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FRANCHISE DISCLOSURE DOCUMENT

Citadel Panda Express, Inc.,
a California corporation
1683 Walnut Grove Avenue
Rosemead, California 91770
626-799-9898
www.pandaexpress.com

Citadel Panda Express, Inc. offers licenses to qualified applicants to develop and operate a Panda Express restaurant featuring on-premises dining and carry-out of gourmet Chinese and other Asian food items, beverages and other related menu items.

The total investment necessary to begin operation of a Panda Express® restaurant franchise ranges from $360,700 to $1,539,600. This includes an initial franchise fee of $25,000 that must be paid to Citadel Panda Express, Inc. or its affiliate.

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

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

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

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

Date of Issuance: April 25, 2014

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STATE COVER PAGE

Your state may have franchise laws that require a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following **RISK FACTORS** before you buy this franchise:

THE LICENSE AGREEMENT PROVIDES THAT ARBITRATION OR LITIGATION WILL TAKE PLACE IN THE COUNTY IN WHICH OUR THEN-CURRENT HEADQUARTERS IS LOCATED (CURRENTLY, LOS ANGELES, CALIFORNIA). OUT OF STATE OR AREA ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN THE LOCATION WE SELECT THAN IN YOUR HOME STATE.

THE LICENSE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THESE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS TO YOU AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

WE MAKE OUR DECISION WHETHER TO GRANT YOU A LICENSE BEFORE YOU SIGN THE LICENSE AGREEMENT AND PAY THE LICENSE FEE. IF YOU DO NOT COMPLETE TRAINING TO OUR SATISFACTION, OR IF YOU DO NOT PASS ANY REQUIRED TESTING, WE MAY CANCEL THE LICENSE AGREEMENT AT OUR SOLE DISCRETION. THERE IS NO REFUND IF WE CANCEL YOUR LICENSE AGREEMENT FOR THESE REASONS.
THERE MAY BE OTHER RISKS CONCERNING THIS LICENSE.

The effective dates for this Disclosure Document for the franchise registration states appear on the next page.

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STATE	EFFECTIVE DATE
California	Not Registered (Exempt)
Hawaii	Not Registered
Illinois	Not Registered (Exempt)
Indiana	Not Registered (Exempt)
Maryland	Renewal Pending (separate “Maryland” version FDD)
Minnesota	Renewal Pending
New York	Not Registered (Exempt)
North Dakota	Renewal Pending
Rhode Island	Not Registered
South Dakota	Renewal Pending
Virginia	Renewal Pending
Washington	Not Registered (Exempt)
Wisconsin	Renewal Pending

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DISCLOSURES REQUIRED BY MICHIGAN 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 the 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 sub-franchisor.

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(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.

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

Michigan law provides that a franchisor whose most recent statements are un-audited and which show a net worth of less than $100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or sub-franchisor 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. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or sub-franchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:

MICHIGAN ATTORNEY GENERAL'S OFFICE
ADMINISTRATOR
CONSUMER PROTECTION DIVISION
FRANCHISE SECTION
525 W. OTTAWA, 1ST FLOOR
LANSING, MICHIGAN 48913
(517) 373-7117

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

To simplify the language in this Disclosure Document, the words "Panda," "we," "our" and "us" refer to Citadel Panda Express, Inc., the "Licensor" or "Franchisor" under this Disclosure Document and the Citadel Panda Express, Inc. License Agreement (the "License Agreement," "Franchise Agreement" or "Agreement"). "You" means the person or entity to which we grant a License Agreement (also "licensee" or "franchisee" under this Disclosure Document). Capitalized terms have the meaning described in the License Agreement, which is attached as Exhibit A to this Disclosure Document.

We were incorporated in the State of California under the name Citadel Panda Express, Inc. on October 25, 1990. Our principal place of business is at 1683 Walnut Grove, Rosemead, California 91770.

We are a wholly owned subsidiary of Panda Express, Inc., a California corporation ("PEI"). PEI is, in turn, a wholly owned subsidiary of Panda Restaurant Group, Inc., a California corporation ("PRG"). PRG serves as a holding company for all Panda companies. PEI and PRG are our parents for purposes of this Disclosure Document. We also have an Affiliate, Panda Systems, Inc. ("PSI"), a wholly owned subsidiary of PRG that sometimes grants Panda Express licenses in Japan. The principal business address for PEI, PRG and PSI also is 1683 Walnut Grove, Rosemead, California, 91770.

Our agent authorized to receive service of process is identified in Exhibit E to this Disclosure Document.

