommended due to its incompatibility with certain factors that bear on a site's suitability as a location for a NAF NAF® Restaurant. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within thirty (30) days after we receive all requested information and materials in the SAR. You may not proceed with a site that we have not accepted.

You also must send us for our written acceptance, which we will not unreasonably withhold, any lease or sublease that will govern your occupancy and lawful possession of each Restaurant site before you sign it. You may not sign any lease or sublease that we have not accepted in writing. We may (but have no obligation to) guide you in the leasing process but will not negotiate the lease or sublease for you or provide any legal advice.

If we accept the proposed site but you (or your Approved Affiliate) have not yet signed a franchise agreement for that Restaurant, you agree within the time period we specify (but no later than the date specified in the Schedule) to sign (or have your Approved Affiliate sign) a separate franchise agreement (and related documents) for that Restaurant and to pay us the remaining portion of the initial franchise fee due. If you (or your Approved Affiliate) fail to do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site and exercise any of our other rights under this Rider. After you and your owners (or your Approved Affiliate and its owners) sign the franchise agreement (and related documents, including Guaranty and Assumption of Obligations), its terms and conditions will control the construction, development, and operation of the NAF NAF® Restaurant (except that the required opening date is governed exclusively by the Schedule in this Rider, as provided in Section 3 above).

In addition to our rights with respect to proposed NAF NAF® Restaurant sites, we may delay your development and/or opening of additional NAF NAF® Restaurants within the Territory for the time period we deem best if we believe in our sole judgment, when you submit your application for another Restaurant, or after you (or your Approved Affiliate) have developed and constructed but not yet opened a particular Restaurant, that you (or your Approved Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to develop, open,

and/or operate the additional NAF NAF® Restaurant in full compliance with our standards and specifications. We may delay additional development and/or a Restaurant's opening for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

7. **Term.** This Rider's term begins on the date we sign it and ends on the date when (a) you (or your Approved Affiliate) open for business the final NAF NAF® Restaurant to be developed under the Schedule, or (b) this Rider otherwise is terminated, but in any event this Rider's term will end no later than <insert date>.

8. **Termination.** We may at any time terminate this Rider and your rights under this Rider to develop NAF NAF® Restaurants within the Territory, such termination to be effective upon our delivery to you of written notice of termination:

(a) if you fail to satisfy your development obligations under the Schedule, which default you have no right to cure;

(b) if you fail to satisfy any other obligation under this Rider, which default you have no right to cure;

(c) if the First Franchise Agreement, or another franchise agreement between us and you (or your Approved Affiliate) for a NAF NAF® Restaurant, is terminated by us in compliance with its terms or by you (or your Approved Affiliate) for any (or no) reason; or

(d) if we have delivered a formal written notice of default to you (or your Approved Affiliate) under the First Franchise Agreement, or another franchise agreement between us and you (or your Approved Affiliate) for a NAF NAF® Restaurant, and you (or your Approved Affiliate) fail to cure that default within the required timeframe.

No portion of the Development Fee is refundable upon termination of this Rider or under any other circumstances. If we terminate this Rider because you fail to satisfy your development obligations under the Schedule, we will keep the Development Fee (which is not refundable) but otherwise will not seek to recover damages from you due solely to your failure to comply with the Schedule.

Termination of this Rider under clauses (a), (b), (c), or (d) above is not deemed to be the termination of any franchise rights (even though this Rider is attached to the First Franchise Agreement) because this Rider grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. Termination of this Rider does not affect any franchise rights granted under any then-effective individual franchise agreements.

