

## FRANCHISE DISCLOSURE DOCUMENT



FP Franchisor LLC  
A Florida Limited Liability Company  
4530 St. Johns Avenue Suite 15-323  
Jacksonville, Florida 32210  
Phone: 1-833-LOVEARC  
[info@fatpattys.com](mailto:info@fatpattys.com)  
[www.fatpattys.com](http://www.fatpattys.com)

You will operate a neighborhood full-service restaurant and bar (“Fat Patty’s”), which offers a casual dining style featuring and serving a limited variety of food and beverage products including appetizers, salads, sandwiches, burgers, chicken, beer, liquor and wine in a distinctive and innovative environment along with other specified products under the Fat Patty’s trade name and business system.

The total investment necessary to begin the operation of a Fat Patty’s franchise ranges from \$493,466 to \$3,046,049. This includes between \$28,000 and \$75,000 that must be paid to the franchisor or an affiliate of franchisor. This amount is comprised of between \$28,000 and \$40,000 as a franchise fee for your Fat Patty’s restaurant and \$0 - \$35,000 paid to the franchisor or an affiliate of the franchisor as the Pre-Opening Assistance Fee if required. You must also pay certain ongoing fees and expenses. If you sign an Area Development Agreement to develop multiple Fat Patty’s restaurants the total investment necessary to begin operation for the first of three Fat Patty’s Restaurants under the Area Development Agreement is between \$533,466 and \$3,086,069. This includes between \$68,000 and \$115,000 which must be paid to the franchisor or affiliate.

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 disclosure in different formats, contact our CEO Yannick Bastien, at 4530 St. Johns Avenue, Suite 15-323, Jacksonville, Florida 32210 and 1-833-LOVEARC.

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: June 20, 2025

## How To Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E and Exhibit F
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Fat Patty’s business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What is it like to be a Fat Patty’s franchisee?	Item 20 or Exhibit E and Exhibit F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few of the 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 restriction.** The franchise agreement may prohibit you from operating a similar business during the terms 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 a franchisor to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

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

## Special Risks to Consider About *This* Franchise

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

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

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to 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:
  - (1) The failure of the posed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa,  
Lansing, Michigan 48933  
Telephone Number: (517) 335-7567

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## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSOR, AND AFFILIATES

To simplify the language in this franchise disclosure document, “we” or “us” means FP Franchisor, LLC the franchisor. “You” means the person or entity that buys the franchise. If you are a corporation, partnership or other entity, your Principal Owners must sign a Guaranty and Assumption of Obligations, which means that all of the provisions of the Area Development Agreement (Exhibit D) and Franchise Agreement (Exhibit C) also will apply to them. “Principal Owners” means any person or entity who, when or after you sign the Area Development Agreement or Franchise Agreement, directly or indirectly owns a 10% or greater interest in you. However, if we sign the agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 10% interest in you, we also may designate that person or entity as a Principal Owner.

#### **The Franchisor.**

We are a Florida limited liability company organized in June 2021 in Florida. We operate under the fictitious name “Fat Patty’s”. We do not operate under any other name. We do not have a principal business address, but please use 4530 St. Johns Avenue, Suite 15-323, Jacksonville, Florida 32210-3356 as our principal mailing address. Although we reserve the right to do so, we have not offered franchises in other lines of business.

We began offering Fat Patty’s restaurant franchises on January 19, 2022. As of December 31, 2024 there are 5 franchised Fat Patty’s restaurants in the United States.

We do not offer franchises in any other line of business. We have no other predecessors than those disclosed herein. We have never operated a Fat Patty’s restaurant, although one of our related companies, ARC Fat Patty’s LLC, owned and operated four Fat Patty’s restaurants from August 2018 until they were sold to a franchisee on July 18, 2022. We have no other business activities except those described herein.

If we have an agent for service of process in your state, they are listed on Exhibit A.

#### **Our Parents, Predecessors, and Affiliates.**

##### Parent: Arc Group Inc.:

We are a direct, wholly owned subsidiary of Arc Group, Inc. (“Arc”) (previously known as American Restaurant Concepts, Inc.), a Nevada corporation incorporated in April 2000. Arc does not have a principal business address, but please use 4530 St. Johns Avenue, Suite 15-323, Jacksonville, Florida 32210-3356 as Arc’s principal mailing address. Arc is the parent company of two (2) other franchise systems (see below). Except as described below, none of ARC’s subsidiaries have ever operated or offered franchises for Fat Patty’s or offered franchises in any other line of business.

In August 2019, Arc Group Inc., through its wholly owned subsidiary, Arc Fat Patty’s LLC, purchased four existing Fat Patty’s restaurants in West Virginia and Kentucky including all franchise and trademark rights.

ARC Fat Patty’s LLC licenses to us all the system and trademark rights for the Fat Patty’s system.

##### Predecessor:

We have no predecessors.

## Affiliates That Offer Franchises.

### DWAG Franchisor LLC:

DWAG Franchisor LLC is a direct wholly owned subsidiary of our parent Arc Group, Inc. It was formed in May 2019 in Florida. DWAG Franchisor LLC began offering Dick's Wings & Grill restaurant franchises on May 15, 2019. Prior to that date, our parent Arc Group, Inc. served as the franchisor of the Dick's Wings & Grill concept. Upon a corporate reorganization the Dick's Wings & Grill franchise responsibilities were transferred to DWAG Franchisor LLC. As of December 6, 2024 there were 14 franchised Dick's Wings & Grill restaurants in the United States. Dick's Wings & Grill is a family friendly casual dining concept that serves a mixture of buffalo style chicken wings, chicken tenders, buffalo shrimp, nachos, quesadillas, specialty burgers and sandwiches, salads, wraps, and desserts. DWAG Franchisor LLC has not offered franchises in any other line of business. DWAG Franchisor LLC does not have a principal business address, but please use 4530 St. Johns Avenue, Suite 15-323, Jacksonville, Florida 32210-3356 as DWAG Franchisor LLC's principal mailing address.

### WH Franchisor, LLC:

WH Franchisor LLC, a June 2021 Florida limited liability company, is a direct wholly owned subsidiary of our parent Arc Group Inc. WH Franchisor LLC began offering WingHouse Bar + Grill restaurant franchises on August 23, 2021. WingHouse Bar + Grill is a casual dining full-service restaurant featuring and serving a limited variety of food and beverage products including chicken wings, appetizers, salads, sandwiches, seafood, beer, liquor and wine in a distinctive and innovative environment. As of December 31, 2024 there were 15 franchised WingHouse Bar + Grill restaurants. WH Franchisor LLC has not offered franchises in any other line of business. WH Franchisor does not have a principal business address, but please use 4530 St. Johns Avenue, Suite 15-323, Jacksonville, Florida 32210-3356 as WH Franchisor LLC's principal mailing address.

Through common ownership and/or management responsibility with our Chairman of the Board, Seenu Kasturi, we are affiliated with the following franchise and licensing programs. None of these indirect affiliates operates a Fat Patty's franchise.

### Tilted Kilt Franchise Operating LLC:

Our Chairman of the Board, Seenu Kasturi, is the President of Tilted Kilt Franchise Operating, LLC, the franchisor and licensor for the Tilted Kilt restaurant concept. Tilted Kilt offers franchises and license agreements for Celtic-themed sports and entertainment restaurants and bars. As of December 31, 2024 there were six Tilted Kilt Pub & Eatery restaurants. Tilted Kilt does not have a principal business address, but please use 4530 St. Johns Avenue, Suite 15-323, Jacksonville, Florida 32210-3356 as Titled Kilt's principal mailing address.

Through common ownership with our CEO, Yannick Bastien we are affiliated with the following franchise program. None of these indirect affiliates operate a Fat Patty's franchise.

### Paradise on Wings LLC:

Our CEO, Yannick Bastien, owns fifty percent of Paradise on Wings LLC, the franchisor of the WingNutz restaurant concept. WingNutz offers franchises for casual dining restaurants specializing in baked chicken wings. As of December 31, 2024 there were six WingNutz restaurants. The principal business address for WingNutz is 3214 W 10000 S, South Jordan, UT 84095.

### **Affiliates That Provide Services to Franchisees.**

We have entered into a management agreement with ARC Group Management Services LLC (“AGMS”) for it to provide our franchisees with certain support and services that we are obligated to provide under their franchise agreements. AGMS also acts as our franchise sales agent. We have agreed to pay management fees to AGMS for these services. AGMS may delegate certain of these responsibilities to our other affiliates. We share a parent with AGMS. However, as the franchisor, we will be responsible and accountable to you to make sure that all services we promise to perform under your Franchise Agreement or other agreement you sign with us are performed in compliance with the applicable agreement, regardless of who performs these services on our behalf. Except for Paradise on Wings LLC AGMS provides certain support and services to the affiliates listed above.

None of the affiliated franchisors are obligated to provide products or services to you; however, you may purchase products or services from these franchisors if you choose to do so. Except as described above, we have no other parents, predecessors or affiliates that must be included in this Item.

### **The Fat Patty’s Franchise Opportunity.**

We grant franchises for Fat Patty’s casual restaurants and sports bars that feature a limited variety of food and beverage products including specialty burgers, appetizers, salads, sandwiches, pizza, beer, liquor and wine and services using our certain standards and specifications and otherwise operate under the System (defined below) and the Trademark (defined below). We call these establishments “Fat Patty’s” and we call the Fat Patty’s restaurant that you operate under the Franchise Agreement your “Restaurant.” Your Restaurant will offer the Menu Items (defined below) and operate at a location we accept (the “Authorized Location”) and within a trade area that we designate (the “Area”). The “System” means the Fat Patty’s System, which consists of distinctive food and beverage products prepared according to special and confidential recipes and formulas with distinctive storage, preparation, service and delivery procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, ingredients, business techniques, methods and procedures, together with sales promotion programs, all of which we may periodically modify and change. “Trademarks” means the Fat Patty’s trademark and service mark and other trademarks, service marks, trade names and logos, as we may periodically modify and change, and the Trade Dress and other commercial symbols used in the Restaurant. “Trade Dress” includes the designs, color schemes and images we periodically authorize you to use in operating the Restaurant, as we may periodically modify them. “Menu Items” means the food items and other products and beverages prepared according to our specified recipes and procedures, as we may periodically modify and change them, which we authorize for sale at your Restaurant.

We are currently offering franchises and development rights for full-size Fat Patty’s restaurants. However, we and our affiliates are always evaluating additional restaurant concepts or other means to deliver products and services to the marketplace, whether on a short-term or long-term basis.

We offer to qualified entities the right to develop multiple Fat Patty's Restaurants within a territory ("Development Territory") under the terms of the Area Development Agreement. The Area Development Agreement will specify the number of Fat Patty's Restaurants you will develop over a specified period (the "Development Schedule"). Either you or your approved Developer Subsidiaries (defined below) may develop the Fat Patty's Restaurants in the Development Territory. "Developer Subsidiary" means a corporation, limited liability company or other business entity of which you own (directly or indirectly) 100% of the issued and outstanding ownership interests. You or your Developer Subsidiary will sign our then current form of Franchise Agreement for each Fat Patty's Restaurant developed in the Development Territory, which currently is the form of Franchise Agreement in this disclosure document but could in the future differ from that form. However, if you fully comply with the Area Development Agreement, each Franchise Agreement that the Area Development Agreement covers will reflect the royalty and franchise fee specified in Items 5 and 6.

We reserve the right to offer to qualified entities the right to develop a Fat Patty's at certain locations that are by their nature are unique and separate in character from sites generally developed as a Fat Patty's. Those locations ("Mass Gathering Locations") include (a) military bases and other governmental facilities; (b) universities, schools and other education facilities; (c) airports, train stations, toll plazas and other public or restricted-access transportation facilities or terminals; (d) stadiums, arenas, theaters and other sports and entertainment venues; (e) amusement parks, theme parks, museums, zoos, and other similar public facilities; (f) cafeterias, food courts and other foodservice locations within shopping centers, shopping malls, office buildings/corporate campuses, industrial buildings, and department stores, grocery stores, and similar retail stores; (g) hotels, casinos and convention centers; (h) hospitals, nursing facilities and other medical facilities; and (i) reservations and other sovereign territories. You will sign our then current form of Franchise Agreement for each Fat Patty's developed at a Non-Traditional Location.

### **Competition.**

Your Restaurant will offer food products to the general public and the sales are not seasonal. Your competition will include similar food service establishments, including a number of national and regional franchise chains and local restaurants. The restaurant business is highly competitive with respect to price, service, location, food quality, and domestic and craft beer selections, and is often affected by changes in consumer tastes, economic conditions, local and national health crisis, population and traffic patterns. In addition, there is active competition for management and food service employees, as well as for attractive commercial real estate sites suitable for restaurants. We believe that the market for delivery, carry-out and on-premises dining of appetizers, salads, sandwiches, burgers, chicken and other products is well developed.

### **Applicable Regulations.**

You should be aware of federal, state and local labor regulations, including minimum age and minimum wage laws. These regulations include but are not limited to employee notification requirements under the FLSA. Federal, state and local occupational health and safety regulations may also apply. In addition, the restaurant industry is subject to numerous federal, state and local laws and regulations relating to health, safety, sanitation and building and fire codes, including compliance with applicable zoning, land use and environmental laws and regulations. Finally, your Restaurant will be subject to licensing and regulation by federal, state and local departments that regulate alcoholic beverages.

In addition to laws and regulations that apply to businesses generally, your Restaurant must comply with various federal, state and local government regulations, including those relating to site location and building construction, such as the Americans with Disabilities Act; FDA menu labeling requirements; laws governing the storage, preparation and sale of food products, including meat products, and sale of alcoholic beverages; health, sanitation and safety regulations relating to food service; and other relevant laws (including Consumer Product Safety Improvement Act certifications for giveaways or other items in the Sports Bar characterized as “children’s products”). Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in Fat Patty’s Restaurants, such as the level of trans fats and sodium contained in a food item. Additionally, the Patient Protection and Affordable Health Care Act requires employers of a certain size to provide health insurance to their employees, and the Menu Labeling Provisions of the Act require certain Fat Patty’s Restaurants and retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request. You should consider these and other laws and regulations when evaluating your purchase of a franchise. It is your sole responsibility to obtain and keep in force all necessary licenses and permits that public authorities require, including an alcoholic beverage vendor’s license. We do not assume any responsibility for advising you on these regulatory and legal matters.

## **ITEM 2 BUSINESS EXPERIENCE**

### Seenu G. Kasturi, Chairman of the Board

Seenu Kasturi has been the Chairman of the Board of our parent, Jacksonville, Florida based Arc Group Inc. from 2012 to the present. From June 2021 to March 31, 2023, he served as our Chief Executive Officer. From January 2025 to the present he has served as a management consultant to Gonzales, Louisiana based FBMG LLC, a restaurant management company that provides accounting, HR and operations consulting. From October 2019 to November 2023 Mr. Kasturi served as the managing member of Lafayette, Louisiana based Wisconsin Apple, LLC, a 23-unit Applebee’s franchisee. From January 2019 to March 31, 2023, Mr. Kasturi served as the Chief Executive Officer of Arc Group, Inc, our parent corporation and its wholly owned subsidiaries. From July 2018 to the present Mr. Kasturi has served as the managing member of Lafayette, Louisiana based Louisiana Apple LLC, a former operator of a 14-unit Applebee’s franchisee. From June 2018 to the present Mr. Kasturi has served as the President of Jacksonville, Florida based Tilted Kilt Franchise Operating LLC. From April 2013 to the present Mr. Kasturi has served as the managing member of Jacksonville, Florida based Yobe Acquisition LLC. From October 2008 to August 2020 Mr. Kasturi served as the President and Chief Executive Officer of Jacksonville, Florida based Blue Victory Holdings, Inc., an asset development firm focused primarily on the management of branded restaurants.

### **ARC Group Management Services LLC Employees Who Have Management Responsibilities on Our Behalf Relating to the Sale or Operation of the Franchise System:**

#### Yannick Bastien, Chief Executive Officer

From April 2023 to the present, Yannick Bastien has served as the Chief Executive Officer of Jacksonville, Florida based ARC Group Management Services LLC. From January 1, 2023 to March 31, 2023, Mr.

Bastien served as the Chief Financial Officer of ARC Group Management Services LLC. From July 2021 to December 31, 2022, Mr. Bastien served as the Chief Financial Officer of Jacksonville, Florida based Arc Group, Inc, our parent corporation and its wholly owned subsidiaries. From February 2015 to July 2021, Mr. Bastien served as the Director of Finance of Arc Group, Inc. From August 25, 2020 to the present, Mr. Bastien served as the President of Ponce Inlet, Florida based Blue Victory Holdings, Inc., an asset development firm focused primarily on the management of branded restaurants. From February 12, 2020 to the present Mr. Bastien has served as the Managing Member of Ponce Inlet, Florida based Yanbas, LLC, a real estate investment entity.

#### Sean Oatney, Chief Development Officer

From August 1, 2024 to the present, Sean Oatney has served as the Chief Development Officer of Jacksonville, Florida based ARC Group Management Services LLC. From March 2022 to March 2024, Mr. Oatney served as Vice President of Franchise Development of Holland, Michigan based Tommy's Express Car Wash systems. From February 2003 to March 2022, Mr. Oatney served as Director of Sales and Executive Vice President for West Palm Beach, Florida based United Franchise Group.

#### Cynthia Sarsen, General Counsel

From January 1, 2023 to the present Cynthia Sarsen has served as the General Counsel of Jacksonville, Florida based ARC Group Management Services LLC. From September 2021 to December 31, 2022, Ms. Sarsen served as the General Counsel of Jacksonville, Florida based Arc Group, Inc, our parent corporation. From January 2025 to the present she has served as counsel to Gonzales, Louisiana based FBMG LLC, a restaurant management company that provides accounting, HR and operations consulting. From 2013 to September 2021, Ms. Sarsen was a solo practitioner licensed in the state of Florida.

#### Erin Colombi, Senior Vice President of Operations

From January 1, 2023 to the present, Erin Colombi has served as the Senior Vice President of Operations of Jacksonville, Florida based ARC Group Management Services LLC. From July 2021 until December 31, 2022, Ms. Colombi served as the Senior Vice President of Operations for our affiliate FP Franchisor LLC. From 2018 until July 2021, Ms. Colombi served as the Director of Operations and Training for Tempe, Arizona based Tilted Kilt Franchise Operating LLC.

#### Rym Merrill, Controller

From January 1, 2023 to the present, Rym Merrill has served as the Controller of Jacksonville, Florida based ARC Management Group Services LLC. From June, 2019 until December 31, 2022 Ms. Merrill served as the Director of Accounting for Jacksonville, Florida ARC Group Inc., our parent corporation. From June 2018 until June 2019 Ms. Merrill served as a Staff Accountant for Jacksonville, Florida ARC Group Inc., our parent corporation.

#### Amy Nedwell, Director of Marketing

From March 2023 to the present, Amy Nedwell has served as the Director of Marketing of Jacksonville, Florida based ARC Group Management Services LLC. From 2013 to March 2023 Ms. Nedwell served as the Director of Marketing for Golden, Colorado based Good Time Restaurants Inc.

## Marty Fayette, Franchise Business Consultant

From July 1, 2023 to the present, Marty Fayette has served as the Franchise Business Consultant for Jacksonville, Florida based ARC Group Management Services LLC. From January 1, 2017 to April 30, 2023 Mr. Fayette served as the Franchise Business Consultant of Coeur d'Alene, Idaho based Pita Pit USA.

### **ITEM 3 LITIGATION**

The following actions against us, a predecessor, a parent or affiliate that guarantees our performance, an affiliate who offers franchises under the Trademarks or a person identified in Item 2 have concluded:

Pacific Premier v. HNI, LLC, HNI CJ, llc, Seenu Kasturi, Taseer Badar, Alvin Rucker, Seestar QSR, LLC, ZT QSR Fund, l.p., Altus Management, LLC, and Charles Boyd, Index Np.: 657096/2019, IAS Part 49M (Justice Margaret Chan). Supreme Court of the State of New York, County of New York: Commercial Division. (November 27, 2019). This is an action arising out of a default on the payments due under certain promissory notes and guaranties for equipment used in the operation of Hardees and Carl's Jr restaurants. HN1, LLC and HN1 CJ, LLC were the borrowers under the loan documents. Seenu Kasturi (the Chairman of the Board of our parent) and Seestar QSR, LLC were the guarantors under the loan documents. On May 13, 2020 the court granted summary judgment against the borrowers for the unpaid principal balance under the loan documents, including interest, fees and reasonable attorney's fees. On October 7, 2021 the court granted summary judgment in favor of the borrowers against Seenu Kasturi and Seestar QSR LLC. On March 6, 2023 the court ordered a Notice of Settlement of Judgment against Seenu Kasturi and Seestar QSR LLC in the amount of \$7,252,952.06. On June 21, 2024 the judgment was sold by Pacific Premier to Rajane LLC. Kasturi and Rajane have entered into a payment agreement for the repayment of the judgment.