The Business

Panda Express restaurants are a chain of limited service, Chinese and Asian food restaurants, some of which are developed and operated by our Affiliates. We sometimes refer to a Panda Express restaurant as "Restaurant" or "Unit Location" (each as defined in the License Agreement). Panda Express Restaurants are retail outlets and are situated in a variety of different locations, including free-standing buildings, shopping centers, mall food courts, airports and other kinds of sites. These Restaurants operate under the Marks (as defined below), emphasize convenience and quality, and offer on-premises dining and carry-out of gourmet Chinese and other Asian food items, beverages and other related menu items. Menu items are prepared with specified recipes and procedures, Proprietary Products (as defined below), Trade Secrets (as defined in the Agreement), and/or special packaging and marketing techniques.

We anticipate that most of the Restaurants to be operated under License Agreements will be located in "captive" venues, such as airports, campuses, hospitals, universities and similar facilities. Licensee applicants sometimes have a management arrangement (a "Client contract") with the owner/lessor of the applicable venue. We offer and award qualified applicants a license (or "franchise" under this Disclosure Document) to develop and operate a Restaurant at one or more locations we authorize. You are only permitted under the Agreement to use the Marks and Panda Express System (as defined below) in the operation of a Restaurant.

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You must have our advance written authorization to develop and operate a Restaurant at any specific location. You are not obligated under the Agreement to open a Restaurant until you identify a proposed location and receive our authorization to establish a Unit Location there. We may permit you to operate one or more Unit Locations under the Agreement, but we are not obligated to provide any authorization.

For each Unit Location we authorize, you are licensed to use our distinctive format and method of doing business developed and used for the operation of a Panda Express Restaurant. This distinctive format and method includes Restaurant design, other trade dress features, equipment, fixtures, and apparel specifications, specified Product (as defined in the Agreement) offerings and preparation methods, standard operating and administrative procedures, and management and technical training programs (the "Panda Express System"). A "Panda Express Restaurant" is a "brick and mortar" facility using our Marks and Panda Express System at a location approved by us for the retail distribution of Products and Services (as defined in the Agreement) to the general public. You must operate each Panda Express Restaurant in compliance with the then-current Panda Express System, System Standards and the Manuals (each as defined in the Agreement). Operating and maintaining each Restaurant according to System Standards and the Manuals is important to the preservation of the goodwill associated with the Marks and the System.

We do business under the names "Citadel Panda Express" and "Panda Express." PRG owns the Panda Express mark and all other trademarks and service marks licensed to you under the License Agreement (the "Marks"), as well as the Panda Express System. PRG has licensed us to use and to sublicense the use of the Marks and Panda Express System.

We offered and registered Panda Express Franchises in various states from 1995 to 1997. In 2004 we began granting franchises under license agreements similar to the one attached to this Disclosure Document. We have also begun licensing internationally. We have granted licenses for 18 Restaurants in Mexico, which are all open as of the date of this Disclosure Document. We have signed a master license agreement for the Middle East region, allowing for between 73 and 108 Restaurants to be opened over a period of 10 years in the United Arab Emirates (UAE), Saudi Arabia, Kuwait, Egypt, Oman, Bahrain, Lebanon and/or Qatar (we expect the first 2 of these to open in the UAE). We also anticipate the award of additional master license agreements within 12 months of the issuance date of this Disclosure Document.

Although we have not conducted a business of the type to be operated by you, our Affiliates PEI and PRG own and operate businesses similar to the Panda Express Restaurant. PEI owns and operates Panda Express Restaurants, as discussed in more detail below. A wholly-owned subsidiary of PEI owns and operates restaurants trading under the name "Hibachi-San." Restaurants trading under the names "Panda Inn" and "Wasabi" are owned and operated by a wholly-owned subsidiary of PRG.

The first Panda Express Restaurant was opened in 1983 in Glendale, California by Galleria Panda Express, Inc., a California corporation, a majority of whose stock was owned by Andrew and Peggy Cherng, the principal indirect owners of PRG. Galleria Panda Express, Inc. was merged into PEI on February 18, 1994.

PEI has owned and operated Panda Express® Restaurants since November 1990. As of December 31, 2013, it owned and operated 1,582 Panda Express Restaurants.

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PEI occasionally sells a Panda Express Restaurant it operates to a prospective Panda Express licensee. In that case, you and PEI would sign an asset purchase agreement for the purchase of the Restaurant. Price, lease related provisions and other terms would be negotiated between you and PEI on a case by case basis. A sample asset purchase agreement is attached to this Disclosure Document as Exhibit F. You also would sign a License Agreement with us if you bought a Restaurant from PEI.

PRG is a minority owner in some joint ventures that own and operate Panda Express Restaurants in various captive venue locations in the United States, such as military bases and airports, the first of which opened in 2010. Licensees are not required to participate in joint ventures and can license any approved location independently, including airports and other captive venues. Occasionally, PRG may ask a prospective licensee to form a joint venture for a particular Restaurant location, and the prospective licensee can accept or reject the proposal. As a matter of current practice, PRG is not the managing member for these joint ventures. A sample Limited Liability Company Operating Agreement with PRG is attached to this Disclosure Document as Exhibit I. We would grant a limited liability company formed for this purpose a Panda Express franchise. As of the date of this Disclosure Document, none of these joint venture companies has been formed in over 3 years (since January of 2011).