9. **Assignment.** Your development rights under this Rider are not assignable at all. This means we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of the First Franchise Agreement, a transfer of a controlling ownership interest in you, a transfer of this Rider separate and apart from the First Franchise Agreement, or any other event attempting to assign the development rights. An assignment of only a

non-controlling ownership interest in you is permitted (and would not be deemed to be a transfer of your



**EXHIBIT A TO DEVELOPMENT RIGHTS RIDER**

You agree to develop and open \_\_\_\_\_ (\_\_\_\_\_) NAF NAF® Restaurants in the Territory, including the Restaurant that is the subject of the First Franchise Agreement, according to the following Schedule:

<b>Restaurant Number</b>	<b>Franchise Agreement to be Signed by Franchisee (or Approved Affiliate) and Balance of Initial Franchise Fee to be Paid by (Date)</b>	<b>Date by which Restaurant Must be Opened (Opening Deadline)</b>	<b>Minimum Cumulative Number of New Franchised NAF NAF® Restaurants to be Open and Operating in Territory No Later Than the Opening Deadline</b>
1	Concurrently with this Development Rights Rider		1
2			2
3			3
4			4
5			5

**NAF-NAF FRANCHISING LLC,**  
Delaware limited liability company

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

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

Date: \_\_\_\_\_ 20\_\_

**FRANCHISEE**

\_\_\_\_\_  
[Name]

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

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

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

**EXHIBIT D**

**OPERATIONS MANUAL TABLE OF CONTENTS**



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## Operations Manual

# Operations Manual

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# OPERATIONS MANUAL OVERARCHING TABLE OF CONTENTS

## BRAND OVERVIEW

1-10

<u>BRAND OVERVIEW</u>	<u>4</u>
<u>OUR MENU</u>	<u>11</u>
<u>RESTAURANT REQUIREMENTS</u>	<u>17</u>
<u>OPENING A NAF NAF</u>	<u>36</u>
<u>BRAND MARKETING</u>	<u>45</u>
<u>RECIPES</u>	<u>52</u>
<u>PROCEDURES</u>	<u>66</u>
<u>CATERING EXECUTION</u>	<u>92</u>
<u>DIGITAL ORDERS</u>	<u>119</u>
<u>ORDERING AND INVENTORY</u>	<u>146</u>
<u>SAFETY</u>	<u>187</u>
<u>GUEST SERVICE AND RECOVERY</u>	<u>217</u>
<u>TRAINING</u>	<u>230</u>
<u>TEAM MANAGEMENT</u>	<u>289</u>
<u>SHIFT RUNNING</u>	<u>327</u>
<u>TASTE MATRIX</u>	<u>355</u>
<u>POS</u>	<u>358</u>
<u>CASH HANDLING</u>	<u>386</u>
<u>EFFECTIVE COMMUNICATIONS</u>	<u>408</u>
<u>LEADERSHIP</u>	<u>426</u>

<u>OUR MENU</u>	<u>11-16</u>
<del><u>RESTAURANT REQUIREMENTS</u></del>	<del><u>17-35</u></del>
<del><u>OPENING A NAF NAF</u></del>	<del><u>36-44</u></del>
<u>BRAND MARKETING</u>	<u>45-51</u>
<del><u>RECIPES</u></del>	<del><u>52-76</u></del>
<u>PROCEDURES</u>	<u>77-117</u>
<u>CATERING EXECUTION</u>	<u>118-150</u>
<u>DIGITAL ORDERS</u>	<u>151-177</u>
<u>ORDING AND INVENTORY</u>	<u>178-220</u>
<u>SAFETY</u>	<u>221-256</u>
<u>GUEST RECOVERY</u>	<u>257-269</u>
<u>TRAINING</u>	<u>270-326</u>
<u>TEAM MANAGEMENT</u>	<u>327-380</u>
<u>SHIFT RUNNING</u>	<u>381-408</u>
<u>TASTE MATRIX</u>	<u>409-411</u>
<u>POS</u>	<u>412-456</u>
<u>CASH HANDLING</u>	<u>457-486</u>
<u>EFFECTIVE COMMUNICATION</u>	<u>487-504</u>
<u>LEADERSHIP</u>	<u>505-514</u>

**CONDUCTING MEETINGS**

**515-524**

**CRISIS MANAGEMENT**

**525-555**

**FACILITIES & EQUIPMENT**

**556-586**

**RESTAURANT TECHNOLOGY**

**587-611**

**BUSINESS MANAGEMENT**

**612-644**

**EXHIBIT E**

**LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

**STATE AGENCIES/AGENTS  
FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

**CALIFORNIA**

Commissioner of Business Oversight,  
Department of Business Oversight:  
Toll Free: 1 (866) 275-2677