ZT QSR Fund LP v. Kasturi, originally filed September 19, 2019 in Harris County, Texas in a case styled Case No. 2019-68154, ZT QSR Fund, LP v. Seenu G. Kasturi (the Chairman of the Board of our parent) in the 152d Judicial District asserting claims for fraud by non-disclosure breach and violations of the Texas Securities Act. Kasturi removed the case to federal court as Case No. 4:20-cv-01515 in the Southern District of Texas. The parties entered into a Settlement and Release Agreement on January 28, 2021 wherein the parties agreed to mutual releases in exchange for a dismissal of the action and the judge entered an Agreed Final Judgment and Dismissal with Prejudice on February 9, 2021.

Arquette Development Corporation v. DWG Acquisitions LLC and Seenu Kasturi, Case No. 20000035CA, in the Circuit Court 14<sup>th</sup> Judicial Circuit of the State of Florida in and for Bay County. The initial filing date was January 7, 2020. This is an action for damages under a lease agreement executed by DWG Acquisitions LLC and guaranteed by Seenu Kasturi (the Chairman of the Board of our parent). The suit alleges unpaid rent, ad valorem taxes, repairs to property, damages to the premises, court costs and attorney fees. On January 4, 2023 the parties entered into a settlement agreement wherein DWG Acquisitions LLC would pay to the Landlord the total of \$35,000 in settlement of all claims between the parties. On March 17, 2023, Judge James Goodman entered an Order granting dismissal of the action.

Applebee's Franchisor LLC v. Mountain Apple, LLC; Kentucky Apple, LLC; Oklahoma Apple, LLC; Louisiana Apple, LLC; Seenu G. Kasturi; and Divya Seenu Kasturi, No. 24-2285-KHV (USDC Kansas, filed July 1, 2024). Applebee's Franchisor LLC, the franchisor of the Applebee's Neighborhood Grill and Bar restaurant brand, filed a breach of contract action against the Defendants alleging failure to pay royalties

and advertising fees for sixteen Applebee's franchised restaurants. In addition, the franchisor alleged breach of contract against Oklahoma Apple LLC and Mountain Apple LLC for unilaterally closing certain Applebee's franchise restaurants without franchisor consent. Applebee's Franchisor LLC sought (1) the outstanding royalties, advertising fees, and other fees due and owing as a result of the Franchisees' alleged breaches of the franchise agreements as well as lost-future royalties and advertising fees for the closed Restaurants; (2) reimbursement of its attorneys' fees and litigation expenses; and (3) an injunction requiring Defendants to assign to Applebee's by July 7, 2024, any leases for the Restaurants' premises. On August 6, 2024 Judge Kathryn Vratil issued an Order administratively terminating the action based on the parties reaching a settlement in this matter. The terms of the settlement agreement required the defendant parties to cooperate with the subsequent operator of the franchised restaurants in the procurement of alcohol licenses in exchange for the dismissal of this action and the release of the defendant parties from any and all liability under the franchise agreements and/or personal guaranties. On January 8, 2025 the Court ordered an entry of final judgment and a dismissal with prejudice of the action.

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

#### **ITEM 4**

#### **BANKRUPTCY**

Our Chairman of the Board, Seenu Kasturi, was the Managing Member of Wisconsin Apple, LLC, a franchisee of twenty-three Applebee's restaurants in Wisconsin from October, 2019 to November, 2023. On October 14, 2020 Wisconsin Apple filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. In Re: Wisconsin Apple LLC, Debtor, Case No. 20-50775, United States Bankruptcy Court for the Western District of Louisiana, Lafayette Division. On November 15, 2020 Judge John Kolwe entered an Order Granting Voluntary Motion to Dismiss Chapter 11 Case.

Our Chairman of the Board, Seenu Kasturi, was the Managing Member of Louisiana Apple, LLC and its wholly owned subsidiaries: Kentucky Apple LLC, Mountain Apple LLC and Oklahoma Apple LLC (collectively the "Apple Entities") The Apple Entities were a franchisee of sixteen Applebee's restaurants from July, 2018 to July, 2024. On October 4, 2024 the Apple Entities filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code. In re: Louisiana Apple, LLC, Kentucky Apple, LLC, Mountain Apple, LLC Oklahoma Apple, LLC, Case No 24-20336 (RAM (lead case), Case No. 24-20337 (RAM), Case No. 24- 20340 (RAM), Case No. 24-20341 (RAM), United States Bankruptcy Court, Southern District of Florida, Miami Division. On December 4, 2024 the Florida action was closed and transferred to the Western District of Louisiana (Lafayette) (case no. 24-51059 JWK Judge John Kolwe) where it is currently pending.

#### **ITEM 5**

#### **INITIAL FEES**

##### Restaurant Franchise Agreement.

You pay us a \$40,000.00 lump sum franchise fee for the right to develop and operate a Fat Patty's Restaurant. ("Initial Franchise Fee"). The Initial Franchise Fee is payable in full when the Franchise

Agreement is signed and is fully earned by us when paid. It is not refundable under any circumstances. We may reduce, finance, defer or waive the Initial Franchise Fee if and when we determine it is warranted by a unique or compelling situation. We generally do not provide financing for the Initial Franchise Fee but we may do so if and when we determine it is warranted by a unique or compelling situation. We will use the initial franchise fees in part to cover some of our costs associated with your opening a Fat Patty's Restaurant, including opening assistance, legal fees and general overhead. The Initial Franchise Fee is uniform and not refundable under any circumstance.

#### Veteran's Discount.

For qualified individuals who were honorably discharged from any branch of the United States Military we offer a 30% discount off of the Initial Franchise Fee for your first Franchise Agreement. This discount must be requested at the time of your initial franchise application and requires documented military service.

#### Area Development Agreement.

The initial fees for Area Development Agreements are determined by the number of Restaurants to be opened in the Development Area. You must develop a minimum of two Fat Patty's restaurants in the Development Area. The development fee for the Area Development Agreement is equal to the sum of \$20,000.00 multiplied by the number of Restaurants required to be opened during the term of the Area Development Agreement ("Area Development Fee"). You pay the Area Development Fee in one lump sum upon execution of the Area Development Agreement. At the same time, you execute the Area Development Agreement and pay the Area Development Fee, you must also execute a Franchise Agreement for your first Restaurant. The Area Development Fee is consideration for our entering into the Area Development Agreement and not consideration for any Franchise Agreement. However, we will credit \$20,000.00 of the Area Development Fee towards the Initial Franchise Fee payable under the Franchise Agreements that you sign for Fat Patty's restaurants that you operate in the Development Area. Neither the Area Development Fee nor the Initial Franchise Fee is refundable even if you fail to open the required number of Restaurants. We may reduce, finance, defer or waive the Area Development Fee if and when we determine it is warranted by a unique or compelling situation. We generally do not provide financing for the Area Development Fee but we may do so if and when we determine it is warranted by a unique or compelling situation.

#### Referrals

We may, in our sole discretion, offer certain incentives to existing Fat Patty's franchisees who refer to us prospective Fat Patty's franchisees if the prospective franchisee and we subsequently enter into a Franchise Agreement and/or Area Development Agreement. We reserve the right, in our sole discretion, to offer, modify, or withdraw any incentives and or referral programs without notice to you.

#### Owner/Manager Training.

One of your owners ("Owner-Operator") or your Control Person, your general manager ("General Manager"), your kitchen manager and one other manager-level employee must attend and complete to our satisfaction our initial training prior to the opening of the Restaurant(s). We must approve your Owner-Operator and/or General Manager. We do not charge a fee for this training because it is included in your Initial Franchise Fee, but you are responsible for all related costs and expenses for your Owner-Operator, Control Person, your General Manager and managers, including travel, lodging and meals. We will charge

our then current initial training fee for any additional managers you request be trained. The initial training program is approximately six weeks in duration and will take place at a restaurant that we specify, typically in Jacksonville, Florida.

#### Pre-Opening Assistance Fees:

You also must pay us a uniform, nonrefundable Pre-Opening Assistance fee of up to \$35,000 on the date you sign the Franchise Agreement to compensate us (in part) for providing the on-site pre-opening assistance at the Restaurant from our "Opening Team." You also must reimburse us for the travel expenses and prorated salaries for the Opening Team members who provide you assistance that exceeds your initial \$35,000 payment. We will send you an invoice for those fees within 60 days after the Restaurant's opening date, and you must pay the invoice within fifteen (15) days after receiving it. However, if we determine (in our sole judgment) when signing the Franchise Agreement, based on operations at your (or your affiliate's) other Fat Patty's Restaurants, that you are capable of training your own staff before your Restaurant opens, then: (1) you need not pay us the assistance fee or Opening Team expenses; (2) we will not provide the Opening Team for your Restaurant; and (3) you must provide opening training to your Restaurant staff according to our requirements.

#### Training Expenses:

You are responsible for all travel, living and meal expenses for your personnel who undergo training, and the cost of travel, living, hotel and other expenses for you and your personnel to attend Initial Owner/Manager Training or any Additional Manager Training ("Training Expenses"). You are also solely responsible for wages for your employees during training. We estimate that the cost of Training Expenses (including airfare, meals, rental car, hotel and other travel costs) will range from \$19,500 to \$40,000.

**ITEM 6  
OTHER FEES**

Type of fee	Amount	Due date	Remarks
Royalty Fee	5% of total Gross Revenue. (2)	Payable by electronic funds transfer every Wednesday for the preceding Reporting Period.	See Note 3. The “Reporting Period” means the period from Monday to Sunday, although we may periodically change the Reporting Period in the Manuals or in writing to you.
Local Advertising Fee (4)	Minimum of 2% of total Gross Revenue.	As incurred.	We may require you to pay a Local Advertising Fee. Local Advertising expenditures are paid to third parties. We may reduce this requirement if you participate in an advertising co-op.
Brand Building Fund Fee	3% of total Gross Revenues.	Payable by electronic funds transfer every Wednesday for the preceding Reporting Period.	Payable by electronic funds transfer directly to the Brand Building Fund. We will contribute at the same rate for each company owned Fat Patty’s Restaurant in the same local marketing area.
Advertising Cooperative Contribution	An amount set by your Advertising Cooperative.	Payable by electronic funds transfer every Wednesday for the preceding Reporting Period.	All members of an Advertising Cooperative, have voting rights on matters brought before the Advertising Cooperative for a vote
Reputation Management Fee (5)	Currently \$93.54 per Restaurant per month but may change depending on number of Fat Patty’s participants.	Monthly.	We currently use Soci as our reputation management application. We forward the payment to the vendor.

Type of Fee	Amount	Due Date	Remarks
Training System Fee (5)	We do not currently charge for a training system fee but reserve the right to do so in the future. We estimate this charge will range from \$50 to \$100 per month per store.	Monthly.	You must participate in the training platform as we may designate in the future to access certain training materials. We will forward the payment to the vendor for the system.
Menu database support (5)	Effective January 1, 2025 we will charge for menu database support. We estimate that this charge will not exceed \$60 per month per store	Monthly.	We may provide these support services through a combination of our (or our affiliates') employees and/or through contracted resources.
Online Ordering Fee	Currently \$80 per Restaurant per month but it may change depending on number of Fat Patty's Restaurants participating.	Monthly	We currently use Toast for our online ordering system. You must pay the fee directly to the vendor.
Loyalty Program Fee	We do not currently charge for a loyalty program but reserve the right to do so in the future. We estimate this charge will range from \$150 to \$200 per month per store.	Monthly	You must participate in the loyalty program as we may designate in the future. We will forward the payment to the vendor for the system.
QR Code Menu	Currently \$20 per Restaurant per month.	Monthly	We currently use MenuFlow for our QR code menu program. We forward your payment directly to the vendor.
Plan Review Fee	Actual costs with a minimum of \$1,500.	As incurred.	You must use a licensed architect approved by us to prepare plans for your Restaurant. We recommend that you use the architect that we designate. If you choose to use a different architect, they must be licensed and approved by us and you must pay a \$1,500 plan review fee directly to our architect.

Type of Fee	Amount	Due Date	Remarks
Back of the House Inventory Management System (5)	Currently \$155 to \$200 per month per restaurant but it may change depending on number of Fat Patty's Restaurants participating.	Monthly	We currently use MarketMan as our inventory systems vendor. We forward the payment to the vendor.
New Product and Supplier Testing Fee	Actual cost of inspection and actual cost of testing.	As incurred.	If you propose to purchase any goods or materials from a supplier that we have not previously approved, we have the right to require an inspection of the supplier's facilities and testing of samples we designate. You must pay us a fee equal to the reasonable cost of the inspection and the actual cost of the test.
Annual Conference Fee	\$2,000	Upon demand, at least 30 days before the date of the Annual Franchise Conference.	You must pay us a Franchise Conference Fee to reimburse us for a portion of our direct costs to provide the Annual Franchise Conference, whether you attend the conference.
Relocation Fee	\$5,000	When we approve your request to relocate your Restaurant.	You must obtain our consent to the relocation of your Restaurant.
Lease Compliance Fee	\$10,000	On demand.	If you, due to your own fault, neither obtain your Landlord's agreement to include the provisions in Section 3.3 of the Franchise Agreement in your lease, nor obtain your Landlord's execution of the Option to Obtain Lease Assignment, then you must pay us the sum of \$10,000 as damages.
Commercial Insurance Costs	\$30,000 - \$110,000 for annual premiums, plus our costs and fees	When premiums are due	Only payable to us if you fail to maintain insurance and we (at our option) elect to obtain coverage for you.

Type of Fee	Amount	Due Date	Remarks
Administrative Assessments	\$100 for the first violation, \$200 for the second violation and \$300 for the third and each subsequent violation.	On demand.	Administrative Assessments are levied to reimburse us for our administrative efforts to process your reporting violations.
Renewal Fee	The greater of 20% of the then current Initial Franchise Fee or \$8,000.	Payable upon signing of your renewal Franchise Agreement.	Required to renew your franchise. There are additional conditions for renewal.
Transfer Fee	The greater of 50% of the then current Initial Franchise Fee or \$20,000.	\$5,000 due upon application for consent to transfer with the balance due prior to the transfer's closing	If you transfer your franchise or your interest in your franchise. Transfer includes sale, assignment, lease, gift, or other disposition involving change of operational control from you to another individual or entity. You must submit to us a \$5,000 deposit on the transfer fee when you submit an application for our consent to transfer with the balance due prior to the transfer's closing.
Accounting/Audit Fee (6)	Cost of audit plus interest on any underpayments at the lower of 1.5% per month or the highest rate available by law plus a \$500 administration fee.	When incurred.	You pay for the cost of the audit and further audits for three (3) years if an audit shows an understatement of 1.5% or more of Gross Sales, Royalty Fees, or Brand Building Fees for any month from the data reported to us.
Noncompliance Fee	\$100 per day after written notice that you are not in compliance with Operational or system standards.	When incurred.	Payable upon demand.

Type of Fee	Amount	Due Date	Remarks
Interest and Late Fee	\$150 plus the lower of 1.5% interest per month or the highest rate available by law on the past due amount.	Automatically upon the next electronic funds transfer.	Begins from the date of the late payment.
Additional Training Fee	\$500 per day per trainee.	Prior to providing the training.	If additional training is requested by you: (i) after your Restaurant opens; or (ii) if we require additional training because of your non-compliance with Fat Patty's System Standards; or (iii) you commit a default under this Agreement; or (iv) upon renewal. We do not charge a training or tuition fee for any additional training we require not resulting from your default or non-compliance, but you will pay for all travel and related expenses and training materials.
Management Fee	20% of Gross Revenues.	Payable weekly out of franchise proceeds.	The Management Fee is paid to us. In addition to or instead of our right to terminate the Franchise Agreement, we may manage and operate your Restaurant if you fail to cure a default within the applicable cure period. In the case of your absence, incapacity or death, our right to manage and operate your Restaurant may prevent harmful interruption or depreciation of your Restaurant.
Indemnification	The amount will vary under circumstances.	Date incurred.	You must reimburse us if we incur liability because of the operation of your franchise.

Type of fee	Amount	Due date	Remarks
Costs of Enforcement and Defense	The amount will vary under circumstances.	Date incurred.	You must pay our costs and attorneys' fees if we must take action to enforce your obligations to us.
Deidentification costs	The amount will vary under circumstances.	As incurred.	If you fail to deidentify the Restaurant when the Franchise Agreement terminates or expires, and we choose to do so, you must reimburse our costs.
Liquidated Damages – Franchise Agreement	If we terminate your Franchise Agreement for cause, or you improperly terminate your Franchise Agreement, you agree to pay us liquidated damages equal to the average monthly Royalty Fees and Brand Building Fund Fees owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the term of the Agreement had it not been terminated, whichever is less.	Within 15 days after the effective date of termination.	Liquidated damages are paid to us.

Type of Fee	Amount	Due Date	Remarks
Liquidated Damages – Area Developer Agreement	If we terminate an Area Developer Agreement with you following your failure to develop Restaurants as required under the Agreement with us, then in addition to other remedies that we may have under the Area Developer Agreement and at law, and to the extent permitted by applicable law, you must pay to us as liquidated damages and not as a penalty \$15,000 for each undeveloped Restaurant plus the amount of deferred and unpaid Franchise Fee for each undeveloped Restaurant.	Within 15 days after the effective date of termination.	Liquidated damages are paid to us.

1. Unless otherwise indicated above, all fees and expenses are imposed and collected by and are paid to us. All fees and expenses are non-refundable. We will automatically draft royalty fees, brand building fees and any additional fees due to us from your bank account according to the terms of the Franchise Agreement and/or the Operating Manuals. You must sign an electronic transfer of funds authorization that we periodically specify to authorize and direct your bank or financial institution to transfer electronically, on a weekly basis, directly to our or our affiliate’s account and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds. We may periodically change the mechanism for your payments under the Franchise Agreement.

2. “Gross Revenue” is defined as the total of (a) all revenue and income of any kind relating to your Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, gift card, third party payment or otherwise, including, without limitation, from the sale of food, beverages, merchandise, goods, wares, products, cover charges, service fees, and tangible personal property of every kind and nature sold by you (or via third party delivery platforms or mobile applications for your benefit), promotional or otherwise, in, from or through the Restaurant (including but not limited to from or through third party delivery platforms, mobile applications or otherwise); (b) revenue from all amounts which you

receive as compensation for any service performed from or at the Restaurant, including sales for Ghost Kitchen items, together with the amount of all orders taken or received at or through the Restaurant or taken or received by third party delivery partners via delivery, whether such orders be filled from the Restaurant or elsewhere; (c) proceeds as a result of any business interruption insurance policy you carry; (d) revenue from all coin and card operated devices, including but not limited to, musical devices, amusement devices, gambling devices, and vending machines, all regardless of whether such sale is conducted in compliance with or in violation of the terms of the Franchise Agreement, or whether such sale is at the Restaurant or off-site; (e) any revenue from off-site catering; (f) revenue from state operated gaming; and (g) the fair market value of any services or products received by you in barter or exchange for your services and products. Gross Revenue shall not include (1) the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority; (2) tips guests give and that are charged to the guests' credit or debit cards; and (3) the retail value of any complimentary services, meals provided to employees, discounts, trade-outs, cash refunds to guests and coupons used by guests (collectively the "Comps"). If we determine in our sole judgment that the amount of Comps is excessive as compared to the system-wide average, we may require you to include the percentage of Comps that exceeds the system-wide average in your Gross Revenue.

If a state or local law in which your Fat Patty's Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect the Royalty and/or the Brand Building Fund Contribution derived from the sale of alcoholic beverages at your Fat Patty's Restaurant, you will be required to pay whatever increased percentages of all Gross Revenue not deriving from the sale of alcohol are necessary so that the Royalty and Brand Building Fund Contributions you pay equal the Royalty and Brand Building Fund Contributions you would pay if you were not subject to the restrictive state or local law. Royalties are uniformly imposed. However, under rare circumstances, we may agree to temporarily reduce the required Royalty a franchisee must pay, as circumstances warrant.