PSI offered, but did not sell, individual Panda Express franchises from 1989 to 1992, and was previously registered to sell franchises in California, Hawaii, Indiana, Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin. It voluntarily ceased renewing its franchise registrations in 1993, and has limited its activities to international franchising.

Neither we nor PSI have offered franchises in any other line of business. None of our other Affiliates has offered franchises for Panda Express Restaurants or for any other line of business.

Various states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Panda Express Restaurant, including those which do the following:

1. establish general standards, specifications and requirements for the construction, design and maintenance of the Restaurant premises;

2. regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; access requirements for disabled persons; availability of and requirements for public accommodations, including restrooms;

3. set standards pertaining to employee health and safety;

4. set standards and requirements for fire safety and general emergency preparedness;

5. control the sale of alcoholic beverages; and

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6. regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials.

You should investigate whether there are regulations and requirements that apply in the geographic area in which you want to locate your licensed business. You also should consider both their effect and the cost of compliance.

Your Panda Express Restaurant will compete with other restaurants, which may include Restaurants operated or developed by our Affiliates, as noted above. The market for your services is developed, and will be the general public. However, since your Restaurant is likely to be located in a "captive venue," such as an airport, university, mall or other similar facility, your market will be limited to those persons using or frequenting your venue, which may house competing food concepts.

This offering is made exclusively by Citadel Panda Express, Inc. It is not being made by PEI, PRG, or any other Affiliate, person or entity. No person or entity other than us will have any licensing relationship with you or any responsibility for our obligations under the License Agreement.

This Disclosure Document describes some of the terms and conditions on which we currently offer licenses in this state. The actual provisions of the Agreement and related documents will control and you should refer to the Agreement and the other documents for more complete information. You are urged to review carefully all documents, including this Disclosure Document, with independent advisors, such as an attorney and accountant. They can provide legal, business or economic guidance.

Any business venture, whether licensed or not, necessarily involves risk of loss or failure. The purchase of a Panda Express® Restaurant license is a speculative investment and significant investment beyond that outlined in this Disclosure Document may be required to succeed. There exists no guaranty against loss or failure in this or any other business, and the most important factors in the success of your Panda Express® business are your business, marketing, judgment and other skills. We do not guarantee your success or any sales or profits or otherwise, and you may lose all of your investment.

ITEM 2: BUSINESS EXPERIENCE.

Andrew Jin-Chan Cherng – Co-Chairman of the Board of Directors and Co-Chief Executive Officer

Mr. Cherng has been our Chairman of the Board of Directors since our inception in 1990 and was our President until January, 1995. He has also served as the Chairman of the Board of Directors of PRG since 1986, and as the President and Chairman of the Board of our other Affiliates since their respective dates of incorporation. In October, 2009, Mr. Cherng assumed the position of our Co-Chief Executive Officer.

Peggy Tsiang Cherng - Co-Chairman of the Board of Directors, Co-Chief Executive Officer and Treasurer

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Mrs. Cherng has been a Director and Treasurer since our inception in 1990. She also served as PRG's Chief Executive Officer from April, 1998 until January, 2005. In October, 2009, Mrs. Cherng assumed the positions of our Co-Chairman of the Board of Directors and Co-Chief Executive officer. She has been a director and Treasurer of our other Affiliates since their respective dates of incorporation.

David Landsberg – Chief Financial Officer

Mr. Landsberg joined PRG in October, 1997 as Director, Business Planning and was promoted to Vice President, Business Planning in March, 1999. In September, 2005, Mr. Landsberg was then promoted to Vice President, Real Estate-West, which he served until December 31, 2010. On January 1, 2011, Mr. Landsberg was promoted to Chief Financial Officer of PRG and also serves us in that capacity.

Dennis P. Burke – Secretary

Mr. Burke has been Secretary since May, 2008. He has been Real Estate Counsel for CFT Developments, LLC, an Affiliate in Rosemead, California since August, 2002.

Monte H. Baier – Senior Vice President and General Counsel

Mr. Baier joined PRG in September, 2007 as Senior Vice President and General Counsel and assumed the same position with us in May, 2008. He has responsibility for all legal and regulatory affairs.

Donna Wanser – Vice President, Real Estate Legal

Ms. Wanser joined PRG in November, 2000 as Executive Director, Real Estate Legal/Lease Administration and was promoted to Vice President, Legal in November, 2004, where she currently serves and has full responsibility for all Real Estate Legal, Property Management, Legal Licensing and various PRG corporate functions.

Jim Richardson – Executive Director Licensing

Mr. Richardson joined PRG in April, 2007 as its Executive Director Licensing and also serves in the same capacity for us since that date.