***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013-2344 (213)  
576-7500

***Sacramento***

1515 K Street, Suite 200  
Sacramento, California 95814-4052  
(916) 445-7205

***San Diego***

1350 Front Street, Rm. 2034  
San Diego, California 92101-3697  
(619) 525-4233

***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94105-2980  
(415) 972-8559

**HAWAII**

(for service of process)

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

(for other matters)

Commissioner of Securities Department of  
Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2722

**ILLINOIS**

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

**INDIANA**

(for service of process)

Indiana Secretary of State  
201 State House  
200 West Washington Street Indianapolis,  
Indiana 46204  
(317) 232-6531

(state agency)

Indiana Secretary of State  
Securities Division  
Room E-111  
302 West Washington Street Indianapolis,  
Indiana 46204  
(317) 232-6681

**MARYLAND**

(for service of process)

Maryland Securities Commissioner at the  
Office of Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(state agency)

Office of the Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

**MICHIGAN**

Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
(517) 335-7567

**MINNESOTA**

Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

**NEW YORK**

(for service of process)

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, New York 12231-0001  
(518) 473-2492

(Administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236 (Phone)

**NORTH DAKOTA**

(for service of process)

Securities Commissioner North Dakota  
Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505  
(701) 328-4712

(state agency)

North Dakota Securities Department 600  
East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505 (701)  
328-2910

**OREGON**

Oregon Division of Financial Regulation  
350 Winter Street NE, Suite 410  
Salem, Oregon 97301  
(503) 378-4140

**RHODE ISLAND**

Securities Division  
Department of Business Regulations  
1511 Pontiac Avenue  
John O. Pastore Complex-Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9500

**SOUTH DAKOTA**

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

**VIRGINIA**

(for service of process)

Clerk, State Corporation Commission  
1300 East Main Street First Floor  
Richmond, Virginia 23219  
(804) 371-9733

(for other matters)

State Corporation Commission  
Division of Securities and Retail Franchising  
Tyler Building, 9<sup>th</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9051

**WASHINGTON**

(for service of process)

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

(for other matters)

Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98501-9033  
(360) 902-8760

**WISCONSIN**

(for service of process)

Administrator, Division of Securities  
Department of Financial Institutions 4822  
Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-2139

(state administrator)

Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-9555

**EXHIBIT F**  
**FORM OF GENERAL RELEASE**

**RELEASE OF CLAIMS**

**THIS IS A CURRENT RELEASE FORM. THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, NAF-NAF Franchising LLC (“NAF-NAF Franchising LLC”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

**RECITALS**

- A. NAF-NAF Franchising LLC and Franchisee entered into a Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ [including a Development Rights Rider].
- B. [NOTE: Describe the circumstances relating to the release.]

**AGREEMENTS**

- 1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
- 4. **Release.** Franchisee hereby releases NAF-NAF Franchising LLC, its officers, directors, shareholders, and agents, and their respective successors, assigns, heirs, and personal representatives, from all debts, representations, agreements, liabilities, actions, and causes of action of every kind and nature arising out of or relating to the Franchise Agreement [and Development Rights Rider] between NAF-NAF Franchising LLC and Franchisee, the offer and sale of that franchise and the franchise relationship between the parties.
- 5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of Illinois without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

FRANCHISEE:

NAF-NAF FRANCHISING LLC

BY: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE:

DATE:

\_\_\_\_\_

**EXHIBIT G**

**STATE-SPECIFIC ADDITIONAL DISCLOSURES AND AGREEMENT RIDERS**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
NAF-NAF FRANCHISING LLC**

The following are additional disclosures for the Franchise Disclosure Document of **NAF-NAF FRANCHISING LLC** required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

**CALIFORNIA**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, [www.nafnafgrill.com](http://www.nafnafgrill.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

4. The following language is added at the end of Item 3:

Neither we, nor any person in Item 2 of the disclosure document, 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. Sections 78a *et seq.*, suspending or expelling such person from membership in that association or exchange.

5. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning transfer, termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, then the law will control.

The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 *et seq.*).