3. The Royalty Fee is 5% of Gross Revenue.
4. We may require you to spend at least 2% of your Gross Revenues for local advertising, marketing and promotional programs to be paid to third parties.
5. We reserve the right to increase existing third-party fees based on changing economic factors such as inflation and increased supplier costs and fees. We require franchisees to purchase these mandatory services and as system standards evolve with new and improved technologies and other efficiencies it will likely be necessary to add or revise existing services that will cause franchisees to incur new and/or increased fees.
6. We have the right to examine or audit your books, records, state sales tax returns and accounts. If an audit establishes that your royalty reports, brand building fee reports or profit and loss statements have understated Gross Revenues for any fiscal year by 1.5% or more, then you must pay the audit's cost and the cost of any audits conducted for three (3) years after the understated audit, including the travel, fees, wages, lodging and meal expenses of the persons who conduct the audit. Otherwise, we will pay the cost of the audit. You must promptly pay us any royalty fee, brand building fee or other deficiencies established by an audit, together with interest on all understated or past-due amounts and a \$500 administrative fee. Interest is the lower of 1.5% per month or the highest rate allowed by law.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of expenditure (1)	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Initial Franchise Fee (2)	\$28,000	\$40,000	Lump Sum	At Signing of Franchise Agreement	Us
Lease Deposit (3)	\$15,000	\$100,000	As arranged	As arranged	Lessor
Professional Fees (4)	\$0	\$15,000	As arranged	As arranged	Vendors
Permits, licenses and fees (5)	\$1,500	\$5,000	As arranged	As arranged	Vendors
Alcohol License (6)	\$5,000	\$1,000,000	As Arranged	As arranged	Vendors
Architect/ Engineer	\$5,000	\$50,000	As arranged	As arranged	Vendors
Signage/Decor (7)	\$15,000	\$35,000	As arranged	As arranged	Vendors
Manager / Owner Training Expenses (8)	\$19,500	\$40,000	As arranged	As arranged	Vendors
Insurance (9)	\$6,125	\$35,000	As arranged	As arranged	Vendors
POS System (10)	\$4,841	\$17,069	As arranged	As arranged	Vendor

Type of expenditure (1)	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Electronics Package (11)	\$25,000	\$70,000	As arranged	As arranged	Vendor
Equipment, Smallwares & Furnishing Package (12)	\$90,000	\$440,000	As arranged	As arranged	Vendor
Utility Deposits (13)	\$500	\$5,000	As arranged	As arranged	Vendors
Office Supplies (14)	\$1,000	\$3,000	As arranged	As arranged	Vendor
Printing (15)	\$1,000	\$3,000	As arranged	As arranged	Vendor
Grand Opening Advertising (16)	\$8,000	\$15,000	As Arranged	As arranged	Vendor
Initial Inventory (17)	\$35,000	\$70,000	As arranged	As arranged	Vendor
Uniforms (18)	\$4,000	\$8,000	As arranged	As arranged	Vendor
Leasehold Improvements (19)	\$144,000	\$850,000	As needed	As arranged	Contractor, Architect and other Vendors
Pre-Opening Advertising (20)	\$5,000	\$10,000	As arranged	As arranged	Vendors
Pre-Opening Assistance Fees (21)	\$0	\$35,000	Lump sum	\$20,000 due at signing of the franchise agreement with the balance due 30 days after opening	Us
Additional Funds (3 months) (22)	\$80,000	\$200,000	As needed	As needed	Various
TOTAL (23)	\$493,466	\$3,046,069			

Notes:

1. We do not make any representation regarding whether any amounts paid to third parties are refundable. All amounts paid to us are non-refundable unless otherwise noted. Neither we nor our affiliates finance any of the initial investment but we may do so if and when we determine it is warranted by a unique or compelling situation.
2. You must pay us an Initial Franchise Fee of \$40,000 for your first Restaurant.
3. You will need approximately 3,500 to 5,000 square feet of space to operate a Fat Patty's. The cost per square foot of commercial space varies considerably depending on the location and the market conditions affecting commercial property. The initial deposit is based on a typical landlord's requirement that a lessee pay the last month's rent and a security deposit equal to one month of rent upon execution of the lease.
4. These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advice consistent with the start-up of a franchise. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your franchise.
5. You must comply with federal, state and local license, certificate and permit requirements for the operation of your Restaurant. The required permits, licenses and fees will vary between city, county and state. You should determine what laws apply to you before acquiring a franchise. Depending on the location and jurisdiction this cost can be much higher. You must obtain and pay for these licenses and/or permits before opening your Restaurant. You are responsible for applying for, obtaining and maintaining all required permits and licenses necessary to operate your franchise, including the cost of forming an entity for the Restaurant.
6. We require all Restaurants to have a license to sell beer, wine and liquor where available by all commercially reasonable efforts. The amount necessary to obtain a liquor license varies greatly depending on the city, county and state licensing authority involved, and may be based on whether a license is available from the licensing authority or must be purchased from a third party. In states with large urban areas, such as New York and New Jersey, the cost may range up to \$1,000,000 for a single liquor license. We strongly recommend that you verify the cost and availability of a liquor license in your jurisdiction before signing the Franchise Agreement including retaining legal counsel specialized in obtaining and maintaining liquor licenses.
7. Signage will include but not be limited to the following: exterior building signage, pole signage, pylon signage, and exterior painted logos and banners. This estimate reflects the approximate cost of the signage required under the Franchise Agreement including our standards, specifications, and requirements. The cost of signs depends on the size and location of your Restaurant, the particular requirements of the landlord and local and state ordinances and zoning requirements. The decor package required by us includes banners, photos, murals, standup signs, metal signs and other themed décor.
8. We provide initial training for your Owner or Control Person, General Manager, Kitchen Manager and one other management level employee prior to opening your Restaurant. The Manager Training Program is up to six weeks depending on the job duties of the General Manager and staff. The initial training takes place at one of our certified training restaurants. You must pay all expenses you or your management personnel incur in the initial training program, like travel, lodging, meals, and wages, and these costs will vary depending upon your selection of salary levels, lodging and dining facilities, mode of transportation, and distance traveled.

9. Insurance costs may vary in different localities, and you are strongly encouraged to contact an insurance agent before signing the Franchise Agreement. The insurance costs will vary and may depend on whether you are able to finance the premiums over time. We reserve the right to require additional types of insurance and coverage as provided under the Franchise Agreement.

10. The package required by us includes a point of sales system, laptop, handhelds, credit card verification, payroll integrated accounts system, software, time clock, back-office accounting and cash registers. This range does not include electrical and cabling costs, shipping costs, or sales tax as these amounts may vary greatly depending on the location and building configuration.

11. The package required by us includes televisions and a sound system.

12. The Equipment and Furniture package required by us includes all kitchen equipment and dining room equipment, including coolers, freezers, hoods, sinks, fryers, char-broiler (and/or flat top griddle), ovens, counters, and seating. The Smallwares package required by us includes food prep equipment, kitchen utensils, dishes, glasses, flatware, pots/pans, food storage containers, and similar small wares.

13. We estimate that you will have to pay deposits on utilities and phones. Utility deposits will vary based on your creditworthiness, Restaurant location and other factors.

14. This estimate includes costs of office supplies which must be purchased before or upon the opening of your Restaurant.

15. The cost of printing includes the cost of printing flyers, menus, training aids, job application forms, schedule forms, business card letterheads, envelopes and other forms which must be purchased before or upon the opening of your Restaurant.

16. A plan for grand opening expenses will be agreed upon by you and us. At least 60 days before the opening of your Restaurant, you must submit a grand opening promotional campaign plan (“Grand Opening Plan”) to us, which outlines your proposal for grand opening marketing and promotion of your Franchised Restaurant. (Franchise Agreement, Section 11.3). You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and thereafter you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must spend a minimum of \$8,000 on the Grand Opening Plan within 30 days before and 30 days after the opening date of your Restaurant (the “Grand Opening Period”). We may designate a different time period for you to conduct the Grand Opening Plan upon 30 days’ prior written notice. Grand opening advertising expenditures may include radio broadcasts, giveaways, branded gifts and accessories, leaflets, cable television and Internet advertising, banners, kick-off events, signs, direct mail, social media campaigns or any other promotional event that we pre-approve in writing. You must participate in any grand opening programs that we require according to the terms and conditions that we prescribe. You must provide us within sixty (60) days after your opening date with copies of all invoices, statements, canceled checks or other forms of payment that you have issued which evidence your expenditure and payment for the Grand Opening Plan. In addition, we may require you to participate in our pre-opening food truck promotion wherein you must give away a prescribed amount of product free- of-charge during the Grand Opening Period. Participation in the food truck promotion plan will be in addition to the minimum amount required to be spent in your Grand Opening Plan.

17. You must stock the Restaurant with an initial inventory of food and beverage products, accessories, uniforms and supplies. These figures reflect the basic cost of food, beverages, products, uniforms and paper related items associated with opening the Restaurant, as well as food used for training employees. The initial inventory is estimated as sufficient to cover initial supplies for one week.

18. You will need to purchase an initial uniform order sufficient for 75 to 100 employees.
19. You must comply with all architectural, mechanical and structural systems and specifications we require for your Restaurant. Your actual costs may vary considerably depending on the size of the Restaurant, the cost of local financing and other local conditions, including labor, material costs and architectural fees. In our experience, construction costs continue to rise. The cost of leasehold improvements can vary significantly, depending upon such factors as: 1) whether pre-construction demolition of existing walls and partitions is required; 2) whether the space was previously used as a restaurant and already contains facilities required by code, such as a grease trap, ventilation system and fire extinguisher system; 3) whether, and to what extent, your landlord will provide a build out allowance; 4) whether any repairs to existing equipment, HVAC or otherwise are necessary; 5) economic factors affecting the construction industry; and 6) regional differences in material and labor costs. We have not estimated the costs to purchase and renovate an existing building or the costs of new construction. We do not build free standing Restaurants from the ground up and these cost estimates are based on the conversion of an existing restaurant to a Fat Patty's Restaurant. Should you desire to build a ground up Fat Patty's Restaurant and should we approve this, your costs will be higher.
20. You are required to spend a minimum of \$5,000 during the pre-opening phase of your restaurant on employee recruiting and community relations.
21. We provide a Pre-Opening Assistance Team of our trained representatives to provide on-site pre-opening and opening assistance to you for up to 14 days based on our assessment of your needs in connection with the opening of your Restaurant. You must pay for the compensation, costs of travel, lodging, and per diem of the Pre-Opening Assistance Team.
22. These figures estimate the additional prepaid expenses and other additional costs and expenses that you will incur in developing and operating the Restaurant, including Restaurant management salaries, during the initial 3 months of operation (other than the items identified separately in the table). These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. You might need additional working capital during the first 3 months you operate your Restaurant and for a longer period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Restaurant will break even. Your costs will depend on factors such as how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the Restaurant's products; the prevailing wage rate; competition; and the sales level reached during the initial period. When your Restaurant opens you must have a minimum of \$80,000 in immediately accessible working capital funds to use solely to defray the costs of operating the Restaurant for the initial months.
23. We have used our and our Parent's almost 20 years of experience in the business to prepare the estimate for additional funds and other estimates. You should review these figures carefully with a business advisor, your accountant and/or your attorney before deciding to acquire the franchise. The estimate does not include any finance charge, interest, or debt service obligation. You should allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. Except for the security deposit under a real property lease and utility deposits, which typically are refundable if you comply with the lease's and utility agreement's terms, none of the payments is likely to be refundable, although this may depend on your negotiations with others. Neither we nor our affiliates offer financing for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and the lending policies of financial institutions from which you request a loan.

## ESTIMATED INITIAL INVESTMENT FOR AREA DEVELOPMENT AGREEMENT.

If you sign an Area Development Agreement, your initial investment in your first Fat Patty's Restaurant is the same as disclosed in the Item 7 chart. You also will pay a one-time Development Fee as described in Item 5. This is the only additional initial investment under the Area Development Agreement. Your initial investment for your second and subsequent Fat Patty's Restaurants likely will be higher than the estimates listed in the chart for your first Restaurant due to inflation and other economic factors that may vary over time.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **Required Purchases and Approved Suppliers**

In order to maintain the uniform high standards of products and services throughout the Fat Patty's Restaurant network, you must maintain and comply with our quality standards, as we periodically modify them. Our standards may regulate, among other things, the equipment and other products and services you use to operate the Restaurant, or approved suppliers (including manufacturers and distributors) of these items, and required or authorized products and services your Restaurant offers. We issue and modify standards and specifications based on our, our affiliates' and our franchisees' experience in operating and franchising Fat Patty's restaurants. We will notify you in our manuals or other written communications of our standards and specifications and the names of some of our approved suppliers. We also provide our relevant standards and specifications to approved suppliers.

Neither we nor our affiliates are approved suppliers or the only approved suppliers for any category of goods and services for Fat Patty's restaurants. Neither we nor our affiliates received any revenue during our 2023 fiscal year from selling products or services to Fat Patty's franchisees. None of our officers has any interest in any of our approved suppliers. We or our affiliates reserve the right to receive profits and commissions from other sales that we and our affiliates make directly to franchisees in the future. You will pay the then-current price in effect for all purchases you make from us or an affiliate.

Although you are not required to purchase or lease real estate from us or our affiliates, you may only operate the Restaurant from a location that we accept. We also have the right, but not the obligation, to review and approve or disapprove any lease for the Restaurant's premises. You and the landlord must sign the form of Lease Addendum attached to the Franchise Agreement or alternatively pay the Lease Compliance Fee (Franchise Agreement, Section 3.3).

You must construct and equip your Restaurant according to our approved designs, specifications and standards. You must ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You also must use equipment (including hardware and software for the Restaurant point-of-sale and back-office accounting system and audio/video equipment), signage, fixtures, furnishings, products, ingredients, supplies and advertising materials that meet our specifications and standards.

We provide you with a list of approved manufacturers, suppliers and distributors (“Approved Suppliers List”) and approved products, advertising, fixtures, furniture, equipment, audio/visual equipment, computer hardware and software, signs, stationery, supplies and other items or services necessary to operate the Restaurant (“Approved Supplies List”). The Approved Supplies List may specify the specific manufacturer of a specific product, piece of equipment, or service. As of the date of this disclosure document, you must purchase certain equipment (including the POS system, related services and software, back-office accounting software, back of house inventory management software, delivery software integration and audio/visual equipment), Restaurant signage, smallwares, sports programming, food and beverage products, sanitary chemicals, uniforms and other branded merchandise, and gift card services only from our suppliers and/or distributors. You must participate in our then current gift card program operated by or through our approved suppliers. For some items and services, you must sign contracts with third party suppliers in the form that we or they specify. From time to time, we may require you to participate in national advertising campaigns, subject to applicable law. There is no approved or recommended supplier in which any of our officers owns an interest.

We may require you to utilize a delivery service provider, including but not limited to third party food aggregators. If so you must do so in accordance with any restrictions and guidelines that we may establish in the Operations Manual or otherwise in writing. You may only provide these delivery services through a vendor that we approve or designate. If an approved delivery service vendor is unable to provide delivery services for your Restaurant you may request, in writing, approval for an alternative vendor. We will review this request and make a determination of whether the alternative vendor meets our delivery service provider criteria. We, our affiliates, and our other franchisees may provide delivery services anywhere, including near your Restaurant. Although we do not encourage other franchisees to deliver in another franchisee’s territory, we have no obligation to enforce prohibitions against any franchisee delivering in your territory. We retain the right to revise and/or make exceptions to our delivery policies as they apply to you and other franchisees.

You must accept online orders through our website and/or mobile application. We reserve the right to change or expand our online ordering procedures through written notice to you.

We retain the right to enter into third-party virtual or ghost kitchen agreements in the future that may be available to you. You may not enter into any type of virtual kitchen agreement without following the alternative supplier approval process.

We reserve the right to engage a third-party provider to perform quality assurance evaluations. If we engage the third-party provider and your Restaurant receives a failing score on an evaluation, you are required to reimburse us for the cost of such failed evaluation as well as the subsequent evaluation to confirm that all quality deficiencies have been corrected. We estimate the fee for quality assurance evaluation is approximately \$500 per evaluation.

### **Approval of Alternate Suppliers**

You must notify us in writing if you want to offer for sale at the Restaurant any brand of product or to use in the operation of the Restaurant any brand of food ingredient or other material, item or supply that we have not then approved, or to purchase any product from a supplier that is not an approved supplier. At our request, you must submit samples and other information we require for testing or to otherwise determine whether the product, material or supply or the proposed supplier meets our specifications and quality standards. We evaluate proposed suppliers based on their ability to provide services or to make products that conform and adhere to our specifications and quality standards, their willingness and ability to maintain the confidentiality of our information, their production and delivery capability, their financial condition and

insurance coverage, and their ability to provide the product and/or service on a national basis. We typically will notify you of supplier approval or disapproval within 60 to 90 days after we receive all the information and samples we request. You must pay all the costs of the inspection and evaluation and the actual cost of the test. We also may require the supplier to sign a supplier agreement. We may re-inspect the facilities and re-evaluate the products of any approved supplier, approved variance or item and revoke our approval of any supplier, variance or item that fails to continue to meet any of our criteria. We will send written notice to the supplier if we revoke our approval of an approved supplier or item.

### **Insurance**

You must purchase and maintain in full force and effect, at your expense and from an insurer with a minimum A.M. Best Rating of A-VII, that we (at our option) accept, the insurance that we periodically specify in addition to any insurance required by local law, your lease or any third-party vendors. Your insurance policy or policies must meet our standards and specifications (including minimum coverage amounts), and, at a minimum, currently must include the following coverages: (i) property insurance on the Restaurant, its improvements and all fixtures, equipment, supplies and other property used in the operation of the Restaurant (which coverage must name us as a loss payee); (ii) business interruption insurance that covers your loss of income and our Royalty Fees; (iii) commercial general liability insurance (including umbrella liability); (iv) liquor liability insurance; (v) automobile liability insurance on all owned, hired, rented and non-owned vehicles; and (vi) workers' compensation and employment practices liability insurance covering all of your employees. Although not currently required, we strongly recommend that you consider the following insurance coverage typically found in restaurant operations: back-up of sewer & drain; cyber liability; earthquake; employee benefit liability; employee dishonesty; flood; food-borne illness-trade name restoration; food contamination-loss of income; food contamination- trade name restoration; interior & exterior glass & signs; machinery & equipment breakdown; money & securities; terrorism-property, auto and liability; and utility interruption-loss of income and that you include mental injuries & loss of services in the umbrella's definition of "Bodily Injury." In addition, the required liability insurance must name us and our affiliates as additional insureds, provide severability of interests and/or separation of insureds coverage, and be primary and non-contributory with any insurance that we and our affiliates maintain. We may periodically modify the required minimum limits and require additional insurance coverage as conditions require to reflect changes in relevant circumstances, industry standards, experiences in the Fat Patty's Restaurant network, standards of liability and higher damage awards. You must send us (or our designee) at commencement and thereafter annually or at our request a proper certificate evidencing your compliance with our insurance requirements. If you do not obtain and maintain the required insurance coverage, we have the right, but not the obligation, to obtain insurance coverage and to charge the costs to you, together with a reasonable fee for the expenses we incur in doing so. Although we require certain insurance coverage and have recommended other coverages, we do not represent or guarantee that the required or recommended insurance is adequate to fully protect your assets. You should consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, you may need for yourself and your Restaurant.

### **Revenue from Franchisee Purchases and Payments from Suppliers**

Except as described in this Item 8, you currently are not required to purchase or lease any goods, services, supplies, fixtures, equipment, inventory, computer hardware or software, real estate or comparable items related to establishing or operating the franchised business from us or our affiliates. We and our affiliates reserve the right to receive payments or other consideration from suppliers arising from your purchase of goods, products and services as described in this Item 8, and from any future purchase of any goods, products or services. In addition, we and our affiliates may receive payments from some suppliers that are contributed to the Brand Building Fund. These payments may be percentage payments based on sales to franchisees, lump sums, reimbursements, or other similar types of payment. We have negotiated a national pricing and supply contract with soft drink suppliers that make periodic payments to us as a percentage of franchisee purchases. We may negotiate with suppliers and manufacturers to receive rebates on certain

items you must purchase. We anticipate in the future that any and all rebates for purchases made by franchisees will be paid to Us. We reserve the right to enter into similar rebate arrangements with other suppliers. If we negotiate group or volume purchasing arrangements with approved suppliers, you must participate in such arrangements. We do not own any interest in any of our approved suppliers. During our 20234 fiscal year, we and our affiliates received a total of \$0 from suppliers of certain food and beverage products based on franchisees' purchases from those suppliers. In addition, we receive payments from some suppliers that are contributed to the Brand Building Fund. These payments may be percentage payments based on sales to franchisees, lump sums, reimbursements or other similar types of payment. During our 2024 fiscal year, the amount of these payments that we and our affiliates received and deposited in the Brand Building Fund for use across the entire Fat Patty's network totaled \$2,541.37. We anticipate that we and/or our affiliates will receive similar amounts from suppliers in 2025.