ITEM 3: LITIGATION

Hoa Brown, individually and on behalf of other members of the general public similarly situated vs. Panda Express, Inc. and Panda Management Company, Inc. (Superior Court of the State of California, County of Los Angeles, Central District, Case No. BC255178). On July 31, 2001, Ms. Hoa Brown alleged, for herself and purportedly on behalf of every Panda Express Restaurant General Manager working in California after July 31, 1997, that Panda Express General Managers should be paid overtime as if the employees were not management personnel. PEI and Panda Management Company, Inc., the predecessor-in-interest to PRG ("PMC"), defended the action, but to manage risk, elected to settle the matter with the entire class in an aggregate amount equal to $4 Million, which was approved by the court on August 9, 2005. The settlement class consisted of all persons who were employed by Panda Express in

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the State of California in the job position known as General Manager during all or any part of the period commencing on July 31, 1997 and ending on May 8, 2005.

The California Department of Industrial Relations, San Jose Office, challenged the compliance by PEI with respect to California meal and break rules within the State of California. Inquiries began in early 2004, followed by a demand that PEI conduct a statewide self-audit regarding meal period premiums purportedly due (Case No. 35-48 781/279). On December 10, 2004, the California Division of Labor Standards Enforcement, a separate division of the Department of Industrial Relations, filed regulations with the Office of Administrative Law that would interpret existing California law to provide workers more flexibility in taking meal and rest periods and would clarify penalty assessments paid to workers by noncompliant employers. On December 14, 2004, PEI advised the Labor Department that its self-audit concluded that there had been no violations of California law regarding meal and breaks rules, as enunciated in the proposed emergency regulations. No assessment of liabilities or penalties has been made as of the date of this Disclosure Document.

Guadalupe Garcia Mendoza v. Panda Restaurant Group, Inc. (Superior Court of the State of California, County of Los Angeles, Case No. BC371019). On May 11, 2007, Guadalupe Garcia Mendoza ("Mendoza") filed a class action asserting 5 causes of action on behalf of herself and a purported class that consisted of all current and former non-exempt California employees who worked for Panda Express for the 4 year period prior to the date the action was filed. Mendoza alleged that Panda Express failed to provide her and other purported class members with rest and meal breaks in accordance with the California Labor Code and Industrial Welfare Commission Wage Orders. Mendoza also asserted claims for unfair competition, waiting time penalties and failure to comply with itemized wage statement provisions. Mendoza sought compensatory, economic and/or special damages in an unspecified amount, interest, premium pay, wages, and penalties, attorneys' fees and costs. PRG defended the action, but to manage risk, elected to settle the matter with the entire class, in an aggregate amount equal to $1.7 Million, which was approved by the court on November 3, 2008.

Sirazi v. Panda Express, Inc., Panda Restaurant Group, Inc., Citadel Panda Express, Inc., Andrew Cherng and Peggy Cherng (United States District Court, Northern District of Illinois, Case No.: 08 CV 23455). On April 24, 2008, Sirazi filed a complaint against PRG and PEI, as well as Citadel Panda Express, Inc., ("CPE"), and each of their principal shareholders (together, "the Panda Entities"), suing for losses in excess of $40 Million. In the complaint, Sirazi alleged that a fraudulent transaction occurred in June 2006 between PEI and an entity owned by Antonin Rezko ("Rezko") known as PE Chicago. The transaction was effectively a buy-out of PE Chicago's interest in a partnership between PEI and another Rezko-owned entity, Rezko Concessions ("Concessions"), and Sirazi alleged that PE Chicago's interest was bought for a price below fair market value. Sirazi asserted that based upon loans made to Rezko for working capital for Rezko's various business entities, and shares in those entities that were transferred to Sirazi beginning in 2000, Sirazi was the majority owner of Concessions and another Rezko entity, Rezko Enterprises, at the time of the transaction between PEI and PE Chicago. Because of his alleged majority ownership status, Sirazi alleged that he should have been made aware of the buy-out at the time, but was not. Accordingly, Sirazi alleged that the Panda Entities owe him monetary and punitive damages for the alleged fraudulent transaction. Specifically, Sirazi's five-count complaint alleged unjust enrichment, fraud, conspiracy to defraud, aiding and abetting a breach of fiduciary duty, actual fraud in violation of the Illinois Uniform Fraudulent Transfer Act, and constructive fraud in violation of the Illinois Uniform Fraudulent Transfer Act. In May, 2012, a judgment was entered against the Panda Entities. In October, 2012, even though PRG had the right to appeal the verdict and defend its rights, the

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parties elected to settle this case with PRG paying $7.6 Million, in return for the verdict and judgment being vacated.