The Franchise Agreement requires application of the laws of the State of Illinois. This provision might not be enforceable under California law.

The Franchise Agreement requires binding arbitration at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed (currently Chicago, Illinois). You will be required to travel to that location and pay the expenses you incur in any such arbitration proceeding. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

You must sign a general release of claims if you renew or transfer the franchise. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

## ILLINOIS

1. The following risk factor is added to the State Cover Page:

**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.

±2. The following statements are added to the end of Item 17:

Franchisees’ rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

3. Payment of initial franchise fees will be deferred until the franchisor has satisfied its pre-opening obligations to franchisee under its franchise agreement and the franchisee has commenced doing business. Payment of initial development fees for a particular restaurant will be deferred until the franchisor has satisfied its pre-opening obligations to the franchisee under the franchise agreement and development rights rider for such restaurant and such restaurant has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to the franchisor’s financial condition.

## **MARYLAND**

1. The following language is added to the end of the “Summary” sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. The following language is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults:

Termination upon insolvency might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.), but we will enforce it to the extent enforceable.

3. The “Summary” section of Item 17(v), entitled Choice of forum, is amended to read as follows:

Subject to your arbitration obligation, and to the extent required by the Maryland Franchise Registration and Disclosure Law, you may bring an action in Maryland.

4. The “Summary” section of Item 17(w), entitled Choice of law, is amended to read as follows:

Illinois law generally applies, except for Federal Arbitration Act, other federal law, and claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

## MINNESOTA

1. ~~The following sentence is added to the “Remarks” column of the “Administrative Fee” line item in Item 6:~~ Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statute 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. ~~With respect to franchises governed by Minnesota law, we the franchisor will comply with Minn. Stat. Sec. 604.113, which puts a cap of \$30 on an NSF check. with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases):~~

~~that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and~~

2. ~~The following paragraphs are added at the end of the chart in Item 17:~~

~~With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days’ notice for non renewal of the Franchise Agreement.~~

~~Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the disclosure document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation, or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.~~

□ that consent to the transfer of the franchise will not be unreasonably withheld.

3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

4. Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

6. Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

7. With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 604.113, which puts a cap of \$30 on an NSF check.

38. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under 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 with the franchise.

## **NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
  - C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
  - D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.
3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (b) obtained a discharge of its debts under the Bankruptcy Code; or
- (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled

“Requirements for franchisee to renew or extend,” and Item 17(m), titled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

### **RHODE ISLAND**

1. The following language is added to the end of the “Summary” section of Item 17(v),

entitled Choice of forum:

Subject to arbitration requirements, litigation generally must be where we have our principal business address at the time the action is commenced (it currently is in Chicago, Illinois), except that, to the extent required by the Rhode Island Franchise Investment Act, you may bring an action in Rhode Island.

2. The following language is added to the end of the “Summary” section of Item

17(w), entitled Choice of law:

Except for Federal Arbitration Act and other federal law, and except as otherwise required by the Rhode Island Franchise Investment Act, Illinois law applies.

## **VIRGINIA**

1. The following language is added to the end of the “Summary” section of Item 17(h), entitled “Cause” defined – non-curable defaults:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision might not be enforceable.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

## RIDER TO THE NAF-NAF FRANCHISING LLC

### FOR USE IN ILLINOIS

**THIS RIDER** is made by and between **Naf-Naf Franchising LLC**, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offer or sales activity relating to the Franchise Agreement occurred in Illinois and the NAF NAF Restaurant you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are a resident of Illinois.

2. **WAIVER OF PUNITIVE AND EXEMPLARY DAMAGES AND JURY**

**TRIAL.** The following language is added to the end of Sections 21.I and 21.J of the Franchise Agreement:

HOWEVER, THIS WAIVER SHALL NOT APPLY TO THE EXTENT PROHIBITED BY SECTION 705/41 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT OF 1987 OR ILLINOIS REGULATIONS AT SECTION 260.609.

3. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added

as a new Section 25 of the Franchise Agreement:

25. **ILLINOIS FRANCHISE DISCLOSURE ACT**

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

4. **DEFERRAL OF INITIAL FRANCHISEE FEES.** Your payment of initial franchise fees will be deferred until we have satisfied our pre-opening obligations to you under the Franchise Agreement and you have commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.



**RIDER TO THE NAF-NAF FRANCHISING LLC**

[Name]

\_\_\_\_\_

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

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

Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

NAF-NAF FRANCHISING LLC, a **FRANCHISEE**

Delaware limited liability company

## STATE OF MARYLAND

**THIS RIDER** is made by and between **Naf-Naf Franchising LLC**, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, and/or (b) the NAF NAF Restaurant you will operate under the Franchise Agreement will be located in Maryland.

2. **ACKNOWLEDGMENTS**. The following language is added to the end of Section 2 of the Franchise Agreement:

All representations requiring you to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. **RELEASES**. The following language is added to the end of Sections 4.A, 16.C(ii)(i), 16.G, 17, and 19.F(iii) of the Franchise Agreement:

; provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. **GOVERNING LAW** The following language is added to the end of Section 21.G of the Franchise Agreement:

However, to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **CONSENT TO JURISDICTION**. The following language is added at the end of Section 21.H of the Franchise Agreement:

Notwithstanding the foregoing, and subject to your arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 21.L of the Franchise Agreement:

, except that any and all claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

**RIDER TO THE NAF-NAF FRANCHISING LLC**

~~IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.~~

~~NAF-NAF FRANCHISING LLC, a  
Delaware limited liability company  
[Name]~~

~~FRANCHISEE~~

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

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

Date: \_\_\_\_\_, 20\_\_ \*\*

~~\*\*Effective Date~~

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

NAF-NAF FRANCHISING LLC, a **FRANCHISEE**

Delaware limited liability company

[Name] \_\_\_\_\_

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

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

Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

## RIDER TO THE NAF-NAF FRANCHISING LLC

### STATE OF MINNESOTA

**THIS RIDER** is made by and between **Naf-Naf Franchising LLC**, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated (the “Franchise Agreement”). This Rider is being signed because (a) the NAF NAF Restaurant you will operate under the Franchise Agreement will be located in Minnesota, and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RELEASES.** The following language is added to the end of Sections 4.A, 16.C(ii)(i), 16.G, and 17 of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law with respect to claims arising under Minn. Rule 2860.4400D.

Naf-Naf – 2023 State Addenda/Riders

3. **TERMINATION BY YOU.** The following language is added to the end of Section 18.A of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **GOVERNING LAW.** The following language is added at the end of Section 21.G of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum, or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION.** The following language is added at the end of Section 21.H of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum, or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE AND EXEMPLARY DAMAGES AND JURY TRIAL.** If and then only to the extent required by the Minnesota Franchises Law, Sections 21.I and 21.J of the Franchise Agreement are deleted in their entirety.

7. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 21.L of the Franchise Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

NAF-NAF FRANCHISING LLC, a  
Delaware limited liability company

FRANCHISEE

~~NAF-NAF FRANCHISING LLC, a~~  
~~Delaware limited liability company~~  
[Name]

\*\*Effective Date

By:

Title:

Date: , 20\_\_\*\*

\*\*Effective Date

**RIDER TO THE NAF-NAF FRANCHISING LLC**

**FRANCHISEE**

[Name]

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

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

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_

## STATE OF NEW YORK

**THIS RIDER** is made by and between **Naf-Naf Franchising LLC**, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated (the “Franchise Agreement”). This Rider is being signed because (a) you are a resident of the State of New York and the NAF NAF Restaurant you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES**. The following language is added to the end of Sections 4.A, 16.C(ii)(i), 16.G, and 17 of the Franchise Agreement:

Notwithstanding the foregoing, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **TRANSFER BY US**. The following language is added to the end of Section 16.A of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **TERMINATION BY YOU**. The following language is added to the end of Section 18.A of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW/CONSENT TO JURISDICTION**. The following language is added at the end of Sections 21.G and 21.H of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 21.L of the Franchise Agreement:

**RIDER TO THE NAF-NAF FRANCHISING LLC**

To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

NAF-NAF FRANCHISING LLC, a  
Delaware limited liability company

FRANCHISEE

~~NAF-NAF FRANCHISING LLC, a~~  
~~Delaware limited liability company~~

~~FRANCHISEE~~

[Name]

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

Title:

\_\_\_\_\_

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

Date: \_\_\_\_\_, 20\_\_ \*\*

~~\*\*Effective Date~~

[Name]

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

Title:

Date: \_\_\_\_\_, 20\_\_

\*\*Effective Date

\_\_\_\_\_

\_\_\_\_\_

**RIDER TO THE NAF-NAF FRANCHISING LLC**

**STATE OF RHODE ISLAND**

**THIS RIDER** is made by and between **Naf-Naf Franchising LLC**, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated (the “Franchise Agreement”). This Rider is being signed because (a) you are a resident of the State of Rhode Island and the NAF NAF Restaurant you will operate under the Franchise Agreement will be located in Rhode Island, and/or (b) any of the offer or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW/CONSENT TO JURISDICTION.** The following language is added at the end of Sections 21.G and 21.H of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

**NAF-NAF FRANCHISING LLC**, a  
Delaware limited liability company

**FRANCHISEE**

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

[Name] \_\_\_\_\_

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

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

Date: \_\_\_\_\_, 20\_\_ \*\*

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

\*\*Effective Date

Date: \_\_\_\_\_, 20\_\_

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE**  
**STATE-SPECIFIC RIDERS TO THE**  
**DEVELOPMENT RIGHTS RIDER TO THE FRANCHISE AGREEMENT**

**RIDER TO THE NAF-NAF FRANCHISING LLC  
DEVELOPMENT RIGHTS RIDER TO FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

THIS RIDER is made by and between Naf-Naf Franchising LLC, a Delaware limited liability company whose principal business address is 720 North Franklin Street, Suite 400, Chicago, Illinois 60654 (“we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement (the “Franchise Agreement”) and related Development Rights Rider to Franchise Agreement (the “Development Rights Rider”), each dated \_\_\_\_\_, 20\_\_ . This Rider is annexed to and forms part of the Franchise Agreement and Development Rights Rider. This Rider is being signed because (a) any of the offer or sales activity relating to the Franchise Agreement occurred in Illinois and the NAF NAF Restaurant you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are a resident of Illinois.

2. **DEFERRAL OF INITIAL FRANCHISEE FEES.** Your payment of the Development Fee for a NAF NAF® Restaurant will be deferred until we have satisfied our pre-opening obligations to you under the Franchise Agreement and the Development Rights Rider for such NAF NAF® Restaurant and that NAF NAF® Restaurant has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider, to be effective as of the date set forth next to our signature below.

NAF-NAF FRANCHISING LLC, a  
Delaware limited liability company

FRANCHISEE

[Name] \_\_\_\_\_

[Name] \_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_ 20 \*\*

Date: \_\_\_\_\_, 20 \_\_\_\_\_

\*\*Effective Date

## **EXHIBIT H**

### **LIST OF FRANCHISEES**

\*\*Indicates Multi-Unit Developers

#### **Florida**

\*\* Bassam Fares  
11017 Pines Blvd., Suite 209  
Pembroke Pines, FL 33126  
Restaurant Telephone Number 954-399-8235

#### **Georgia**

~~\*\* Sinamik Partners LLC  
3225 Kittiwake Circle  
Peachtree Corners, GA 30092  
Restaurant Telephone Number 470-268-8546~~

#### **Illinois**

\*\*Falafel Guys, LLC  
Chicago, Illinois  
Restaurant telephone number 708-658-6747

\*\* Om Shree Shiv Inc.  
2502 N. Prospect  
Champaign, Illinois 61822  
Restaurant telephone number 217-954-1766

\*\*Love's Travel Stops & Country Stores, Inc.  
203 N. Haughton Hwy  
Greenup, Illinois 62428  
Restaurant telephone number TBD  
[Joe.cotton@loves.com](mailto:Joe.cotton@loves.com)