There currently are no purchasing or distribution cooperatives in the Fat Patty's Restaurant network. We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees but not on behalf of individual franchisees. We do not provide material benefits (for example, renewal or granting additional franchises) to you based on your purchase of particular products or services or use of particular suppliers. Collectively, the purchases and leases that you must make from us or our affiliates, from our approved suppliers, or under our standards and specifications represent about 90% of your purchases and leases to establish and about 90% of your purchase and leases to operate the Restaurant.

We have negotiated volume discount arrangements with certain suppliers for our franchisees (including pricing and payment terms), based upon volume purchases by the System. These suppliers may require you to enter into separate contracts with them. The primary suppliers are Gordon Food Service, Ecolab, PepsiCo and Aramark.

We do not make any express or implied warranties with respect to any products or goods we recommend for your use.

Under the Area Development Agreement, we do not require you to purchase from us or our affiliates any goods, services or real estate. We do not require purchases according to set specifications or from approved suppliers for goods, services or real estate relating to your Development Area. We do not derive revenue from you for any purchases you may make under the Area Development Agreement. We do not discriminate against you or provide you with material benefits such as renewal of your Area Development Agreement or grant you additional territories based on your use of any particular approved supplier. We have no purchasing or distribution cooperatives. We do not make any express or implied warranties with respect to any products or goods you use. However, you will be required to make the required purchases described above for each Restaurant you open under the Area Development Agreement.

**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 Agreements	Disclosure Document Item
a. Site Selection & Acquisition / Lease	Franchise Agreement ("FA") § 3 & Area Development Agreement ("ADA") § 2, 14	Items 6 & 11
b. Pre-opening Purchases / Leases	FA §3, 7; ADA § 2	Items 7 & 8
c. Site Development and other pre-opening requirements	FA § 3, 7; ADA § 1, 2, Exhibit A	Items 5, 6, 7 & 11
d. Initial & On-going Training	FA § 5; ADA § 2	Items 6, 7 & 11
e. Opening	FA § 3.6, 7; ADA § 2, Exhibit A	Item 11
f. Fees	FA § 4; ADA § 4	Items 5, 6 & 11
g. Compliance with standards and policies, operating manual	FA § 1.6, 7, 10; ADA § 2	Items 8 & 11
h. Trademarks and proprietary information	FA § 9 and Confidentiality Agreement; ADA § 2, 10, 13	Items 13 & 14
i. Restrictions on products / services offered	FA § 7, 10; ADA § 1, 2	Items 8 and 16
j. Warranty and customer service requirements	FA §10; ADA § 2	Item 9
k. Territorial development and Sales Quota	FA § 3; ADA § 1, 2; Exhibit A	Item 12
l. Ongoing product / service purchases	FA § 10; ADA § 2	Items 6 and 8

<b>Obligation</b>	<b>Section in Agreements</b>	<b>Disclosure Document Item</b>
m. Maintenance, appearance and remodeling requirements	FA § 3, 10; ADA § 2	Item 17
n. Insurance	FA § 10.3; ADA § 8	Item 6
o. Advertising	FA § 11; ADA § 2	Items 6 & 11
p. Indemnification	FA §13; ADA § 6	Item 6
q. Owner's participation / management / staffing	FA § 2.6, 2.7, 6; ADA § 2	Item 15
r. Records and reports	FA § 4.7, 10; ADA § 2	Items 6 and 17
s. Inspections and audits	FA § 14; ADA § 2	Items 6 & 11
t. Transfer of Interest	FA § 15; ADA § 9	Item 17
u. Renewal	FA § 2.4; ADA § 1	Item 17
v. Post-termination obligations	FA § 17.6; ADA § 11	Item 17
w. Non-competition covenants	FA § 16; ADA § 10	Item 17
x. Dispute Resolution	FA § 21 ADA § 17; ADA § 18	Item 17
y. Jury Waiver provision and Arbitration provision	FA § 21.5, 21.12; ADA § 17	Item 17
z. Limitation of Damages provision	FA § 21.10, 21.11; ADA § 17	Item 17
aa. Acknowledgments of Franchisee	FA § 20;	None

**ITEM 10  
FINANCING**

Neither we nor our affiliates offer direct or indirect financing relating to the Franchise Agreement or your Area Development Agreement except in very limited situations if and when we determine it is warranted by a unique or compelling situation. We do not guarantee any notes, leases, or other obligations entered into by you.

## ITEM 11

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

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

#### Franchisor's Pre-Opening Obligations.

Before you open your Restaurant, we or our affiliate or third party will assist you in the following:

1. Designating your Restaurant Development Area (Franchise Agreement, Section 3.1). We will designate the Restaurant Development Area for your Restaurant prior to the time you sign the Franchise Agreement.
2. Accepting your site and lease (Franchise Agreement, Section 3). Within one hundred and twenty (120) days after you sign your Franchise Agreement, you must submit to us a Site Acceptance Request, as explained in the Operations Manuals.
3. Providing a sample layout and specifications for the layout of your Restaurant. (Franchise Agreement, Section 3.5). You must hire an architect and a contractor that we accept to prepare your plans and make any necessary changes to our standard layout and specifications. Our approval of your architect and contractor is not an endorsement of either.
4. Providing to you the specifications and, if applicable, suppliers for the fixtures and equipment to be installed in connection with constructing, remodeling or decorating your Restaurant. (Franchise Agreement, Section 3.5). You must comply with all laws, regulations, ordinances and building codes, as well as obtain all required permits. We will assist you with locating and inspecting equipment for the Restaurant. (Franchise Agreement, Section 3).
5. Granting you electronic (or other access) to our Operations Manuals, which contain the information, methods, techniques, and specifications for the operation of your Restaurant via audio, video presentation materials, written materials, email or other electronic communication. You must strictly comply with our Operations Manuals. (Franchise Agreement, Section 7.1). We may, in our sole discretion, amend and change the Operations Manuals and you will be required to comply with any changes. The following table identifies the subjects covered in the manual's written materials and the number of pages devoted to each subject:

Manual Section	Pages
Overview	1
Operating the Franchise	10
Restaurant Operations	9
Safe Food Handling and Preparation	9
Restaurant Administration	15
Operations Checklists	11
Approved Suppliers	2
Beverage Mandates	2
Uniform Guidelines	6
Toast	3
MarketMan	51
Cleaning Best Practices	15
Oil Rotation and Filtration Techniques	9
Position Side Work Templates	13
Areas of Responsibility	2

Storage Techniques	4
Approved GFS Order Guide	5
Kitchen Prep & Recipe Cards	124
Bar Menu Recipe Cards	2
Daily Planning Guide	2
Period Calendar & Chart of Accounts	6
Request for Variance	3
Brand Guide	10
Marketing Guide	20
Style Guide	11
Training Guide	114
Total	459

6. Providing you with a list of approved items of equipment, decor package, fixtures, inventory, tools and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for certain items. (Franchise Agreement, Section 7.5).

7. Providing an initial training program for one Owner-Operator (or Control Person), the General Manager, the Kitchen Manager and one other management-level employee. The initial training program is approximately six (6) weeks in duration and will take place at a restaurant specified by us, usually in Jacksonville, Florida. All training instructors have a minimum of six (6) months of operational experience with us. (Franchise Agreement, Section 5).

8. Provide you with contact information for our approved professionals that you must use to promote the grand opening of your Restaurant. (Franchise Agreement, Section 7.3(e)).

9. Provide approximately fourteen (14) days of supervision and assistance through our Pre-Opening Assistance Team for you and your employees prior to and immediately after the grand opening of your Restaurant, only to ensure that you are operating in compliance with the Operations Manual. We do not assist you in hiring your employees. (Franchise Agreement, Sections 7.3 and 6).

### **Site Selection and Opening**

You are responsible for locating an acceptable Restaurant site. We anticipate that the premises for the majority of Fat Patty’s Restaurants will be leased, but you are not prohibited from acquiring a site that we have approved. We do not typically own the premises for franchised Fat Patty’s restaurants and lease them to our franchisees, but we reserve the right to do so. You must submit your proposed site for the Restaurant premises with all the information regarding such site as required in the Manuals to us for approval within the time period stated in the Site Application Request procedures included in the Manuals. We will consider the information in your site application (which may include the demographics, traffic patterns, proximity of competition, other commercial characteristics of the area, the size of the premises, appearance, and other physical characteristics of the location) and notify you in writing within 30 days after receiving your completed site application if we approve the proposed site. If we do not respond within the 30-day period, we will be considered to have rejected the proposed site. You must obtain our written acceptance of the Restaurant premises within the Development Area within 90 days after the effective date of the Franchise Agreement. Within 30 days after we accept the site for the Restaurant premises, you must provide us for our review and approval a copy of the proposed lease for the site, which will include the Lease Addendum (the current form of which is attached as Exhibit E to the Franchise Agreement). If you fail to have the Landlord sign the Lease Addendum, then you must pay a Lease Compliance Fee to us. You must sign the lease for the Restaurant premises within 30 days after we accept the proposed lease. If you do not acquire a site for your Restaurant within the time periods stated in the Franchise Agreement (including if you do

not present a site for approval that meets our site criteria), we may terminate the Franchise Agreement immediately upon written notice to you.

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business is approximately 6 to 15 months. Factors that may affect this period may include whether you have a site selected when you sign the Franchise Agreement, your ability to obtain a site, prepare a site survey, arrange leasing and financing, make leasehold improvements, install fixtures, equipment, and signs, decorate the Restaurant, meet local requirements, obtain inventory, obtain liquor permits, and similar factors.

You must open and begin operating your Restaurant by the scheduled opening date identified in Schedule I of your Franchise Agreement (which will be agreed upon by you and us, but which must be on or before the eighteenth month anniversary of the effective date of the Franchise Agreement). If you fail to begin operations within the stated time, we may terminate the Franchise Agreement. A developer must begin operation of the Restaurants to be developed under the Area Development Agreement according to the development schedule (“Development Schedule”) in the Area Development Agreement. The intervals for opening individual Restaurants depend upon the negotiated Development Schedule and are generally 12 to 18 months for the first Restaurant and according to the Development Schedule for subsequent Restaurants, which may have timelines that are shorter, and that supersede, the timelines described in the Franchise Agreement. Failure to open the Restaurant in accordance with the Development Schedule may result in termination of the applicable Franchise Agreement and Area Development Agreement. If you fail to comply with the Development Schedule, we may terminate the Area Development Agreement and exercise any other rights and remedies that we may have.

You must start substantial construction of your Restaurant at least 150 days before the scheduled opening date and complete construction of your Restaurant no later than 30 days before that date. Failure to meet these deadlines may result in the termination of your Franchise Agreement. In addition, on or before the deadlines to start construction you must submit a notice to our operations department of the name of your general contractor. Upon our request, you will also submit a signed copy of the agreement with your general contractor. If you fail to comply with any of our standards for development and construction of your Restaurant and do not cure such failure upon notice from us, we will have the right to terminate the Franchise Agreement, and, if applicable, the Area Development Agreement. In addition, you must comply with the requirements for constructing and equipping your Restaurant, which may include without limitation providing construction reports in the form we designate, and photographs of the progress made in constructing and equipping your Restaurant.

### **Franchisor’s Post Opening Obligations.**

During the operation of the Restaurant, we or our affiliate or third party will:

1. Provide approximately fourteen (14) days of supervision and assistance for you and your employees during the grand opening of your Restaurant (7 days before and 7 days after you open) through our Pre-Opening Assistance Team, only to ensure that you are operating in compliance with the Operations Manual. We do not assist you in hiring your employees. (Franchise Agreement, Section 7.3).
2. Provide such continuing advisory assistance to you in the advertising and promotion of your Restaurant as we deem advisable. (Franchise Agreement, Section 7.3).
3. Provide you with any updates to the Operations Manual and any other manuals prepared by us for use by our franchisees in operating their restaurants. (Franchise Agreement, Section 7.4(e)).

4. Provide you advice and written materials concerning techniques of managing and operating the Restaurant, including new developments in the Fat Patty's System, equipment, food products, services, packaging, and preparation and mandating the use of such new techniques and developments as applicable. This advice and the materials will be made available as we deem advisable. We do not currently, but may in the future, assist you in establishing prices. (Franchise Agreement, Sections 7.4 and 7.6).
5. Provide you with access to continuing courses of training at times and locations by us. (Franchise Agreement, Section 5.2).
6. Conduct inspections of your Restaurant, evaluate Products sold and services rendered at your Restaurant and recommend changes to enhance your Restaurant to ensure it fully complies with the Fat Patty's System and the Operations Manual as we deem advisable. (Franchise Agreement, Section 7.4(a)).
7. Maintain updated lists of approved items of equipment, fixtures, inventory, and supplies and an updated list of approved suppliers for those items. (Franchise Agreement, Section 7.5).
8. Provide other resources and assistance as we may in the future develop and offer to all franchisees. (Franchise Agreement, Section 7.4).
9. Maintain the Brand Building Fund in accordance with the Franchise Agreement. (Franchise Agreement, Section 7.4(i)).
10. Invite you to franchisee-oriented functions we plan and sponsor. You may attend any such event at no charge (except for our annual conference), but you must pay for the transportation, lodging and meal expenses for your owners, managers and employees. (Franchise Agreement, Section 5.3).
11. Permit you to purchase inventory and equipment items from or through any distribution network we develop. (Franchise Agreement, Section 7.4).

Our individualized assistance to any franchisee (whether in person or by telephone, fax, email or mail), is always subject to the availability of our personnel. All our obligations under the Franchise Agreement are to you only.

### **Advertising.**

Except for our obligations related to the maintenance and expenditure of monies in the Brand Building Fund, we are not required or obligated to conduct any advertising, but we may advertise on radio, print, coupon, TV, magazines and the Internet on a regional basis. We have the right to expand the media, and the territory used for this advertising. We have the right to modify the source of advertising at any time. We are not required to spend any amount for advertising in your Designated Area. (Franchise Agreement, Section 11). We currently employ a regional advertising agency that handles the production of advertising materials in conjunction with our in-house marketing department.

We have the right to direct all advertising and promotional programs and activities, and the right to control all the concepts, materials, and media used in such programs and activities. Materials that may be provided to all franchisees in the future include posters, banners and miscellaneous point-of-sale items. We may periodically furnish you with samples of advertising, marketing and promotional formats and materials templates which you will then have the right to copy at your expense (Franchise Agreement, Section 11). You must use your best efforts to promote your Restaurant and participate in any promotional or marketing campaigns that we establish.

### **Grand Opening Advertising.**

At least 60 days before the opening of your Restaurant, you must submit a grand opening promotional campaign plan (“Grand Opening Plan”) to us, which outlines your proposal for grand opening marketing and promotion of your Franchised Restaurant. (Franchise Agreement, Section 11.3). You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must spend a minimum of \$8,000 on the Grand Opening Plan within 30 days before and 30 days after the opening date of your Restaurant (the “Grand Opening Period”). We may designate a different time period for you to conduct the Grand Opening Plan upon 30 days’ prior written notice. Grand Opening advertising expenditures may include radio broadcasts, giveaways, franchise branded gifts and accessories, leaflets, cable television and Internet advertising, banners, kick-off events, signs, direct mail, social media campaigns or any other promotional event which we pre-approve in writing. You must participate in any grand opening programs that we require according to the terms and conditions that we prescribe. You must provide us within 60 days after your opening date with copies of all invoices, statements, canceled checks or other forms of payment that you have issued which evidence your expenditure and payment for the Grand Opening Plan.

In addition, we may require you to participate in our pre-opening food truck promotion wherein you must give away a prescribed amount of product free of charge during the Grand Opening Period. Participation in the food truck promotion plan will be in addition to the minimum amount required to be spent in your Grand Opening Plan.

### **Local Advertising.**

We may require you to spend at least two percent (2%) of your Gross Revenue on advertising for your Restaurant in the Designated Area (“Local Advertising Requirement”) commencing thirty (30) days after you open your Restaurant. You may develop advertising materials for your own use at your own expense, but you may not use any advertising materials unless they are approved in advance in writing by us. (Franchise Agreement, Section 11.2).

We will provide guidelines for local advertising. Any deviation from these guidelines will require our prior written approval. All advertising, promotion and marketing must be completely clear and factual and not misleading, conform to the highest standards of ethical marketing, and comply with the promotional policies that we establish. The samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted for approval before you may use them. If you do not receive written approval from us within thirty (30) days after we receive the materials, the materials are deemed not approved. You may not use any advertising or promotional materials that we have not approved or disapproved. (Franchise Agreement Section, Section 11.2).

You may spend any additional sums you wish on local advertising. You acknowledge and agree that your local advertising obligation must be expended regardless of the amount(s) spent by other Fat Patty’s System franchisees on local advertising. Your Local Advertising Requirement is in addition to the grand opening advertising requirement described above.

In addition to your Local Advertising Requirement, you may wish to use Social Media Platforms (defined as web based platforms such as Facebook, MySpace, X, LinkedIn, Instagram, FourSquare, TikTok, Snapchat, blogs and other networking and sharing sites currently in existence or developed in the future) or use Social Media Materials (defined as any material on any Social Media Platform that makes use of our Proprietary Marks, name, brand, products or your franchise whether created by us, you or a third-party). You may not use a Social Media Platform or Social Media Materials without our prior written approval and such platform or materials must comply with the restrictions and requirements described below in Item 11 under “Websites”. Your expenditure toward Social Media Platforms, Social Media Materials or any other online or Internet based marketing or advertising will count towards your required Local Advertising Requirement. (Franchise Agreement, Section 8.2).

### **Advertising Cooperatives.**

There are presently no advertising councils or regional advertising cooperatives, but one or more may be formed in the future (“Cooperative”). We have the right to designate any geographical area for the purpose of establishing a Cooperative. If a Cooperative is established in your Designated Area, you will automatically and immediately become a member of the Cooperative and you must agree to contribute to the Cooperative the amount agreed upon by a majority of the members of the Cooperative to pay that amount to the Cooperative at the times agreed upon by a majority of the members and to abide by the Cooperative’s rules. The maximum amount you would be required to contribute will not exceed your Local Advertising Requirement. You may offset your Local Advertising Requirement by any amount paid by you to the Cooperative. Each company owned Restaurant in your Designated Area, if any, is required to contribute to the Cooperative covering the Designated Area on the same basis as you. We may direct the marketing efforts of the Cooperative. We do not have written governing documents for a Cooperative but may establish governing documents in the future. If we do, you must comply with the governing documents for the Cooperative, which will be available for your review. We are not required to prepare annual or periodic financial statements for the Cooperative. If we prepare financial statements for the Cooperative, they will be available for your review. We will have the power to require cooperatives to be formed, changed, dissolved or merged. (Franchise Agreement, Section 11.8).

### **Brand Building Fund.**

You currently must pay a Brand Building Fund Fee of 3% of your Restaurant’s Gross Sales to an advertising and development fund (the “Fund”) we have established. (Section 4.4 of Franchise Agreement.) For our company-owned Fat Patty’s restaurants we will contribute to the Fund at the same rate as similarly situated franchised Fat Patty’s Restaurants in the same local marketing area. Other franchisees may contribute to the Fund at different rates and at any time, we may defer or reduce a franchisee’s contributions to the Fund. Third party suppliers might also contribute amounts to the Fund.

We administer the Fund. The Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees arising from the Fund, although we will spend amounts in the Fund in a manner that we determine is in the general best interests of the System. We may use the Fund (among other things) to conduct national, regional and/or local advertising. Our in-house staff, national or regional advertising agencies, and/or other contractors may produce advertising, marketing and promotional materials that the Fund finances. We have the right to determine the expenditure of the amounts collected and the methods of marketing, advertising, website development, media employed and the contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated or specific amount on each contributing Fat Patty’s Restaurant or in each advertising market.