Fortunee Massuda v. Panda Express, Inc., Panda Restaurant Group, Inc., Citadel Panda Express, Inc., Andrew Cherng and Peggy Cherng (U.S. District Court for the Northern District of Illinois - Eastern Division, Case No. 12-CV-09683). On December 5, 2012, Massuda filed a complaint against PEI, PRG, and CPE, and each of their principal shareholders (collectively, the "Panda Companies"), alleging that the Panda Companies: (i) were unjustly enriched; (ii) defrauded Massuda of her investment interest in PE Chicago and Rezko Enterprises; (iii) conspired to defraud Massuda of same; (iv) aided and abetted a breach of fiduciary duty by Tony Rezko; (v) violated the Illinois Uniform Fraudulent Transfer Act – Actual Fraud (740 ILC 160 et. seq.); and (vi) violated the Illinois Uniform Fraudulent Transfer Act – Constructive Fraud (740 ILC 160 et. seq.). All of these allegations are related to the Sirazi case and similarly arise from PEI's purchase of PE Chicago's interest in the Rezko-Citadel partnership on June 1, 2006 (the "Transaction"). Massuda sought actual and exemplary damages for an unstated amount (but not less than $4 Million), the unwinding of the Transaction, avoiding the Transaction, awarding the cash value of the same transferred interest based on its fair value to certain creditors including Massuda, statutory relief under the Illinois Uniform Fraudulent Transfer Act, interest, and attorneys' fees and costs. The Panda Companies were successful in seeking dismissal of all allegations except one. Massuda appealed the decision to the 7th Circuit Court of Appeals on January 22, 2014, and the parties await that decision. With respect to the remaining allegation, the Panda Companies intend to contest Massuda's allegation and defend their rights with respect to this complaint and Massuda's appeal.

Thuy ("Twee") Chiem v. Panda Restaurant Group, Inc. (Superior Court of the State of California, County of Los Angeles, Case No. BC398243). On September 16, 2008, Chiem, a former General Manager, filed a class action against PRG, in which she alleged that all employees who worked as General Managers at Panda Express Restaurants in California from May 2005, have been denied overtime or received incorrectly calculated premium pay. The complaint sought compensatory damages in an unspecified amount, including lost wages and overtime in excess of $25,000, attorney's fees and costs, "waiting time" pay under California Labor Code § 203, injunctive relief under Business & Professions Code § 17200, and PRG to make restitution of all money and other property acquired by its violation of Business and Professions Code section 17200 et seq. In November 2008, Chiem filed an amended complaint, adding a claim under the Private Attorney General's Act, Labor Code §§ 2698 and 2699. Specifically, Chiem's amended complaint alleged that employees were not paid in full, that all wages were not paid on regular paydays and extraordinary payments were not made by the next pay period, that employees were not provided with accurate wage statements since the overtime was misstated or not paid correctly, and that employees were not classified correctly with respect to their exempt/nonexempt status. PRG defended the action, but to manage risk, elected to settle the matter (on a claims-made basis) with the entire class, in an aggregate amount equal to approximately $7.5 Million, which was approved by the court on May 3, 2012. After the claims process, the settlement amount was reduced to approximately $6.5 Million.

Khan Kudo, Individually and on behalf of all persons similarly situated v. Panda Express, Inc. and Panda Restaurant Group, Inc. (United States District Court, Southern District of New York, Case No.: 09 CV 0712-CS). On January 26, 2009, Kudo, a former General Manager, filed a lawsuit against PRG and PEI on behalf of himself and current and former General Managers of Panda Express, alleging that they are entitled to unpaid overtime wages and liquidated damages under the Fair Labor Standards Act (the "FLSA"). He alleges that since

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January 26, 2006, Panda Express General Managers have been misclassified as "exempt", but were actually "non-exempt" employees within the meaning of the FLSA. If Kudo is correct concerning this misclassification, he alleges that these General Managers were required to be compensated for overtime compensation at rates no less than 1.5 times the regular rate of pay for hours worked in excess of 40 hours per week. He also alleges that PRG and PEI violated New York Labor Law, were unjustly enriched as a result of this practice, and retaliated against him in violation of 29 USC § 215(a)(3). The relief sought includes an injunction against PRG and PEI from engaging in the alleged unlawful practices; unpaid wages for hours actually worked as well as overtime compensation due; compensatory and punitive damages in a sum to be determined at trial; interest; and costs and reasonable attorneys' and expert fees. PRG and PEI intend to contest Kudo's allegations and defend their rights with respect to this complaint.