#### **Indiana**

\*\*Anish Inc.  
79 US Hwy 41, Suite 200  
Schererville, IN 46375  
Restaurant Telephone Number 219-227-8153

#### **New Jersey**

\*\*AARTI GRILL Inc.425 Belmont Lane  
Bartlett, IL 60103  
Restaurant Telephone Number 856-209-0888

#### **North Carolina**

\*\* NGN Carolinas LLC

1189 Castle Road  
Indian Land, SC 29797  
Restaurant Telephone Number 803-548-5150

**Ohio**

**\*\*LAXMI6714 LLC**

**12331 Edgebrook Dr.**

**Strongsville, OH 44149**

**Restaurant Telephone Number 216-415-8102**

**Tennessee**

**\*\*NBMM Holdings LLC**

**126 N Cedar Bluff Road**

**Knoxville, TN 37923**

**865-474-1306**

**Texas**

**\*\* INAA Restaurants, LLC**

**3030 N. Stemmons Fwy, Suite B**

**Dallas, TX 75247**

**Restaurant Telephone Number 469-456-5200**

**Wisconsin**

**\*\* Mama's Restaurant Group LLC**

**8 The Green, Suite 4000**

**Dover, DE 19901**

**Restaurant Telephone Number 262-649-2055**

## RECEIPT

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

If Naf-Naf Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[Michigan law requires that Naf-Naf Franchising LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that Naf-Naf Franchising LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Naf-Naf Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The franchisor is Naf-Naf Franchising LLC, located at 720 North Franklin, Suite 400, Chicago, Illinois 60654, (312) 858-3224.

Issuance date: ~~April~~ March 10<sup>5</sup>, 2024<sup>5</sup>

The franchise sellers for this offering are: Greg Willman, Ian Bruggeman, and \_\_\_\_\_  
\_\_\_\_\_ {to be completed as necessary} at Naf-Naf Franchising LLC, located at 720 North Franklin, Suite 400, Chicago, Illinois 60654, (312) 858-3224.

We authorize the respective state agents identified on Exhibit E to receive service of process for us in the particular states. I received a disclosure document from Naf-Naf Franchising LLC issued as of ~~April 24~~ March 15, 2023<sup>5</sup>, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement
- C. Development Rights Rider to Franchise Agreement
- D. Operations Manual Table of Contents
- E. List of State Agencies/Agents for Service of Process
- F. Form of General Release
- G. State-Specific Additional Disclosures and Agreement Riders
- H. List of Franchisees

\_\_\_\_\_  
Prospective Franchisee

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

\_\_\_\_\_  
Print Name

***(Date, Sign, and Return to Us)***

You may return the signed Receipt by signing, dating, and mailing it to us at our address above or by emailing a scanned copy of the signed and dated Receipt to [ibruggeman@nafnafgrill.com](mailto:ibruggeman@nafnafgrill.com).

## RECEIPT

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

If Naf-Naf Franchising LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[Michigan law requires that Naf-Naf Franchising LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that Naf-Naf Franchising LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Naf-Naf Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The franchisor is Naf-Naf Franchising LLC, located at 720 North Franklin, Suite 400, Chicago, Illinois 60654, (312) 858-3224.

Issuance date: ~~April~~March 10, 20245

The franchise sellers for this offering are: Greg Willman, Ian Bruggeman, and \_\_\_\_\_  
\_\_\_\_\_*{to be completed as necessary}* at Naf-Naf Franchising LLC, located at 720 North Franklin, Suite 400, Chicago, Illinois 60654, (312) 858-3224.

We authorize the respective state agents identified on Exhibit E to receive service of process for us in the particular states. I received a disclosure document from Naf-Naf Franchising LLC issued as of ~~April 24~~March 15, 20235, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement
- C. Development Rights Rider to Franchise Agreement
- D. Operations Manual Table of Contents
- E. List of State Agencies/Agents for Service of Process
- F. Form of General Release
- G. State-Specific Additional Disclosures and Agreement Riders
- H. List of Franchisees

\_\_\_\_\_  
Prospective Franchisee

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

\_\_\_\_\_  
Print Name

***(Date, Sign, and Keep for Your Own Records)***