We also have the right to make disbursements from the Fund for expenses incurred relating to the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. In addition, we may use the Fund for the following purposes: (1) salaries, benefits and any other payments made to employees or any other individual or entity providing services to the Fund, and administrative costs, salaries and other expenses for marketing support personnel and operating expenses associated with the Fund; (2) broadcast, digital, print or other advertising; (3) the creation, development and production of advertising and promotional materials in any media (i.e., print ads, radio, film and television commercials, digital assets, videotapes, direct mail pieces, social media and other print and electronic advertising); (4) any marketing or related research and development (e.g., innovation, technology, training materials related to accurately promoting or producing food or products, and so on); and (5) advertising and marketing expenses, including product and food research and development, services that advertising agencies provide, public relations firms or other marketing, research or consulting firms or agencies, menus and menu designs, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of our website and intranet system, internet access provider costs, subscriptions to industry newsletters or magazines, and other marketing-related expenditures we specify.

The Fund is not audited. If you request, we will provide you with an annual unaudited statement of the financial condition of the Fund. We currently do not use any Fund contributions principally to solicit new franchise sales, although we may do so in the future. If we spend less than the total of the Fund contributions in any year, we will retain the balance to spend during the next year for the purposes described here. During the fiscal year ending December 2024 the fund spent 26.4% of its expenditures on general and administrative expenses, 15.1% on menu design and production; 21.5% on website and social media; 25.6% on advertising and 11.4% on graphic design.

We direct the Fund expenditures, although we may receive input from the Fat Patty's Franchise Advisory Council ("FAC") and/or the FAC's marketing subcommittee if either one is so formed.

### **Computers.**

You must purchase and use any computer system that we select for the Restaurant, including all future updates, supplements and modifications (the "Computer System"). The Computer System may include all the hardware and software used in the operation of the Restaurant, including Point-of-Sale (POS) terminals and back office programs used to record, analyze and report sales, inventory, tax and other operational information. The computer software package developed for use in the Restaurant may include proprietary software and/or other technology. We may require you to license proprietary software or other technology and/or purchase Computer System components and other related equipment, products and services, only from us, one of our affiliates or one or more third parties (at our option), and you must pay any licensing, user or technology fees and prices for components, equipment, implementation, live support and other products and services that we or they determine. All right, title and interest in the software will remain with the licensor of the software or technology. The computer hardware and other equipment components of the Computer System must conform to the specifications we develop. We reserve the right to designate a single source from whom you must purchase the Computer System and related support services, and that single source may be us or an affiliate. You must, always, have at the Restaurant internet access with a form of secure high-speed broadband internet connection at our then-current minimum bandwidth specification. You also must maintain an email account for our direct correspondence with the Owner Operator/Control Person and a separate email account for the Restaurant.

You must record all sales of your Restaurant on information systems that we have approved and report your Gross Sales daily through an electronic data interface. This Computer System generates and stores sales, inventory, product usage, operational and tax information. The information system currently costs between \$4,841 and \$17,069 for the hardware, initial installation and implementation, and between \$267 and \$995 per month for the monthly subscription which includes software updates. All Fat Patty's Restaurants must use one specific POS system which is currently the Toast POS system. You must purchase the Toast POS system (hardware and software) and required ongoing maintenance and support, from an approved supplier. We estimate the current costs for annual recurring hardware maintenance, repairs, upgrades and updates for the POS System will be from \$1,000.00 to \$3,000.00 for each Fat Patty's Restaurant. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must participate in the integrated online ordering solution we designate and acquire the required equipment and software only from our designated supplier. The estimated costs for franchisees to participate in the online ordering program currently include an estimated integration fee of \$75.00 per month. You must participate in our loyalty program which is currently administered through the Toast POS system for a monthly fee of \$95.

We may periodically designate changes or enhancements to the Computer System, including the POS terminals, computer hardware, POS file server, software, tablet technology, payment gateway technology and other equipment. You must install and begin using the required, changed or enhanced Computer System on the schedule we specify. We also may add new payment methods beyond traditional methods, including online payment, mobile order taking/payment, and table-side order and pay capabilities. Upon notice from us, you must invest in the technologies necessary to ensure the proper functioning of the new payment methods or other technology. This investment may be related to costs for hardware, software, and related service and support. No contract limits the frequency or cost of your obligations.

We have unlimited, independent access to your Restaurant's Computer System and may retrieve, analyze, download and use all software, data and files generated or stored on the Computer System. You must store all data and information that we designate and report data and information in the manner we specify, including through our intranet, file exports, integration services or other online communications or services. (Franchise Agreement Section 8.1)

You must, always, be compliant with the applicable and then current Payment Card Industry Data Security Standard ("PCI-DSS") and requirements. You must verify to us your compliance with PCI-DSS requirements periodically as we specify. If you receive notice of a credit card breach, you must notify us immediately that an investigation is underway and cooperate fully with us concerning the investigation, media responses and resolution management.

You must use an accounting system capable of generating sufficient accounting reports and information that we require from time to time. You must deliver financial and operating reports to us, including via access to our Internet accounting system. We always require access to such information through this system. (Franchise Agreement, Section 8.1).

### **Websites / Social Media**

We may restrict, limit, control or designate nearly every aspect of your use of websites, the Internet, intranets, worldwide web home pages or e-mail, and require you to participate in a centralized website. (Franchise Agreement, Section 8.2). You may not establish any website, blog, social network page (including but not limited to Facebook, Instagram, Pinterest, TikTok or any future platform), X account, email distribution list, or other World Wide Web or Internet-based presence that uses or displays any of our

intellectual property without our prior written consent, and, at our sole option, you will take such action necessary to cause certain websites, including, but not limited to, Facebook, X and other such mediums, currently in existence or developed in the future, to assign primary administrative rights to us for your Restaurant. We will then, at our sole discretion, provide you with subordinate administrative access to and guidelines for your use of such mediums so that you may promote your business locally. We also have the right to request that you turn over all passwords to any Social Media Platforms or similar internet- based mediums immediately upon creation. Upon termination or expiration of the Franchise Agreement, we will remove your administrative access. We retain ownership and control of all content created during the franchise term. (Franchise Agreement, Section 8.2).

You must comply with our policies and requirements (as we periodically modify them) concerning all websites, internet posting and social media that in any way reference the Trademarks or involve the Restaurant. These policies may involve prohibitions on your or your representatives' use of social media in relation to the Trademarks or the Restaurant. (Franchise Agreement, Section 8.2)

### **Operations Manuals.**

For the duration of the Franchise Agreement, we will grant you electronic access to the Operations Manuals or make them available to you by paper, Internet or electronic format. The Operations Manuals contain mandatory and suggested specifications, standards, approved suppliers and operating procedures. The Operations Manuals are highly confidential, are on loan to you and remain our property. We may revise the Operations Manuals from time to time by posting the revisions electronically or by letter, memorandum, bulletin, videotape, audiotape, diskette, CD-ROM, electronic mail or by other written or electronic communication, including the Internet. You must abide by all the revisions. You are prohibited from copying or distributing the Operations Manual in any manner whatsoever. You must only use the information contained in the Operations Manual to manage the Restaurant and may not use such information for any other purpose. (Franchise Agreement, Section 7.1).

### **Training Program.**

Before the Restaurant's opening, we will provide Restaurant operations training to you or your Control Person, your General Manager, your Kitchen Manager, and one other management level employee ("Owner/Manager Training"). At least 4 people must complete the Management Training. We may segment Owner/Manager Training into training for a general manager, kitchen manager and assistant manager or other personnel we designate. Approximately 6 consecutive weeks of management training will be completed at our training facility and/or at an operating Fat Patty's Restaurant. You and your managerial employees must complete the initial training to our satisfaction. Although there are no additional fees for this training, you are responsible for all travel, living and compensation expenses which you and your employees incur in connection with the training. We also train up to 100 of your Staff for 14 days while the Pre-Opening Assistance Team is at your Restaurant. We offer training when needed and when we can schedule it approximately 2 -3 times per year. We are constantly in the process of evaluating and improving our training programs so they may change at any time. You are responsible for (must pay us) our then current Pre-Opening Assistance Fees. You must pay to us any Training Expenses we incur on your behalf, and you are responsible for any Training Expenses you incur. See Item 5. (Franchise Agreement - Section 7.1)

We expect that Owner/Manager Training will be conducted for you and your personnel after the Franchise Agreement has been signed and while the Restaurant is being developed. We plan to be flexible in scheduling training to accommodate our personnel, you and your personnel. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. As of our most recent fiscal year end, we have provided no new franchisee training, but we expect to provide the following training:

**Management Training At Our Training Center- Owner/Manager Training**

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
Brand Review: Fat’s Playbook	8	0	Jacksonville, FL or at a Fat Patty’s Restaurant we designate
Company Policy and Procedure & Orientation	3	5	Jacksonville, FL or at a Fat Patty’s Restaurant we designate
Food Preparation and Kitchen Operations	28	84	Jacksonville, FL or at a Fat Patty’s Restaurant we designate
Host Training	2	6	Jacksonville, FL or at a Fat Patty’s Restaurant we designate
Server Training	2	6	Jacksonville, FL or at a Fat Patty’s Restaurant we designate
Bar Training	4	12	Jacksonville, FL or at a Fat Patty’s Restaurant we designate
BOH Management	20	20	Jacksonville, FL or at a Fat Patty’s Restaurant we designate

FOH Management	30	30	Jacksonville, FL or at a Fat Patty's Restaurant we designate
Computer and POS	5	5	Jacksonville, FL or at a Fat Patty's Restaurant we designate
Accounting and Administration	15	5	Jacksonville, FL or at a Fat Patty's Restaurant we designate
Marketing / Social Media / Pre-Opening Marketing	8	0	Jacksonville, FL or at a Fat Patty's Restaurant we designate
Total	125	173	

The instructor primarily conducting our initial training program is Erin Colombi. Each of our instructors has at least 10 years of relevant experience in the subjects they are teaching with either us or in a similar restaurant operations position. The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained.

## **ITEM 12 TERRITORY**

### **Franchise Agreement.**

The Franchise Agreement grants you the right to operate a Fat Patty's Restaurant at a single location selected by you and approved by us. The Restaurant will be located within a designated geographic area (the "Designated Area") as described in the Franchise Agreement.

The boundaries of your Designated Area depend on the population and other demographic features of the locale in which you wish to locate your Restaurant. You may only operate one Restaurant in the Designated Area, and you may relocate that Restaurant, in or outside of the Designated Area, only with our written approval. We may approve the re-location of your Restaurant based on your Restaurant's existing financial performance, the quality of the proposed availability of a site for relocation and other criteria used to approve a restaurant location, however, we do not have to accommodate any relocation. See Item 11(1).

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 we control.

Except as stated above and provided that you are in compliance with the terms and conditions of the Franchise Agreement, neither we nor our affiliates or franchisees will establish a Fat Patty's Restaurant within your Designated Area except for Mass Gathering Locations and Non- Traditional Sites as set forth below.

Your Franchise Agreement does not give you any options, rights of first refusal or similar rights to acquire additional franchises.

We retain the exclusive, unrestricted right to establish and license third parties to establish other Restaurants anywhere outside the Designated Area and the Franchise Agreement does not provide you with competitive protection, at all, outside the boundary of the Designated Area. The Franchise Agreement does not permit you to operate more than one Restaurant in the Designated Area. The continuation of the Designated Area is not based on achievement of a certain sales volume, market penetration or other contingency. We do not have the right to modify your Designated Area during the term of your Franchise Agreement.

We reserve the right to sell our product or similar products in the Designated Area under different trademarks. These outlets may be owned or operated by us, or franchisee owned or operated. In addition, we reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing to make sales within your territory of products or services under trademarks that are different from the ones that you will use under the franchise agreement. Currently, we have no future plans to open such outlets, but we reserve the right to do so.

We reserve all rights not expressly granted in the Franchise Agreement including the exclusive right to sell products bearing the Fat Patty's name and/or logo through the Internet, catalog sales, telemarketing, or other direct marketing channels. These products may be similar or identical to products sold within your Restaurant, and customers who purchase our products through such channels may be located within your Designated Area. The Franchise Agreement expressly permits us and our affiliates to distribute our proprietary products and memorabilia (such as food products, calendars and clothing items) to customers that are not affiliated with the Fat Patty's System (such as supermarkets and convenience stores) without compensation to you. These non-affiliated customers may operate inside the Designated Area. There are no geographic limitations on the territory in which we or our affiliates may distribute proprietary products or memorabilia to non-affiliated customers. Further, nonaffiliated customers may engage in direct competition with your Restaurant; there are no restrictions on the type of merchandise or services a non- affiliated customer may offer.

You are not restricted from accepting orders outside the Designated Area. Other Fat Patty's restaurants, food aggregators or third-party delivery service providers may deliver to customers located in your Designated Area.

### **Area Development Agreement.**

We grant franchisees who enter into Area Development Agreements the right to open and operate Fat Patty's Restaurants within a defined territory and in accordance with a development schedule, which requires that a certain number of restaurants be opened by a set date. The development schedule must be met to maintain such exclusive right to open Restaurants in your defined territory. If you do not meet the development schedule, then you lose the exclusive right to open Fat Patty's Restaurants in your defined territory, but you retain the right to operate the Restaurants you have already opened in the defined territory.

### **Mass Gathering Locations:**

We may limit or “carve out” from your Designated Area, “Mass Gathering Locations”. “**Mass Gathering Locations**” are places where large numbers of individuals congregate for various reasons, often due to transit, such as airports, cruise ship terminals, train stations, subway stations, toll plazas, gas stations and the like, or for shopping purposes such as indoor and outdoor malls, outlet centers, town centers, and the like, or for purposes of entertainment like stadiums, amphitheaters, casinos, hotels, amusement parks, theme parks, boardwalks, private and governmental parks, historic sites, and the like, or for collective housing purposes such as military bases, hospitals and college campuses. We, our affiliates or other franchisees may operate a Fat Patty’s restaurant from a Mass Gathering Location within your Designated territory. We do not currently operate any Mass Gathering Location sites but anticipate that we may do so in the future.

### **Non-Traditional Sites:**

We may limit or “carve out” from your Designated Area, “Non-Traditional Sites”. “**Non-Traditional Sites**” are places where we sell Fat Patty’s products from locations that do not qualify as a traditional restaurant location. These include but are not limited to remote and/or ghost kitchens wherein food is prepared for delivery only utilizing third-party delivery platforms and fast-casual or quick service eateries where food and beverages may be ordered via counter-service and/or a menu board. We, our affiliates or other franchisees, may operate a Fat Patty’s restaurant from a Non-Traditional Site within your Designated territory. We do not currently operate any Non-Traditional Sites but anticipate that we may do so in the future.

Except as described in Item 1, we do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our franchisees sell. However, our affiliates described in Item 1 and other brands that currently are or may in the future be owned by our parent company, ARC Group Inc., or managed by our management company, ARC Group Management Services LLC, may operate and / or franchise businesses that sell similar goods to those that our franchisees sell. Item 1 describes our current affiliates that offer franchises, their principal mailing addresses, the goods and services they sell, whether their businesses are franchised and/or company-owned and their trademarks. All of these other brands share a mailing address with us but use separate training facilities. Most of our affiliates are not direct competitors of our franchise network given the products they sell, although some may be as described in Item 1. All of the businesses that our affiliates and their franchisees operate may solicit and accept orders from customers near your business. Because they are separate companies, we do not expect any conflicts between our franchisees and our affiliates’ franchisees regarding territory, customers and support, and we have no obligation to resolve any perceived conflicts that might arise.

## ITEM 13 TRADEMARKS

The Restaurants operate under the trademark and trade name “Fat Patty’s”. We are the exclusive licensees of all Fat Patty’s Proprietary Marks. Our direct affiliate, ARC Fat Patty’s LLC, is the owner of all Fat Patty’s intellectual property. We license these marks from ARC Fat Patty’s LLC. They have made all the required renewal and affidavit filings. ARC Fat Patty’s LLC has licensed us the right to use the Trademarks and to sublicense them for the operation of the Fat Patty’s system under a license agreement dated June 1, 2021. The initial term of the license agreement is for 20 years, and it provides for unlimited, automatic renewals for terms of 10 years each. ARC Fat Patty’s LLC may terminate the license agreement if either we or any franchisee misuse the Trademarks in a way as to materially impair the goodwill associated with the Trademarks, or if we are dissolved, become insolvent or (except for our right to sublicense the Trademarks to franchisees) assign our rights under the license agreement without ARC Fat Patty’s LLC’s consent. We have the first right of refusal if ARC Fat Patty’s LLC decides to sell its rights in the Trademarks. There are no other agreements currently in effect that significantly limit our right to use or license the use of the Trademarks.

We grant to you the right to operate a Restaurant under the name “Fat Patty’s” and to use the Proprietary Marks so long as you are in compliance with the terms of the Franchise Agreement. You have no other rights in our Proprietary Marks. We may modify or discontinue use of any of our Proprietary Marks or may add new Proprietary Marks for use in the Fat Patty’s System and you will be required to make corresponding updates to your business, including signage and advertising materials. We do not have to compensate you for the costs of such updates. You must use our names and marks in the manner we direct. You cannot use our Proprietary Marks for any other purpose.

You may not use the mark “Fat Patty’s” or any other Proprietary Marks owned by us in your own corporate or entity name.

You will be obligated to notify us of any unauthorized use or claim to use our Proprietary Marks, the use or claims of rights to our Proprietary Marks by third parties or the use by any third party of confusingly similar Proprietary Marks. You do not have the right to take any action to enforce or defend any rights associated with the Proprietary Marks. Upon such notification, we have the right to decide whether to take affirmative action. We reserve the right, but are not required, to protect your right to use the Proprietary Marks. We have the right to control any administrative proceedings or litigation arising from any affirmative action that we may choose to commence. If we engage in any litigation in the defense or prosecution of the Proprietary Marks, we will bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Franchise Agreement’s provisions relating to the Proprietary Marks. You agree to execute all documents and do such acts and things as may be necessary or desirable, in the sole opinion of our legal counsel, to carry out such defense or prosecution. If requested, you must participate in the litigation matter involving the defense of our Proprietary Marks. You are not entitled to any compensation because of the discontinuation or modification of any of the Proprietary Marks because of any proceeding or settlement. If you elect to be represented by personal legal counsel in connection with any proceeding involving the Proprietary Marks, you will bear the fees, expenses, and other costs associated with such personal legal counsel.

You must also agree not to contest our interest in our Proprietary Marks and other trade secrets. You acknowledge that our license to use the names and marks is valid and is our sole property. You cannot, either during or after the term of the Franchise Agreement, do anything, or aid or assist any person to do anything which would infringe upon, harm, or contest our rights in any of our Proprietary Marks. You further must agree not to hinder or prevent us from using or franchising the names and marks in any jurisdiction. You must acknowledge that all the goodwill which may arise from using our Proprietary Marks is and will remain our sole and exclusive property and will inure solely to our benefit.

Title	Registration Number	Registration Date	Renewed
Fat Patty's	6433299	07.27.2021	No
Fat Patty's Bite This!	6433301	07.27.2021	No

Our affiliate presently has the above listed trademarks registered or has applied for registration with the United States Patent and Trademark Office (“USPTO”) on the principal register.

Our affiliate has filed all the required affidavits for the Proprietary Marks. There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; nor any pending infringement, opposition or cancellation proceeding. There is no material pending federal or state court litigation regarding our use or ownership rights in the Proprietary Marks. We know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary marks in the state where your franchised business will be located.

There are no agreements currently in effect that significantly restrict our rights to use or license the use of such Proprietary Marks in a manner material to the franchise except those disclosed herein. There are no infringing uses known to us which could materially affect your use of our Proprietary Marks.

**ITEM 14  
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

**Copyrights.**

We claim copyrights on the Operations Manuals, menus, websites, forms, advertisements, promotional materials, printed materials, displays and other written materials. We make no representations or guarantees as to the exclusive nature of any aspects of our Fat Patty's System. There are no effective determinations or proceedings pending, and we are unaware of any infringements which would materially affect your use.

Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use. If we decide to add, to modify or to discontinue the use of a copyrighted item, you must also do so. We are not obligated to reimburse you for any costs of complying with this obligation.

You do not have the right to take any action to enforce or defend any rights associated with the copyrighted materials. However, you must promptly notify us in writing if you become aware of any infringement of our copyrights, or if any infringement claims are made against you in connection with your use of the copyrighted materials. We will then decide, in our sole discretion, what action, if any, will be taken. If we engage in any litigation in the defense or prosecution of the copyrighted materials, we will bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Franchise Agreement's restrictions on the use of the copyrighted materials. Except for the costs and expenses incident to litigation just described, we have no obligation under the Franchise Agreement to protect you against, participate in your defense of, or reimburse you for, any damages for which you are held liable in any proceeding arising out of your use of the copyrighted materials. You agree to execute all documents and do such acts and things as may be necessary or desirable, in the sole opinion of our legal counsel, to carry out such defense or prosecution.