Angelica De Los Santos; Lucia Salazar; Dasha Bays; individually and on behalf of other members of the general public similarly situated v. Panda Express, Inc. and Panda Restaurant Group, Inc. (U.S. District Court – Northern District of California, Case No. CV-10-1370-BZ). On March 31, 2010, Los Santos, Salazar & Bays, hourly employees at Panda Express, filed a class action against PEI and PRG alleging that they and other similarly situated employees at Panda Express have been discriminated against with respect to promotional and hiring practices due to race and/or national origin. The complaint is based on violations of the Civil Rights Act of 1866 (42 USC § 1981, et. seq.) and the California Fair Employment and Housing Act (Cal. Gov. Code § 12940, et. seq.). Los Santos, Salazar & Bays sought damages in an unspecified amount for back pay, front pay, lost compensation and job benefits, exemplary and punitive damages in an unspecified amount, interest, and costs and attorneys' fees, as well as injunctions against PEI and PRG from engaging in the alleged unlawful practices; return of plaintiffs' jobs, and adjustment of wages, benefits, and seniority rights. PEI and PRG defended the action, but to manage risk, entered into a settlement agreement, which included injunctive relief and a payment to plaintiffs and their respective attorneys in an aggregate amount equal to approximately $1.195 Million. The settlement was approved by the court and the case was dismissed on September 27, 2012.

Nelissa Adelpour and Kevin Shenkman v. Panda Express, Inc. and Panda Restaurant Group, Inc. (Superior Court of the State of California, County of Los Angeles, Case No. BC425869). On November 12, 2009, Adelpour and Shenkman, alleged customers of Panda Express, filed a class action on behalf of herself and other similarly situated customers, in which it was alleged that there are vegetarians, vegans and other individuals who have consumed food products from PEI and PRG that, without their knowledge, contained animal flesh or chicken stock. The complaint alleged intentional misrepresentation, fraud, as well as unfair and deceptive acts and practices in violation of the California False Advertising Act and of the California Unfair Business Practices Act. The complaint sought compensatory, general and punitive damages in an unspecified amount, restitution and other equitable relief, as well as injunctive relief, payment to a *cy pres* fund, a corrective advertising campaign, and an apology to Adelpour and Shenkman. Although the court denied class certification, PEI and PRG elected in July, 2012 to enter into a settlement agreement with the two plaintiffs to dispose of the matter. The settlement agreement provided for dismissal of the case, and each plaintiff was paid $5,000.

Josefina Flores Diaz v. Panda Express, Inc. and Panda Restaurant Group, Inc. (Superior Court of the State of California, County of Los Angeles, Case No. BC459861). On April 18, 2011, Josefina Diaz, a former hourly employee at Panda Express, who, together with her similarly situated co-plaintiffs, filed a class action alleging that PEI and PRG: (i) unlawfully

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deducted wages for shoes; (ii) failed to pay necessary business expenses with respect to shoes; (iii) failed to pay overtime; (iv) failed to provide rest periods; (v) failed to provide meal periods; (vi) incurred waiting time penalties; and (vii) conducted unlawful business practices related to same. Diaz sought damages in an unspecified amount, loss of earnings, restitution, interest, statutory penalties, and costs and attorneys' fees. PEI and PRG defended the action, but to manage risk, elected to settle the matter with the entire class in an aggregate amount equal to $2.5 Million, which was approved by the court on October 7, 2013.

Antonio Romo v. Panda Restaurant Group, Inc. and Panda Express, Inc. (Superior Court of the State of California, County of Riverside, Case No. RIC1206398). On April 27, 2012, Romo, a former hourly employee at Panda Express, who, together with his similarly situated co-plaintiffs, filed a class action alleging that PRG and PEI: (i) failed to pay a required minimum wage; (ii) failed to timely pay wages upon termination; and (iii) conducted unlawful business practices related to same. Romo sought damages in an unspecified amount, restitution, interest, statutory penalties, attorneys' fees in excess of $25,000 and injunctive relief. PRG and PEI defended the action, but to manage risk, elected to settle the matter with Romo for $17,000 in exchange for the dismissal of the case based on a settlement agreement effectively dated February 7, 2014.

Dominic Alvarez v. Panda Restaurant Group, Inc., Panda Express, LLC, and Panda Express, Inc. (Superior Court of the State of California, County of San Bernardino, Case No. CIVR81203922). On May 21, 2012, Alvarez, a former hourly employee at Panda Express, filed a lawsuit alleging that PRG, Panda Express, LLC ("PEL"), and PEI: (i) discriminated against him on the basis of his disability pursuant to the Fair Employment and Housing Act; (ii) wrongfully discharged him in violation of public policy; (iii) failed to find a reasonable accommodation for his disability pursuant to Cal. Govt. Code § 12940(m); (iv) failed to interact with Alvarez as to his disability and accommodation pursuant to Cal. Govt. Code § 12940(n); (v) failed to prevent disability discrimination; (vi) intentionally inflicted emotional distress; (vii) failed to pay his wages on separation; (viii) failed to allow inspection of his personnel file; and (ix) subjected Alvarez to unfair business practices related to same. Alvarez sought general, compensatory, and special damages in an unspecified amount, prejudgment and post judgment interest on any lost or unpaid wages, reasonable attorneys' fees and costs, equitable relief, and statutory penalties. PRG defended the action, but to manage risk, elected to settle the matter in the aggregate for $25,000 (including attorneys' fees). The Settlement Agreement was entered into between the parties on August 14, 2012.