You are not entitled to any compensation because of the discontinuation or modification of any of the copyrighted materials as a result of any proceeding or settlement. If you elect to be represented by personal legal counsel in connection with any proceeding involving the copyrighted materials, you will bear the fees, expenses, and other costs associated with such personal legal counsel.

### **Confidential Information.**

Our confidential information will include all non-public information about us, our affiliates, our franchisees, and the Fat Patty's System, including but not limited to: the Operations Manuals; system standards; services; methods for operating, managing, developing or coordinating Services, marketing, distribution, performance, provision or rendering methods, techniques, equipment or supplies; recruitment, training, marketing or compensation methods; cooking methods; recipes, and techniques; Customer lists; referral sources; billing and collection methods; financial information; and other information about us and information about our Approved Suppliers; strategic partners, business plans, employees, and independent contractors (collectively, the "Confidential Information").

You may never – during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or use it for any purpose other than to operate your Restaurant. You may not copy any of our Confidential Information or give it to a third party except as we authorize. All people affiliated with you must sign a confidentiality agreement. This includes all employees, officers, directors, equity holders, and anyone who you grant access to confidential information or who attends training.

All ideas, concepts, techniques and other newly developed information or materials relating to a Restaurant, whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your owners, managers or employees, must be promptly disclosed to us, will be considered our property and part of the Fat Patty's System and will be considered to be works made-for-hire for us. You and your owners must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in these ideas, concepts, techniques or materials. You will not receive any form of compensation or consideration in exchange for ideas, concepts, techniques and other newly developed information or materials relating to a Restaurant which you develop.

### **Patents.**

We do not have any rights in, or licenses to, any patents.

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

During the term of the Franchise Agreement, you (if the franchisee is an individual owner/operator) or your Control Person must personally participate in the direct operation of the Restaurant and devote full time and best efforts to the management of the Restaurant. Your "Control Person" is the individual who has the authority to (and does) actively direct your business affairs regarding the Restaurant, is responsible for

overseeing the general management of the Restaurant and has authority to sign all contracts. You, your Control Person or a Unit General Manager must provide direct on-premises supervision to the Restaurant. “Unit General Manager” means the individual who personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the Restaurant and meets our training requirements. You must have a Control Person and a Unit General Manager that meet our standards and qualifications at all times during the Franchise Agreement’s term. Your Control Person and Unit General Manager must attend and successfully complete all required training. In addition to the Control Person and your Unit General Manager, your Restaurant must have at least 2 assistant managers at all times during the Franchise Agreement’s term. They need not have any equity interest in you or in the Restaurant. If any manager fails to satisfactorily complete the training program, you may designate a different individual, who must then satisfactorily complete the training program. Your Control Person or another representative of the Restaurant whom we approve must attend, at your expense, all annual franchise conferences we may hold or sponsor and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, restaurant management, sales or sales promotion, or similar topics that we periodically specify. You and/or your Control Person and other Restaurant personnel must attend any additional meetings and training programs that we periodically deem appropriate. We may require that you obtain nondisclosure and confidentiality agreements in a form acceptable to us from anyone who owns a minority interest in you, the Principal Owners, the Control Person, the Unit General Manager and other key employees having access to our proprietary information. All Principal Owners and others that we may require must sign a personal guaranty related to financial obligations and personal covenants arising under your agreements with us.

#### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must operate your Restaurant in strict conformity with the Fat Patty’s System, as explained in the Operations Manuals and in other writings by us from time to time. You must use the approved location only for the operation of the Restaurant and may not operate any other business at or from the location without our express prior written consent. You must keep the premises open and in operation for such hours and days as we may, from time to time, specify in the Operations Manuals or as we may otherwise approve in writing.

We require you to offer and sell only those items and services that we approve and, in the manner, and with the specifications we approve including weight, size, form, packaging, quality and quantity. We maintain a written list of approved goods and services in our Operations Manuals. You must refrain from deviating from our standards and specifications without our prior written consent and must discontinue selling and offering for sale any menu items, products, or services that we may disapprove at any time. We reserve the right to designate additional required or optional services in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements.

We may require you to introduce test menu items or products for sale in the Restaurant. You must discontinue offering any test menu item or product that we do not adopt for permanent sale.

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

**This Table Lists Certain Important Provisions Of The Franchise Agreement And Related Agreements. You Should Read These Provisions In The Agreements Attached To This Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	2.3	10 years
b. Renewal or extension of the term	2.4	If you are in good standing, upon expiration of your original Franchise Agreement, you will have the right to renew your franchise for 10 years by signing the then current franchise agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original Franchise Agreement.
c. Requirements for you to renew or extend	2.4	No history of defaults, sign new agreement, remodel and sign a general release.
d. Termination by Franchisee	N/A	N/A
e. Termination by Franchisor without cause	N/A	We may not terminate the Franchise Agreement without cause.
f. Termination by Franchisor with cause	17.2 17.3	We can terminate you only if you default. The Franchise Agreement describes all defaults – please read it carefully.
g. "Cause" defined-curable defaults	17.3	Non-payment of fees, failure to abide by or achieve the prescribed operational system, engaging in a business practice detrimental to the goodwill of the Fat Patty's System, failure to satisfy any judgment against you within 30 days after the judgment is final, breach of the Franchise Agreement or Operations Manuals, noncompliance with laws/regulations, sanitation problems, failure to submit required reports and any other breach of the Franchise Agreement not cured within the period.

h. "Cause" defined-non-curable defaults	17.2	Bankruptcy, insolvency, abandonment or unauthorized transfer, criminal activity, competing with Fat Patty's repeated defaults even if cured, disclosure of confidential information, misuse of marks, failure to open, falsification of reports, failure to satisfy a judgment, loss of possession of the leasehold, material dishonesty or fraudulent misrepresentations, revoking the automatic debit agreement of tampering with computer/cash register devices, default under the lease or by guarantor, or failure to carry required insurance.
i. Franchisee's obligations on termination/non-renewal	17.6	De-identification, payment of amounts due, assignment of telephone numbers and websites, and abidance of the covenant not to compete and non-disclosure provisions.
j. Assignment of contract by Franchisor	15.1	No restrictions on our right to assign.
k. "Transfer" by franchisee-definition	15.3	Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Franchise Agreement or the assets of or ownership interest in the Restaurant of more than 50%.
l. Franchisor approval of transfer by franchisee	15.6	We have the right to approve but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	15.6	You must comply with our right of first refusal; pay all money owed to us; execute a written agreement between you and us agreeing to observe all post-term obligations; transferee does not and will not participate in any business that is competitive with us; transferee meets our standards; transferee signs our current Franchise Agreement; transferee completes Initial Training; you agree to provide support to the transferee if we request; you subordinate any financed purchase price to the transferee's obligations under the franchise agreement; and you pay the transfer fee and sign a general release releasing us from any claims.
n. Franchisor's right of first refusal to acquire franchisee's business	15.10	We can match any offer for an ownership interest in you or your assets, your Franchise Agreement or your Restaurant.
o. Franchisor's option to purchase franchisee's business	15.10	If your Franchise Agreement is terminated or expires or is not renewed, we may purchase any of your inventory, equipment, supplies, or anything containing a Proprietary Mark for the lower of cost or book value.
p. Death or disability of franchisee	15.7 15.8	Your franchise or an ownership interest in you must be assigned to an approved buyer in the time we designate and must be run by a trained operator during the period before the assignment.

q. Non-competition covenants during the term of the franchise	16	No involvement in another food service business that serves chicken wings, chicken, hamburgers or similar food products anywhere in the United States.
r. Non-competition covenants after the franchise is terminated or expires	16	No involvement in any food service business that serves chicken wings, chicken, hamburgers or similar food products for 18 months within 3 miles of any Fat Patty's Designated Area or restaurant (including after assignment).
s. Modification of agreement	22.3	None unless mutually agreed to in writing.
t. Integration/merger clause	22.3	The Franchise Agreement constitutes the entire agreement by the parties (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	21.4 21.5	Mandatory non-binding mediation then binding arbitration.
v. Choice of forum	21.2	Mediation, litigation and arbitration must be in Duval County, Florida.
w. Choice of law	21.1	Florida.
x. Right to a jury trial	21.12	Both parties agree to waive the right to a jury trial for all disputes.
y. Limitation of damages clause	21.11	Your damages are limited to the amount you paid us. You may not sue us for punitive, exemplary, special, incidental, indirect or consequential damages, or attorney fees.

This table lists important provisions of the Franchise Agreement and related items. You should read these provisions in the agreement, if applicable.

## **ITEM 18 PUBLIC FIGURES**

We do not employ any public figure or celebrity in our management, nor do we use a public figure or celebrity to promote our franchises.

## **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 franchise 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.

This financial performance representation contains actual, historical average, median and high/low annual gross sales information during the 52-week fiscal period from January 1, 2024 through December 31, 2024 (the “2024 Fiscal Period”) for all franchised Fat Patty’s restaurants that were open for business during the full 2024 Fiscal Period (the “Franchisee Owned Outlets”). The data utilized in Table A is based solely on the operating results of the Franchisee-Owned Outlets. The sales information presented in Table A was obtained from Weekly royalty reports submitted by franchisees to us and information polled by us from point-of-sale systems in the Restaurants. We have not independently audited that information. All of the Franchisee-Owned Outlets are full-service Restaurants that offer substantially the same products and services that are detailed in this Franchise Disclosure Document.

For purposes of this Item 19, the term “Gross Sales” means the total revenues and receipts from the sale of all products, services and merchandise sold in or in relation to the restaurant, including fees or charges for any delivery, catering and other off-site activities and events, gaming activities, license and use fees, and implied or imputed Gross Sales from any business interruption insurance. However, Gross Sales excludes (1) sales taxes, use taxes, and similar taxes added to the sales price, collected from the customer and paid to the appropriate taxing authority; (2) any bona fide voids, refunds and credits that are provided to customers; and (3) the face value of coupons or discounts that customers redeem.

**TABLE A**  
**Franchisee-Owned Outlets**  
**Gross Sales**

Fiscal Year	Number of Reported Outlets	Highest Gross Sales Of Reported Outlets	Average Gross Sales Of Reported Outlets	Median Gross Sales Of Reported Outlets	Lowest Gross Sales Of Reported Outlets
2024	4	\$2,760,942.56	\$2,158,682.54	\$2,116,874.40	\$1,640,038.81

We calculated the figures in the table above using information that our franchisee provided. Prospective franchisees and sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form. Upon your reasonable request, we will provide written substantiation for these financial performance representations. These financial performance representations do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Fat Patty’s Restaurant.

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

Other than the preceding financial performance representations, 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 our CEO, Yannick Bastien, at 4530 St. John’s Avenue #15-323, Jacksonville, Florida 32210 [yannick@arcgrpinc.com](mailto:yannick@arcgrpinc.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Statewide Outlet Summary For Years 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	4	+4
	2023	4	4	0
	2024	4	5	+1
Company-Owned	2022	4	0	-4
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	4	4	0
	2023	4	4	0
	2024	4	5	+1

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other Than the Franchisor) For  
Years 2022 to 2024**

State	Year	Number of Transfers
WV	2022	0
	2023	3
	2024	0
KY	2022	0
	2023	1
	2024	0
Total	2022	0
	2023	4
	2024	0

**Table No. 3**  
**Status of Franchised Outlets for years 2022 to 2024**

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
WV	2022	0	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
KY	2022	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Total	2022	0	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	0	5

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024**

State	Year	Outlets Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of the Year
WV	2022	3	0	0	0	3	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
KY	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2021	4	0	0	0	4	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of December 31, 2024**

State	Franchise Agreements Signed but Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
Kentucky	0	2	0
New Jersey	0	1	0
Wisconsin	0	1	0
Total	0	4	0

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

There are no franchisees that have failed to communicate with the franchisor within the past 10 weeks of the issuance date.

Our franchisees will sign confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experiences with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

**ITEM 21:  
FINANCIAL STATEMENTS**

Attached as Exhibit B to this Disclosure Document is our audited financial statements for the period of for our fiscal years ending December 31, 2022, December 31, 2023 and December 31, 2024. Our Parent and Affiliates do not guaranty our performance.

**ITEM 22:  
CONTRACTS**

Attached are copies of the following agreements relating to the offer of the franchise:

- Exhibit C: Franchise Agreement
  - Schedule I: Franchise Description
- Exhibit A: General Release
- Exhibit B: Personal Guaranty
- Exhibit C: Non-compete, Confidentiality and Non-Solicitation Agreement
- Exhibit D: Electronic Funds Transfer (EFT) Authorization
- Exhibit E: Form of Lease Addendum
- Exhibit D: Area Development Agreement

**ITEM 23:  
RECEIPTS**

The last two pages of this Disclosure Document are detachable duplicate receipts that serve as an acknowledgement of your receipt of a copy of this Disclosure Document.

EXHIBIT A

**FAT  
PATTY'S**

**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 the Department  
of Financial Protection and Oversight  
Toll Free: 1 (866) 275-2677

***Los Angeles***

320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500

***Sacramento***

2101 Arena Boulevard  
Sacramento, California 95834  
(916) 445-7205

***San Diego***

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 525-4233

***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94104- 4428  
(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  
302 West Washington Street, Room E-111  
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  
State Capitol, 14<sup>th</sup> Floor  
Dept. 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, 9th Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9051

**WASHINGTON**

Director Department of Financial Institution  
Securities Division  
150 Israel Road SW  
Tumwater, WA 98501  
360-902-8760

(for other matters)

Department of Financial  
Institutions Securities Division  
P. O. Box 41200  
Olympia, Washington 98504-1200  
(362) 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 B

**FAT  
PATTY'S**



Financial Statements and  
Independent Auditor's Report

**FP Franchisor, LLC**

December 31, 2024 and 2023

# FP Franchisor, LLC

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ASSURANCE DIMENSIONS

— An AbitOs Company —

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of  
**FP Franchisor, LLC:**

### Opinion

We have audited the accompanying financial statements of **FP Franchisor, LLC** (the “Company”), which comprise the balance sheets as of December 31, 2024, and the related statements of operations and member’s equity, and cash flows for the year then ended, 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 the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Prior Period Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2023 were audited by other auditors whose report dated May 29, 2024, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the 2024 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the 2024 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.

#### ASSURANCE DIMENSIONS, LLC

also d/b/a McNAMARA and ASSOCIATES, LLC

TAMPA BAY: 4920 W Cypress Street, Suite 102 | Tampa, FL 33607 | Office: 813.443.5048 | Fax: 813.443.5053

JACKSONVILLE: 7800 Belfort Parkway, Suite 290 | Jacksonville, FL 32256 | Office: 888.410.2323 | Fax: 813.443.5053

ORLANDO: 1800 Pembroke Drive, Suite 300 | Orlando, FL 32810 | Office: 888.410.2323 | Fax: 813.443.5053

SOUTH FLORIDA: 3111 N. University Drive, Suite 621 | Coral Springs, FL 33065 | Office: 754.800.3400 | Fax: 813.443.5053

[www.assurancedimensions.com](http://www.assurancedimensions.com)

FPFDD 06.20.2025

“Assurance Dimensions” is the brand name under which Assurance Dimensions, LLC including its subsidiary entities McNamara and Associates, LLC (referred together as “AD LLC”) and AbitOs Advisors, LLC (“AbitOs Advisors”), provide professional services. AD LLC and AbitOs Advisors practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards. AD LLC is a licensed independent CPA firm that provides attest services to its clients, and AbitOs Advisors provides tax and business consulting services to their clients. AbitOs Advisors, and its subsidiary entities are not licensed CPA firms.



ASSURANCE DIMENSIONS

— An AbitOs Company —

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

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

*Assurance Dimensions*

Jacksonville, Florida

June 16, 2025

**ASSURANCE DIMENSIONS, LLC**

**also d/b/a McNAMARA and ASSOCIATES, LLC**

**TAMPA BAY:** 4920 W Cypress Street, Suite 102 | Tampa, FL 33607 | Office: 813.443.5048 | Fax: 813.443.5053

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FPFDD 06.20.2025

"Assurance Dimensions" is the brand name under which Assurance Dimensions, LLC including its subsidiary entities McNamara and Associates, LLC (referred together as "AD LLC") and AbitOs Advisors, LLC ("AbitOs Advisors"), provide professional services. AD LLC and AbitOs Advisors practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards. AD LLC is a licensed independent CPA firm that provides attest services to its clients, and AbitOs Advisors provides tax and business consulting services to their clients. AbitOs Advisors, and its subsidiary entities are not licensed CPA firms.

# FP Franchisor, LLC

## Balance Sheets

As of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b><u>Assets</u></b>		
Current assets:		
Cash	\$ -	\$ 100
Accounts receivable	6,820	6,720
Total current assets	<u>6,820</u>	<u>6,820</u>
Non-current assets:		
Due from related parties	636,302	197,160
Total non-current assets	<u>636,302</u>	<u>197,160</u>
Total assets	<u>\$ 643,122</u>	<u>\$ 203,980</u>
<b><u>Liabilities and Member's Equity</u></b>		
Current liabilities:		
Accounts payable	\$ 28,992	\$ 14,140
Deferred revenue, current portion	2,500	-
Total current liabilities	<u>31,492</u>	<u>14,140</u>
Non-current liabilities:		
Deferred revenue, net of current portion	21,458	-
Due to related parties	225,462	-
Total non-current liabilities	<u>246,920</u>	<u>-</u>
Total liabilities	<u>278,412</u>	<u>14,140</u>
Member's equity	364,710	189,840
Total liabilities and member's equity	<u>\$ 643,122</u>	<u>\$ 203,980</u>

**FP Franchisor, LLC**  
**Statements of Operations and Member's Equity**  
**For the Years Ended December 31, 2024 and 2023**

	2024	2023
Revenues:		
Royalty fees	\$ 288,040	\$ 228,604
Advertising fund	117,757	29,691
Rebate revenue	2,541	45,075
Other franchise revenue	1,042	50,000
Total revenues	<u>409,380</u>	<u>353,370</u>
Operating expenses:		
General and administrative	125,921	89,009
Advertising, marketing and development	72,009	70,352
Business travel	20,502	1,944
IT expense	16,078	2,100
Total operating expenses	<u>234,510</u>	<u>163,405</u>
Net income	174,870	189,965
Beginning member's equity (deficit)	189,840	(125)
Ending member's equity	<u>\$ 364,710</u>	<u>\$ 189,840</u>

**FP Franchisor, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Cash flows from operating activities:</b>		
Net income	\$ 174,870	\$ 189,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in cash due to changes in:		
Accounts receivable	(100)	(6,719)
Accounts payable	14,852	14,140
Deferred revenue	23,958	-
Net cash provided by operating activities	213,580	197,386
<b>Cash flows from financing activities</b>		
Net advances to related party	(213,680)	(197,286)
Net cash used by financing activities	(213,680)	(197,286)
<b>Net change in cash</b>	(100)	100
<b>Cash at beginning of year</b>	100	-
<b>Cash at end of year</b>	\$ -	\$ 100

# FP Franchisor, LLC

## Notes to the Financial Statements

### December 31, 2024 and 2023

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#### **Note A – Organization and Description of Business**

FP Franchisor, LLC (the “Company”) was incorporated under the laws of the state of Florida on June 2, 2021. The Company’s business is focused primarily on the development of the Fat Patty’s gourmet hamburger restaurant franchise concept.

#### **Note B – Significant Accounting Policies**

##### **Basis of Accounting**

The Company prepares its financial statements using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Recently Adopted Accounting Standards**

Accounting standards promulgated by the Financial Accounting Standards Board are subject to change. Changes in such standards may have an impact on the Company’s future financial statements. The Company periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Company, the Company has not identified any new standards that it believes merit further discussion as the Company expects that none would have a significant impact on its financial statements.

##### **Accounts Receivable**

Accounts receivable consists of billed services and are recorded at net realizable value. The Company does not require collateral on its accounts receivable. Management performs periodic evaluations of the collectability of the receivables based on the history of write-offs, future economic conditions, level of past due accounts, and relationships with and economic status of our customers. Losses on uncollectible receivables are provided for in the financial statements based on management’s expectations. The Company has not experienced any write-offs. As of December 31, 2024 and 2023, the Company determined an allowance for credit losses was not needed.

##### **Revenue Recognition**

All revenues from exchange transactions are recorded in accordance with ASC 606 which is recognized when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Company has satisfied the applicable performance obligation at a point in time or over time.

The Company determined that for contracts containing multiple performance obligations, stand-alone selling price is readily determinable for each performance obligation and therefore, estimating the allocation of the transaction price to multiple performance obligations is not necessary. The transaction price will include estimates of variable consideration, such as provisions for credit losses to the extent it is probable that a significant reversal of revenue recognized will not occur. In all cases, when a sale is recorded by the Company, no significant uncertainty exists surrounding the purchaser’s obligation to pay.

# FP Franchisor, LLC

## Notes to the Financial Statements

### December 31, 2024 and 2023

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#### Note B – Significant Accounting Policies (continued)

##### Revenue Recognition (continued)

The Company earns revenues from the following sources:

*Royalty Fees* - The Company has a performance obligation to franchisees to provide certain resources to market and build the business and license to operate under the Company's brand name. As compensation for such services, the Company is entitled to ongoing royalty fees of 4 – 5% of gross sales. Additionally, the Company licenses its trademark for use in retail stores throughout the world and are entitled to ongoing royalty fees as compensation for the use of the trademarks in the retail sector. Royalty fees are recognized on a weekly basis over the term of the agreement as those amounts become receivable.

*Advertising Fund* - The Company recognizes the value of advertising and marketing to the goodwill and public image of franchisees hence the establishment of a system-wide Brand Building Fund for such advertising, marketing and public relations programs and materials the Company deems necessary or appropriate. The Company is entitled to a weekly fee equal to 1 – 3% of gross sales for the immediately preceding week.

*Initial Franchise Fees* - Franchise fees are recognized over time on a straight-line basis over the term of the respective agreement and are payable upon the date of store opening. Renewal options under the franchise agreements are treated as separate performance obligations and revenue is recognized ratably over the estimated life of the renewal options and become payable on the renewal date of the existing franchise agreement.

*Area Development Fees* - Area development agreements grant exclusive development rights for a particular geographic over a stated term. These development rights are not distinct from franchise agreements and are creditable towards the initial franchise license fee. Once the agreement is executed, up-front fees paid by franchisees are deferred to the appropriate franchise restaurant and are recognized on as straight-line basis over the term of the respective agreement.

##### Income Taxes

The Company is a limited liability company. In lieu of corporate income taxes, income and losses are included in the income tax returns of the owner; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

The Company adopted the income tax standard for uncertain tax positions. As a result of this implementation, the Company evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2024 and 2023. The Company's 2021, 2022 and 2023 tax years are open for examination for federal and state taxing authorities.

##### Advertising Costs

The Company expenses advertising and promotional costs as they are incurred. Advertising expense for the years ended December 31, 2024 and 2023 was approximately \$72,000 and \$70,000, respectively.

##### Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of accounts receivable.

As of December 31, 2024 and 2023, two franchisees represented 78% and 22% and one franchise represented 100% of total accounts receivable.

#### Note C – Deferred Revenue

Contract liabilities consist of franchise and area development fees received from franchisees that are contractually due; however, the revenue associated with such payment is recognized over the term of the contract agreement.

**FP Franchisor, LLC**  
**Notes to the Financial Statements**  
**December 31, 2024 and 2023**

**Note C – Deferred Revenue (continued)**

Deferred revenue consists of the following as of December 31:

	2024	2023
Franchise fees	\$ 23,958	\$ -
Area development fees	-	-
	<u>\$ 23,958</u>	<u>\$ -</u>

**Note D – Related Party Transactions**

The Company has receivables with related parties of approximately \$636,000 and \$197,000 as of December 31, 2024 and 2023, respectively. These receivables are due on demand but are not expected to be repaid within twelve months therefore is classified as non-current assets.

Additionally, the Company receives advances from related parties to support the operations of the Company, as needed. In 2024, the Company received a total of approximately \$225,000 advances from related parties that are still outstanding as of December 31, 2024. There were no advances from related parties in 2023.

**Note E – Commitments and Contingencies**

From time to time, the Company may be involved in various litigation proceedings incidental to the ordinary course of business. In the opinion of management, the ultimate liability, if any, resulting from such litigation would not be material in relation to the Company's financial position or results of operations.

**Note F – Summary of Franchise Businesses**

The following is a summary of changes in the number of franchise businesses during the years ended December 31:

	2024	2023
<b>Franchised Businesses:</b>		
In operation, beginning of year	4	4
New franchise-operated business	1	-
Ceased operations	-	-
In operation, end of year	<u>5</u>	<u>4</u>
Total in operation, end of year	<u>5</u>	<u>4</u>

One new franchise was granted during the year ended December 31, 2024. No new franchises were granted to franchisees during the year ended December 31, 2023. There are no affiliated franchises in 2024 and 2023.

The following is a summary of the number of franchise businesses per state during the years ended December 31:

	2024	2023
West Virginia	3	3
Kentucky	2	1
Total in operation, end of year	<u>5</u>	<u>4</u>

**Note G – Subsequent Events**

Subsequent events have been evaluated through June 16, 2025, which is the date the financial statements were available to be issued.



**FP Franchisor LLC**

**Financial Statements  
December 31, 2022**



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of FP Franchisor LLCP

**Opinion on the Financial Statements**

We have audited the accompanying balance sheet of FP Franchisor LLC (the Company) as of December 31, 2022, and the related statements of operations, owner’s equity, and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Going Concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the accompanying financial statements, the Company has not yet generated any significant revenue, has incurred recurring losses from operations, generated negative cash flows from operating activities and had an accumulated deficit that raises substantial doubt about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans in regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

**Going Concern**

As discussed in Note 2, the Company had a going concern due to a continual net loss, stockholders’ deficiency.

Auditing management’s evaluation of a going concern can be a significant judgment given the fact that the Company uses management estimates on future revenues and expenses, which are difficult to substantiate.

We evaluated the appropriateness of the going concern, we examined and evaluated the financial information along with management’s plans to mitigate the going concern and management’s disclosure on going concern.

/s/ M&K CPAS, PLLC

We have served as the Company’s auditor since 2023.

Houston, Texas

April 4, 2023

**FP Franchisor, LLC**  
**Balance Sheet**  
**As of December 31, 2022**

**December 31, 2022**

Total Assets	\$ -
Accrued Liabilities – Related Party	125
Total Liabilities	125
Shareholder's Equity	(125)
Total liabilities and Shareholder's Equity	\$ -

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

**FP Franchisor, LLC**  
**Statement of Operations**  
**For Year Ended December 31, 2022**

**Year Ended December 31, 2022**

Total Revenue	\$	-
Total Cost of Goods		-
Operating Expenses		125
Total Expenses		125
Net Loss	\$	(125)

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

**FP Franchisor LLC**  
**Statement of Owner's Equity**  
**For Year Ended December 31, 2022**

Owner's Equity at, January 1 <sup>st</sup> , 2022	\$ -
Net Loss	(125)
Owner's Equity at December 31 <sup>st</sup> , 2022	\$ (125)

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

**FP Franchisor LLC**  
**Statement of Cash Flows**  
**For the Twelve Months December 31, 2022**

Cash flow from operating activities:	
Net Loss	\$ (125)
Accrued liabilities - related party	125
Net cash flows from operating activities	-
Cash flows from investing activities	
	-
Cash flows from financing activities	
	-
Net increase (decrease) in cash	-
Cash at the beginning of the period	-
Cash at the end of the period	\$ -

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

## Note 1. Description of Business

FP Franchisor LLC., a Florida company (the “Company”), was formed in June of 2021. The Company’s business is focused primarily on the development of the *Fat Patty’s*<sup>®</sup> restaurant franchise concept. The Fat Patty’s concept is currently comprised of its traditional The Fat Patty’s restaurants in West Virginia and Kentucky.

## Note 2. Significant Accounting Policies

This summary of significant accounting policies is provided to assist the reader in understanding the Company’s financial statements. The financial statements and notes thereto are representations of the Company’s management. The Company’s management is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the financial statements.

### Basis of Presentation

The Company’s financial statements have been prepared using GAAP applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Segment Disclosure

The Company anticipates having only franchised restaurants, all of which operate in the full-service casual dining industry in the United States. Pursuant to the standards of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 280, *Segment Reporting* (“ASC 280”), the Company’s Chief Executive Officer, who comprises the Company’s Chief Operating Decision Maker function for the purposes of ASC 280, concluded that the Company has only one segment for reporting purposes, which is franchise operations.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less on the date of purchase to be cash equivalents in accordance with ASC Topic 305, *Cash and Cash Equivalents*.

### **FP Franchisor LLC** Cash Reconciliation to the Statements of Cash Flows

	December 31, 2022
Cash and cash equivalents	\$ -
	\$ -

### Intangible Assets

The Company does not hold any intangible assets.

### Property and Equipment, Net

Property and equipment will be recorded at cost, less accumulated depreciation, in accordance with ASC Topic 360, *Property, Plant and Equipment* (“ASC 360”). Depreciation is calculated using the straight-line basis over the estimated useful lives of the assets. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the term of the lease, with consideration of renewal options if renewals are reasonably assured because failure to renew would result in an economic penalty, or the estimated useful lives of the assets. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of major improvements to the Company’s property and equipment are capitalized. The cost of maintenance and repairs that do not improve or extend the life of the applicable assets is expensed as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reported in the period realized. The company currently does not hold any intangible assets.

### Long-Lived Assets

The Company will review long-lived assets for impairment at least quarterly or whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable in accordance with ASC 360. Assets are reviewed at the lowest level for which cash flows can be identified, which is at the individual restaurant level. The Company intends to evaluate the recoverability of any future long-lived assets, including buildings, intangibles, leasehold improvements, furniture, fixtures, and equipment over the remaining life of the primary asset in the asset group, after considering the potential impact of planned operational improvements, marketing programs, and anticipated changes in the trade area. In determining future cash flows, significant estimates are made by management with respect to future operating results for each restaurant over the remaining life of the primary asset in the asset group. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the asset carrying amount exceeds its fair value based on the Company’s estimate of discounted future cash flows.

The Company will account for exit or disposal activities in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date the Company ceases using a property under an operating lease, it records a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred.

### Financial Instruments

The Company accounts for its financial instruments in accordance with ASC Topic 825, *Financial Instruments*, which requires the disclosure of fair value information about financial instruments when it is practicable to estimate that value.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the Company’s principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”), the Company determines fair value using a fair value hierarchy that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the Company, and the Company’s own assumptions about market participant assumptions developed based on the best information available in the circumstances.

The levels of fair value hierarchy are:

Level 1: Quoted prices in active markets for identical assets and liabilities at the measurement date;

Level 2: Observable inputs other than quoted prices included in Level 1, such as: (i) quoted prices for similar assets and liabilities in active markets, (ii) quoted prices for identical or similar assets and liabilities in markets that are not active, and (iii) other inputs that are observable or can be corroborated by observable market data; and

Level 3: Unobservable inputs for which there is little or no market data available.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. In contrast, the Company considers unobservable data to be data that reflects the Company's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

### Revenue Recognition

The Company generates revenue from one primary source: franchise revenue, which consists of royalties based on a percentage of sales reported by franchised restaurants and initial and renewal franchise license fees.

#### *Revenue From Franchised Restaurants*

The Company grants individual restaurant franchises to operators in exchange for initial franchise license fees and continuing royalty payments.

Initial and renewal franchise license fees are payable by the franchisee upon a new restaurant opening or renewal of an existing franchise agreement. Under franchise agreements, the Company provides franchisees with: (a) a franchise license, which includes a non-exclusive license to our intellectual property for the duration of the franchise agreement and where the Company manages a marketing or co-op advertising fund, advertising and promotion management; (b) pre-opening services, such as training and inspections; and (c) ongoing services, such as development of training materials and menu items and restaurant monitoring and inspections. The services that the Company provides are highly interrelated and dependent on the franchise license so the Company does not consider the services to be individually distinct and therefore accounts for them as a single performance obligation. The performance obligation is satisfied by providing a right to use the Company's intellectual property over the term of each franchise agreement. Accordingly, initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement.

The Company's performance obligation under area development agreements generally consists of an obligation to grant exclusive development rights for a particular geographic region over a stated term. These development rights are not distinct from franchise agreements and are creditable towards the initial franchise license fee, so upfront fees paid by franchisees for exclusive development rights are deferred and allocated to the appropriate franchise restaurant when the franchise agreement is executed.

Franchise royalty revenues represents sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement. Continuing franchise royalty revenues are based on a percentage of monthly sales and are recognized on the accrual basis as franchise sales occur. In certain circumstances, the Company may reduce or waive franchise license fees and/or the franchise royalty percentage for a period of time.

### Operating Leases

The company does not currently have any leases. Should the company enter into any lease agreements in the future, rent expense for leases that contain scheduled rent increases will be recognized on a straight-line basis over the lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. The straight-line rent calculation and rent expense includes the rent holiday period, which is the period of time between taking control of a leased site and the rent commencement

date. The amount by which straight-line rent exceeds actual lease payment requirements in the early years of the lease is accrued as deferred rent liability and reduced in later years when the actual cash payment requirements exceed the straight-line expense. Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they are incurred. Landlord contributions are recorded when received as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the lease term.

### Start-Up Costs

Start-up costs consists of costs associated with the opening of new Company-owned restaurants and varies based on the number of new locations opening and under construction. These costs are expensed as incurred in accordance with ASC Topic 720, *Other Expenses*.

### Sales Taxes

Sales taxes collected from customers are excluded from revenue. Sales taxes payable are included in accrued expenses until the taxes are remitted to the appropriate taxing authorities in accordance with ASC Topic 450, *Contingencies* (“ASC 450”).

### Income Taxes

The Company uses the liability method of accounting for income taxes in accordance with ASC Topic 740, *Income Taxes*, under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. Valuation allowances are established when it is more likely than not that all or a portion of a deferred tax asset will not be realized in the future. In determining whether a valuation allowance is required, the Company takes into account all evidence with regard to the utilization of a deferred tax asset including past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. The Company has evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets and has established a valuation allowance of \$0 at December 31, 2022

Net deferred tax assets were comprised of the following at December 31, 2022:

	<u>December 31, 2022</u>
Deferred tax assets:	
Net operating loss carryforwards	\$ -
Accruals	-
Deferred tax liabilities:	
Net deferred tax assets	\$ —

The Company had net no operating loss carry-forwards at December 31, 2022. No tax benefit has been reported in the financial statements for the Company’s 2022 fiscal year because the potential tax benefit is offset by a valuation allowance of the same amount. The Company had no uncertain tax positions at December 31, 2022.

Utilization of net operating loss carryforwards may be subject to a substantial annual limitation due to ownership change limitations contained in the Internal Revenue Code of 1986, as amended, as well as similar state and foreign provisions. These ownership changes may limit the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income and tax, respectively.

### Related Party Activities

The Company has related party receivables. The total of those receivables on December 31, 2022 was \$125. There are no terms on the receivables.

Going Concern

These financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. As reflected in the accompanying financials, the Company had a net loss and an accumulated deficit for the year ended December 31, 2022. Although management believes that it will be able to successfully execute its business plan, which includes related and third-party financing and the raising of capital to meet the Company's future liquidity needs, there can be no assurances in this regard. These matters raise substantial doubt about the Company's ability to continue as a going concern.

EXHIBIT C

**FAT  
PATTY'S**

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**Schedule I Franchise Description**

**Exhibit A Form of General Release**

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**Exhibit C Non-Compete, Confidentiality and Non-Solicitation Agreement**

**Exhibit D Electronic Funds Transfer (EFT) Authorization**

**Exhibit E Form Of Lease Addendum**

## FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (this “Agreement”) is effective as of the date set forth on Schedule I (the “Effective Date”) for the operation of a Fat Patty’s restaurant (the “Restaurant”), between FP Franchisor, LLC, a Florida limited liability company (“we,” “us” or “our”), and the business entity set forth on Schedule I (“you” or “your”) (collectively, you and we are referred to as the “parties” and individually sometimes referred to as a “party”).

### 1. PREAMBLE AND STATEMENTS OF UNDERLYING FACTS

1.1. **The Fat Patty’s System.** As a result of the expenditure of time, effort and money, we, our parent company and our affiliates have purchased and further developed a comprehensive system for the operation of a Fat Patty’s restaurant, as such business model is hereby licensed to you and may be licensed to other franchisees and as such system and model may be modified in accordance with the terms hereof (each a “Franchise” or collectively, “Franchises”), utilizing a casual dining sports themed concept and retailing a menu that may include burgers, chicken wings, sandwiches, salads, seafood, liquor and domestic and craft beer selections along with other specified products including food product mixes, ingredients and spices and prepackaged food and/or condiment items; clothing, jewelry, jackets, hats, T-shirts, sweat shirts, shorts, pins, watches, sunglasses, backpacks, key chains and other wearing apparel; and napkins, cups, glasses, dishware and all other products, items and supplies that advertise or promote Fat Patty’s, our business model or our Franchises (the “Products”), prepared using certain formulas, recipes and methods of production and marketed using certain valuable trade names in conjunction with certain color schemes, signs, equipment layouts and restaurant designs and our distinctive formats, methods, policies, procedures, standards, specifications, information, training and business relationships, all of which we, in our sole judgment, may change, alter, amend, further improve, discontinue, develop or otherwise modify from time to time (the “System”).

1.2. **The Intellectual Property.** The distinguishing characteristics of the System include, but are not limited to, the names “Fat Patty’s” and together with such other trade names, service marks and trademarks we may develop or use in connection with the System (collectively, the “Marks”) and all other intellectual property, including without limitation all patents, recipes, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, know-how, methods, specifications, designations, designs, diagrams, anecdotes, artworks, worksheets, techniques, rules, ideas, course materials, advertising and promotional materials and other audio, video and written materials developed and designated for use in connection with the System, including the URL website “[www.fatpattys.com](http://www.fatpattys.com)”, or as we may hereafter acquire, develop or designate for use in connection with the System (together with the Marks, the “Intellectual Property”).

1.3. **The License.** We license the Intellectual Property to operate the System, and we sublicense the Intellectual Property to qualified franchisees to own and operate a Franchise. We grant to people who meet our qualifications and are willing to undertake the investment and effort, the right to own and operate a Fat Patty’s Franchise using the System, the Intellectual Property and the Marks.

1.4. **The Franchise.** You desire to acquire the right to operate a Fat Patty’s Franchise, using the System, the Intellectual Property and the Marks, to operate a Restaurant and to market, sell and provide the Products from time to time.

1.5. **Franchisee’s Application.** You submitted an application to us representing and warranting that all information, including financial information, provided to us is true, complete, correct and not misleading in any material respects (“Franchise Application”). We approved the application and are granting you a Franchise in reliance upon your representations and warranties set forth in the Franchise Application.

1.6. **Interpretation of this Agreement.** The foundation of the System and the essence of this Franchise is your adherence to our standards and policies providing for the uniform operation of all Fat Patty’s Restaurants within the System including, but not limited to, serving only approved food, beverage and other Products; the use of only prescribed equipment; and strict adherence to food and beverage specifications and to our prescribed standards of quality, service and cleanliness in the Restaurant operation (the “System Standards”). Your compliance with the System Standards and policies in conjunction with our Marks provides the basis for the valuable goodwill and public acceptance of the System. We may, from time to time, vary System Standards as deemed necessary or desirable for the System. The provisions of this Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 1 so that the Restaurant is operated in conformity with the System through strict adherence to the System Standards as they exist now and as they may be modified from time to time.

1.7. **Acknowledgments.** You understand that the terms of this Agreement are reasonably necessary to maintain our high System Standard of quality and service and the uniformity of those standards among all Fat Patty’s Franchises and to protect and preserve the goodwill of the Intellectual Property and the System.

## **2. GRANT OF FRANCHISE**

2.1. **Grant and Acceptance.** Subject to the terms and conditions of this Agreement, we hereby grant you the right:

- (i) to construct, develop and open the Restaurant at the Restaurant Site or within the Restaurant Development Area and to sell the Products from the Restaurant (as hereafter defined);
- (ii) to adopt and use the System in the operation of the Restaurant as well as for any future catering services (customer orders for off premises consumption of Products for group gatherings and events), carry-out and delivery (collectively, the “Catering and Delivery Services”) provided that the food and beverage products served in connection with such Catering and Delivery Services are prepared at the Restaurant and that you comply with any System Standards regarding use of third party delivery services;
- (iii) to advertise to the public that you are a franchisee of the Fat Patty’s System;

- (iv) to adopt and use the Intellectual Property, but only in connection with the sale of Products at the Restaurant.