Phillip Isaac and Christine Crosby v. Panda Express, Inc., and Panda Restaurant Group, Inc. (Superior Court of the State of California, County of San Diego - North, Case No. 37-2012-00057430-CU-BT-NC). On September 27, 2012, Isaac & Crosby, guests of Panda Express who had purchased a Panda Express gift card, filed a class action lawsuit alleging that PEI and PRG: (i) violated Cal. Civil Code § 1749.5 by not allowing for a refund of a gift card balance below $10; (ii) violated the Consumers Legal Remedies Act (Cal. Civil Code § 1750 et. seq.); (iii) were unjustly enriched by denying customers the ability to receive a refund of their unused balances below $10; (iv) subjected Isaac & Crosby to unfair business practices pursuant to Cal. Bus. and Prof. Code § 17200 et. seq. with regards to same; and (v) subjected Isaac & Crosby to false advertising pursuant to Cal. Bus. and Prof. Code § 17500 et. seq., by incorrectly stating that cash refunds were unavailable on the gift card itself. Isaac & Crosby sought injunctive relief, attorneys' fees and costs, and restitution. PEI and PRG defended the action, but to manage risk, elected to settle the matter with the entire class in an aggregate amount equal to $82,000, which was approved by the court on July 12, 2013.

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Katia Rojo v. Panda Restaurant Group, Inc., Panda Express, Inc., Panda Express, LLC, and Panda Management Company, Inc. (Superior Court of the State of California, County of Los Angeles, Case No. BC499661). On January 22, 2013, Rojo, a former hourly employee at Panda Express, filed a class action lawsuit alleging that PRG, PEI, PEL, and PMC: (i) failed to timely pay final (regular) wages after separation from employment; (ii) failed to pay overtime at the proper rate; (iii) failed to pay meal and/or rest period premium wages; (iv) failed to pay vacation wages; (v) failed to provide complete and accurate wage statements; (vi) failed to timely pay overtime, meal/rest premium wages, and vacation wages after separation from employment; and (vii) subjected Rojo to unfair business practices related to same. Rojo sought declaratory judgments confirming unlawful business practices, injunction against same, damages in an unspecified amount, penalties, pre-judgment and post-judgment interest, attorneys' fees and costs, and restitution. The allegations in this particular matter are related to the claims in the *Josefina Diaz* matter, and Rojo elected to opt-out of settlement. PRG, PEI, and PEL intend to contest Rojo's allegations and defend their rights with respect to this complaint.

Danny Diaz v. Panda Restaurant Group, Inc., and Panda Express, Inc. (Superior Court of the State of California, County of Los Angeles, Case No. BC500664). On February 7, 2013, Danny Diaz, a former hourly employee at PEI, filed a lawsuit alleging that PRG and PEI: (i) failed to pay regular wages based on work completed while not clocked in; (ii) failed to timely pay wages after separation from employment; and (iii) subjected Diaz to unfair business practices related to same. Diaz sought declaratory judgments confirming the violations alleged, general, special, liquidated, actual, consequential, and incidental damages in an unspecified amount, pre-judgment interest, attorneys' fees and costs, penalties, restitution, appointment of a receiver to manage awarded funds, and injunctive relief. PRG and PEI defended the action, but to manage risk, elected to settle the matter with Diaz and are in the process of signing and delivering a potential settlement agreement as of the date of this Disclosure Document.

Except for the actions disclosed above, no other litigation or action is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY.

No bankruptcies are required to be disclosed in this Item.

ITEM 5: INITIAL FEES.

The Initial License Fee (as defined in the Agreement) offered for new licensees is $25,000, including for captive venue locations. All licensees must pay an Initial License Fee, even if the licensee is a joint venture company formed with our Affiliate.

We may negotiate different fee amounts and other terms as we consider appropriate, subject to applicable law. Initial License Fees received in the U.S. in 2013 ranged from $10,000 to $30,000, with the $10,000 amount having been previously negotiated with a multi-unit licensee. The $30,000 amount was an initial license fee due under our previous version of license agreement.

Your Initial License Fee is fully earned and payable within 5 days of your receipt of our written authorization for a Unit Location you propose. No Initial License Fee is due until we give

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you a written authorization for a Unit Location, regardless of when the License Agreement is executed. The fee is entirely non-refundable.

Initial License Fees received from licensees will be included in our general operating funds. Other than the Initial License Fee, no fees or payments for goods or services are received by us or any Affiliate of ours before the Restaurant opens.

ITEM 6: OTHER FEES.

FEE[1]	AMOUNT	WHEN PAYABLE	REMARKS
Royalty	For Unit Locations **except** airports and military venues: The percentage royalty fee ranges from 5% to 8% of Gross Volume.[3] For Unit Locations **inside** airports: The percentage royalty fee ranges from 5% of Gross Volume[3] to 30% of net profits plus 5% of Gross Volume,[3] per Royalty Period. You and we will determine the applicable percentage when you request approval for a location, which will be noted on Exhibit 2.1 of the License Agreement. Each Royalty Period you pay us your negotiated percentage royalty fee, unless it is less than the minimum Royalty amount, which is currently $4,000.[2] If it is less, then you must pay the minimum Royalty amount for that Royalty Period unless otherwise negotiated between you and us. Restaurants in military venues pay 5% to 11% of Gross Volume[3] per Royalty Period, depending on location and negotiation of the parties.	The 15th day of each month for all Royalty Periods completed in the preceding calendar month.	Payments for each Unit Location start with the Royalty Period in which operations first begin. No minimum Royalty is due for a specific Restaurant in any Royalty period in which the Restaurant is closed due to a force majeure event. The minimum Royalty for a specific Restaurant is prorated for any Royalty Period in which the Restaurant is closed because of holidays or breaks at the venue location, which has been approved by the owner or lessor of the venue (such as a spring break or summer break period at a university site). We can adjust the minimum Royalty amount once a year according to the change in the prior year's Consumer Price Index. We have to give you advance written notice before an adjustment can be made. We have in the past deferred receipt of royalties during the 1st year of operations (which are later due and payable in subsequent years) for Restaurants in certain military locations, and may choose to do so currently.

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FEE[1]	AMOUNT	WHEN PAYABLE	REMARKS
Initial Training Fees	There is no fee for initial training and we do not limit the number of persons who can attend as of the date of this Disclosure Document; but under the License Agreement we can charge up to $1,000[2] for each attendee beyond 8, per Unit Location. [4]	Before training or as incurred.	You must pay us $50-$100for uniforms for each crew member who attends. You are responsible for all fees, transportation, salary, living, incidental and other expenses of attendance for all training programs. We can adjust the initial training fee cap once a year according to changes in the prior year's Consumer Price Index.
Remedial Training Fees & Fees for On Site Consultations Requested by You	$500[2] per whole or partial 8 hour day.	Before training or as incurred.	We charge a fee for remedial training provided to you and/or your personnel. You are responsible for our personnel's expenses, including travel, lodging, food and incidental expenses. We can adjust the amount of the remedial training fee once a year according to changes in the prior year's Consumer Price Index.
Inspections/ Quality Control Programs	The current program(s) are identified on Exhibit 10.8 of the License Agreement. The current charge is $125 per quarterly cleaning inspection.	As incurred	The current inspection program(s) are conducted by a third party company and are subject to change. We or PRG are billed by the third party for charges for all Restaurants, and licensees reimburse us or PRG as applicable for their portion of the related cost. The cost is the same for your Restaurant(s) as for Panda Express Restaurants owned by us or our Affiliate. We can add new inspection programs and quality control measures at a future date.

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FEE[1]	AMOUNT	WHEN PAYABLE	REMARKS
Transfer Fee	A non-refundable transfer fee of $7,500[2] per transferred Unit Location, plus our out of pocket costs associated with the transfer, including attorneys' fees. This amount is due even if transfer is not completed for any reason.	Payable upon application for transfer.	If you own multiple locations, the cumulative transfer fee will not exceed $30,000[2] per transfer transaction. We can adjust the Unit transfer fee and the cumulative transfer fee once a year according to changes in the prior year's Consumer Price Index.
Inspection or Audit Costs	The Royalties on the understated amount, with interest, plus the cost of inspection or audit, if applicable.	On demand	Reasonable audit/inspection costs are payable if the amount of the understatement exceeds 3%.
Interest on Late Payments	12% per annum, or, if lower, the maximum lawful rate.	On demand	
Successor Unit Location Fee	$10,000[2] per Restaurant.	When you elect a successor operating term for a specific Unit Location.	We can adjust the successor Unit Location fee amount once a year according to changes in the prior year's Consumer Price Index.
Management Fees and Costs	7% of Gross Volume, per Restaurant managed by us, plus our costs. The combined percentage Royalty and management fee will not exceed 13%.	If you don't cure an operating default, and we elect to manage your Restaurant(s).	We can discontinue providing management services on no less than 10 days' notice.
Gift Card Program Participation Fees (Optional)	Currently participants pay a card cost of between $0.14 and $0.535 per card, and a transaction fee of between $0.045 and $0.128 per transaction, depending on volume, plus their share of technical support, set-up and administrative costs.	As incurred, if you elect to participate in the gift card program.	You are not required to participate in this program as of the date of this Disclosure Document.

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