2.2. **Rights We Reserve.** We reserve and retain all rights relating to the Intellectual Property and the System that this Agreement does not expressly grant to you including all alternative channels of distribution. Except for the limited rights to provide Catering and Delivery Services described in Subsection 2.1(ii) above, the rights granted under this Franchise Agreement shall only include the right to sell the menu items and such other Products from the Restaurant Site (as hereafter defined) to retail guests for consumption on the premises or carry-out and no other rights. The rights granted under this Franchise Agreement do not extend to any other rights including but not limited to:

- (i) the right to sell to any wholesale or retail customer the ingredients (including our proprietary sauces and seasonings) from which any menu item is made of or with which any menu item is prepared except for Products specifically permitted by us and then only from your Restaurant location;
- (ii) the right to sell Fat Patty's brand food, memorabilia or other merchandise in catalogues, on any Internet website, in grocery stores or by special outlet; or
- (iii) the right to any form of mail-order sales, whether such sales are generated from the Restaurant via phone, fax, Internet, or other method of communication and regardless of whether such sales are fulfilled from the Restaurant or from any other location.

Nothing contained in this Agreement shall grant you any area, market or territorial rights with respect to Catering and Delivery Services. You acknowledge that we, our affiliates or another franchisee may provide Catering and Delivery Services to a location within your Designated Area (as hereafter defined).

Except as otherwise expressly provided in this Agreement, nothing in this Agreement shall prohibit us or our affiliates or designees from offering products, goods and services identified by brands we control through channels of distribution other than through a dedicated Fat Patty's Franchise or affiliate doing business under the Marks in a matter substantially similar to a Fat Patty's Franchise (including, without limitation, the Internet, wholesale and retail outlets and through mail order catalog) to locations and customers located anywhere, including those residing in your Designated Area. Without intending to limit the foregoing, and except as otherwise expressly provided herein, we will have the absolute and unconditional right to and the right to grant others the right to:

- (iv) own and operate businesses which provide Catering and Delivery Services prepared pursuant to the System;
- (v) own and operate Fat Patty's Franchises at any location(s) outside of your Designated Area under the Marks or using the Intellectual Property, or license others the right to own and operate Fat Patty's Franchises at

- any location(s) outside of your Designated Area under the Marks and System or using the Intellectual Property;
- (vi) own and operate businesses under different marks inside your Designated Area or license others the right to own and operate businesses under a different mark inside your Designated Area;
  - (vii) own and operate businesses under different marks at any location(s) outside of your Designated Area, or license to others the right to own and operate businesses under different marks at any location(s) outside of your Designated Area;
  - (viii) use the Intellectual Property and System in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including products and services authorized for Fat Patty's Franchises and related merchandise under the Marks through wholesale and retail outlets, via the Internet, and through mail order catalog, without regard to location and retain some or all of the profits derived from such sales;
  - (ix) use the Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in this Agreement; and
  - (x) acquire or merge with any existing business inside or outside of your Designated Area and to operate that business.
  - (xi) own, operate or permit others to own and operate a Fat Patty's or use the Marks and System within your Designated Area at a site designated as a "Mass Gathering Location". "**Mass Gathering Locations**" are places where large numbers of individuals congregate for various reasons, often due to transit, such as airports, cruise ship terminals, train stations, subway stations, toll plazas, gas stations and the like, or for shopping purposes such as indoor and outdoor malls, outlet centers, town centers, and the like, or for purposes of entertainment like stadiums, amphitheatres, casinos, amusement parks, theme parks, boardwalks, private and governmental parks, historic sites, and the like, or for the purposes of collective housing such as military bases, hospitals and college campuses.
  - (xii) own, operate or permit others to own and operate a Fat Patty's or use the Marks and System within your Designated Area at a site designated as a "Non-Traditional Site". "**Non-Traditional Sites**" are places where we prepare and/or sell Products using the Marks and/or System from locations that do not qualify as a traditional casual dining restaurant location. These include but are not limited to remote and/or ghost kitchens wherein food is prepared for delivery only utilizing third party delivery platforms and fast-casual or quick service eateries where food and beverages may be ordered via counter-service and/or a menu board.

You understand that this Agreement grants you no rights: (i) to offer products or services as described in this Section 2.2; or (ii) to share in any of the proceeds received by any such party.

2.3. **Term**. Your grant to own and operate a Franchise begins on the Effective Date and ends on the tenth (10th) anniversary of the Commencement Date (the “**Initial Term**”), unless sooner terminated pursuant to this Agreement. The word “Term” means this Initial Term and any Renewal Term (as defined below) or extension of that time period. This Agreement will not be enforceable until it has been countersigned by us and delivered to you. “Commencement Date” shall be defined as the date upon which your Restaurant opens to the public.

2.4. **Renewal**. You have the right to renew this Agreement for one (1) additional ten (10) year period (the “**Renewal Term**”), provided you have met the following conditions at the time of the renewal:

- (i) You have notified us of your intention to renew this Agreement in writing not earlier than one hundred and eighty (180) days nor later than ninety (90) days prior to the expiration of the Initial Term;
- (ii) You have completed, to our satisfaction, not later than thirty (30) days before expiration of the Initial Term, all remodeling, refurbishing and modernizing of the Restaurant’s interior and exterior, including its furniture, fixtures, signs, equipment, information systems and trade dress, and all other maintenance and upgrading necessary (including, but not limited to, inventory, computer systems and other technology) to bring your Franchise into full compliance with our then current System Standards;
- (iii) You are not in breach of any provision of this Agreement, or any other agreement with us, our affiliates, or our approved/ suppliers and vendors, and you have substantially complied with all such agreements during their respective terms;
- (iv) You have satisfied all monetary obligations you owe us, our affiliates, and our approved/ suppliers and vendors;
- (v) You execute our then-current form of Franchise Agreement, the terms of which may vary substantially from the terms of this Agreement and may include, without limitation, increased royalty fees and advertising obligations and a change in your Designated Area;
- (vi) You satisfy our then-current training requirements for renewing franchisees at your sole expense, if any;
- (vii) You and your Owners (as defined in Section 2.6) sign a general release in the form set forth on Exhibit A in favor of us and our affiliates, members, officers, directors, employees, agents, successors and assigns, for all claims arising out of or related to this Agreement or any related agreements with us or our affiliates; and
- (viii) You pay a renewal fee equal to the greater of twenty percent (20%) of our then current Initial Franchise Fee or five thousand dollars (\$5,000.00).

The renewal fee must be paid no later than thirty (30) days prior to the expiration date of this Agreement.

Your failure or refusal to comply with any of the conditions of renewal described above, each of which you acknowledge being reasonable and material, will be interpreted as a conclusive, irrevocable election on your part not to renew the Term.

2.5. **Full Time Performance.** You agree and acknowledge that either (a) at least one of the owners of equity interest of the legal entity which owns the Franchise and receives its profits will work full time managing the Franchise (the “Owner-Operator”) or (b) you will appoint an employee as the general manager to work full time overseeing the Franchise (“General Manager”). In addition, you must designate a Control Person as the individual who has the authority to actively direct your business affairs regarding the Restaurant. Your Control Person must be approved by us in writing and must complete the required training program to our sole satisfaction. The name and address of the initial Owner-Operator or Control Person is set forth on Schedule I. You agree to perform your obligations under this Agreement faithfully and honestly, to continuously exert your best efforts to promote and enhance your Franchise and the System, and not to engage in any other business or activity that conflicts with your obligations to operate the Franchise for the full Term of this Agreement.

2.6. **Guaranty.** Simultaneously with the execution hereof, each individual owner, shareholder, general partner or member of the entity operating the Franchise (who shall all be designated as an “Owner” on Schedule I) who owns or controls ten percent (10%) or more of the entity operating the Franchise as well as each Owner-Operator shall execute and deliver to us a personal guaranty, substantially in the form designated on Exhibit B attached hereto (the “Guaranty”), which Guaranty shall be a condition precedent to the grant of the Franchise hereunder and pursuant to which Guaranty, each individual shall be jointly and severally obligated to us under this Agreement.

### **3. DEVELOPMENT, ACCEPTANCE OF SITE AND COMMENCEMENT OF OPERATIONS**

3.1. **Restaurant Site.** This Franchise is exclusive for the purpose of operating the Restaurant at an address which, if known at the time of execution of this Franchise, shall be set forth on Schedule I (the “Restaurant Site”) or if not known at the execution of this Agreement, shall be located within the “Restaurant Development Area” defined and described on Schedule I.

This Franchise does not, in any way, either directly or by implication, grant any other area, market or territorial rights to you, including any rights to the geographical area defined as the Restaurant Development Area, except that there shall be no other Fat Patty’s casual dining restaurant within the geographic area set forth on Schedule I as the Designated Area (“Designated Area”), except for those defined as a Mass Gathering Location site or a Non-Traditional Site. Your Designated Area does not apply to Catering and Delivery Services, and you may share territory with the Designated Area of another Fat Patty’s restaurant with respect to such Catering and Delivery Services. You will have no protection against competition from restaurants, special outlets or other establishments located anywhere outside the Designated Area’s physical boundaries, even if these establishments market their products and services in or draw customers from the Designated Area.

### 3.2. **Acceptance of Site.**

- (i) If the Restaurant Site is not known at the time of execution of this Agreement, you must submit to us a Site Acceptance Request package, as explained in the Operations Manual, within one hundred and twenty (120) days of the Effective Date. The proposed Restaurant Site must meet our site selection criteria as set forth in the Operations Manual, in our sole discretion. We shall provide you with a written notice of acceptance or disapproval of the proposed site within thirty (30) days after receiving your written proposal. If the Restaurant Site is not accepted, we shall use reasonable efforts to help analyze the Restaurant Development Area, to determine site feasibility, and to assist in the designation of the location which must be accepted by us; provided, however, that we will not conduct site selection activities on your behalf. While we will utilize our experience in the designation of location, nothing contained herein shall be interpreted as a guarantee of success for the said location nor shall any site recommendation or acceptance made by us be deemed a representation that any particular site is available and/or will be successful for the Restaurant. It shall be your sole responsibility to undertake site selection activities and otherwise secure acceptable premises for your Restaurant.
- (ii) Notwithstanding anything herein to the contrary, we and our affiliates shall have the right, but not the obligation, to lease or purchase the site of the Restaurant and sublease the Restaurant to you on commercially reasonable lease terms, including, but not limited to the terms set forth below.

3.3. **Lease Terms.** You must present to us a copy of the lease as set forth in the Operations Manual within thirty (30) days of our approval of your Restaurant Site. You are required to obtain our written acceptance before entering into a lease for the Restaurant Site, which acceptance shall be based upon, among other items, either (i) your Landlord's approval and execution of the Lease Addendum attached here to as Exhibit E; or (ii) the inclusion in the lease of terms acceptable to us that mirror those of Exhibit E. If you choose to include the Lease Addendum terms in your lease agreement you must pay to us a Lease Negotiation Fee in the amount of one thousand five hundred dollars (\$1,500.00) for our reasonable attorney's fees incurred in the review of the negotiated lease agreement. You must deliver a copy of the signed lease and lease addendum to us within five (5) days of its execution. If you fail to comply with section 3.3(i) or (ii) you must pay to us within 30 days of our approval of your lease a Lease Compliance Fee in the amount of ten thousand dollars (\$10,000.00). You are otherwise solely responsible for negotiating the terms of your lease with the landlord. If you wish to purchase the property underlying the Restaurant Site, you must obtain our prior written acceptance of the terms of such purchase.

3.4. **Pre-Construction and Restaurant Construction.** We will provide you with our standard layout and specifications for a typical Fat Patty's Restaurant. You will construct the Restaurant according to these designs and specifications and other specifications in the Operations Manual, in accordance with all applicable codes, ordinances, rules, and regulations, and pursuant to all required permits.

- (i) Within thirty (30) days of your execution of your lease, you must locate and furnish us the name of (i) an experienced and duly licensed general contractor who has built at least two (2) casual dining restaurants and (ii) an experienced and duly licensed architect who has designed at least two (2) restaurants that engage primarily in frying operations. You must furnish us with a statement of the contractor's and architect's qualifications, including at least five (5) client references for each, and a copy of the construction contract and design contract the contractor and/or architect proposes to sign with you. You will have ten (10) days after we receive these documents to advise you of any reservations that we have about the contractor's and/or architect's reputation or ability. If you decide not to hire a particular contractor and/or architect, you will have an additional fifteen (15) days to locate another general contractor and/or architect and to submit the new candidate's qualifications to us for review.
- (ii) Within sixty (60) days after signing your lease agreement, you must submit for our approval a restaurant design plan including a complete set of construction documents for the Restaurant, including mechanical, electrical and plumbing specifications which we must approve (the "Restaurant Plan"). You must develop the Restaurant Plan in cooperation with your general contractor and architect and must base it on the standards and information we provide, including the kitchen/storage area layout we suggest and our required trade dress package. You agree to defer signing contracts for the Restaurant's construction, equipment, fixtures or signage until you receive our written approval of your final Restaurant Plan. Notwithstanding our approval of the Restaurant Plan, it is your responsibility to confirm that the Restaurant Plan conforms to all applicable codes, ordinances, rules and regulations and we do not in any way guaranty that such Restaurant Plan is best suited or adequate for your location or business.
- (iii) If you choose to use an architect who is not an Approved Supplier as set forth in the Operations Manual then you must pay to us a Plan Review Fee in the amount of one thousand five hundred dollars (\$1,500.00) to compensate our architect for the secondary review of your Restaurant Plan.
- (iv) You must affix to an exterior window or display prominently on an interior wall of the Restaurant a decal or placard containing the following statement: "*An Independently Owned and Operated Franchise*" and never make a statement or representation to any person that is contrary to or inconsistent with this Agreement.

3.5. **Improvements/Remodeling.** In addition to any remodeling, we require upon the renewal of this Agreement or upon assignment/transfer of the Franchise, you shall, upon written notice from us and at your sole cost and expense, remodel, refurbish, upgrade and make improvements and alterations in and to the Restaurant as reasonably determined from time to time

to be necessary to reflect our then current specifications, standards, format, image and appearance and to conform to the building design, trade dress and color schemes in a manner consistent with the then current image for new Fat Patty's Restaurants and in accordance with any descriptions set forth in the Operations Manual. Such refurbishment may include, without limitation, structural changes, installation of new equipment, remodeling, new signage, redecoration and modifications to existing improvements.

3.6. **Commencement of Operations.** You must open the Restaurant to the public within four hundred and eighty-five (485) days of the Effective Date. If you are not able to open the Restaurant within four hundred and eighty-five (485) days of the Effective Date, you may request in writing to us a three (3) month extension, and we shall not unreasonably withhold agreement to such extension, provided that you are making a good faith effort to open the Restaurant in a timely manner. Upon the expiration of the three (3) month extension period you may request in writing an additional three (3) month extension which we shall grant or deny in our sole discretion. Upon the expiration of any approved extensions, we may, at our sole option, terminate the Franchise by providing written notification of such termination to you at the address specified in Section 18. You may not open your Restaurant without our prior written consent.

3.7. **Test Day.** Prior to opening the Restaurant, you must conduct a test day ("Test Day") whereby you and your staff and employees open the Restaurant exclusively to friends and family who dine free of charge in order to obtain real hands-on experience in operating a Fat Patty's Restaurant and serving and preparing the food in accordance with the System. The requirements of the Test Day are more fully described in the Operations Manual.

3.8. **Reconstruction of Site.** In the event the Restaurant is damaged or destroyed by fire or any other casualty, or is required to be repaired or reconstructed by any governmental authority, you shall, at your own expense, repair or reconstruct the Restaurant within a reasonable time under the circumstances, however, in the event such time exceeds one hundred and twenty (120) days, we shall have the option, exercisable in our sole discretion, to terminate this Agreement. The minimum acceptable appearance for the restored Restaurant will be that which existed just prior to the casualty; however, every effort should be made to have the restored Restaurant reflect the then-current image, design and specifications of System restaurants. If the Restaurant is substantially destroyed by fire, or any other casualty, the parties may terminate the Agreement in lieu of you reconstructing the Restaurant.

3.9. **Re-Location.** If you desire to relocate the Restaurant, you shall submit to us a written request to approve the proposed new location for the Restaurant. We are not obligated to approve or consider any request for relocation and may, in our sole discretion, deny a request or require any of the conditions set forth below, as supplemented from time to time in the Operations Manual, prior to the consideration of such proposed relocations:

- (i) You shall be in compliance with all terms of this Agreement including without limitation compliance with the terms of Section 3.4 related to the Restaurant construction;
- (ii) We may review your financials to assure you have funds to relocate the Restaurant;

- (iii) You shall execute a general release as described in 15.6; and
- (iv) Payment to us of a five thousand dollar (\$5,000.00) Relocation Fee.

If you choose to relocate the Restaurant under this Section 3.10 or if your lease is terminated on account of a fire or other casualty or if you lose possession of the Restaurant's premises on account of condemnation or eminent domain proceedings, you must initiate the relocation procedure in time to lease, build-cut and open the new Restaurant for business within two hundred and forty (240) days after the original Restaurant closes.

#### **4. FEES AND PAYMENT**

4.1. **General.** You agree to pay us all required payments under this Agreement, including, without limitation, the payments set forth in this Section 4. All payments hereby required constitute a single financial arrangement between us which, taken as a whole and without regard to any designation or descriptions, reflect the value of the license and Franchise being made available to you by us and the services rendered by us during the Term hereof.

4.2. **Initial Franchise Fee.** In consideration of the Franchise granted to you by us, you must pay us the initial franchise fee set forth on Schedule I (the "Initial Franchise Fee"). The Initial Franchise Fee is payable in cash, certified check or wire transfer upon the execution of this Agreement and will not be refundable under any circumstances. You acknowledge that the Initial Franchise Fee is fully earned upon payment to us and is not refundable.

4.3. **Royalty Fees.** During the term of this Agreement, you must pay to us a weekly "Royalty Fee". The Royalty Fee shall be an amount equal to five percent (5%) of Gross Revenue. The Royalty Fee shall be paid weekly on the Wednesday of each week based upon Gross Revenue for the preceding week (Monday – Sunday) or as otherwise specified in the Operations Manual. The amount of the Royalty Fee for any renewal term shall be that provided in the franchise agreement executed for such renewal term.

4.4. **Brand Building Fund Fee.** You must pay to us a weekly fee equal to three percent (3%) of Gross Revenue for the immediately preceding week (the "Brand Building Fund Fee"). The Brand Building Fund Fee shall be paid weekly on the Wednesday of each week based upon Gross Revenue for the preceding week (Monday – Sunday) or as otherwise specified in the Operations Manual.

4.5. **Non-Compliance Fee.** You agree to pay us a non-compliance fee of one hundred dollars (\$100) for each day that you fail to comply with any operational terms of this Agreement after receipt of written notice of such failure from us (the "Non-Compliance Fee").

4.6. **Training System Fee.** You agree to pay us a training system fee to participate in the training platform that we designate (the "Training System Fee").

4.7 **Gross Revenue.** For purposes of this Agreement, "Gross Revenue" is defined as the total of (a) all revenue and income of any kind relating to your Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, gift card, third party payment or otherwise, including, without limitation, from the sale of food, beverages, merchandise, goods, wares, products, cover charges, service fees, and tangible personal property of every kind and nature sold by you (or via third party delivery platforms or mobile applications for your benefit), promotional

or otherwise, in, from or through the Restaurant (including but not limited to from or through third party delivery platforms, mobile applications or otherwise); (b) revenue from all amounts which you receive as compensation for any service performed from or at the Restaurant, including sales for Ghost Kitchen items, together with the amount of all orders taken or received at or through the Restaurant or taken or received by third party delivery partners via delivery, whether such orders be filled from the Restaurant or elsewhere; (c) proceeds as a result of any business interruption insurance policy you carry; (d) revenue from all coin and card operated devices, including but not limited to, musical devices, amusement devices, gambling devices, and vending machines, all regardless of whether such sale is conducted in compliance with or in violation of the terms of the Franchise Agreement, or whether such sale is at the Restaurant or off-site; (e) the amount of revenue which would have been charged by you for any food, beverages, merchandise, goods, wares, products and tangible personal property of every kind and nature which are provided by you to any person or entity including without limitation to any customer, employee, associate or agent for no cost; and (f) the fair market value of any services or products received by you in barter or exchange for your services and products. Gross Revenue shall not include (1) the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority; (2) tips guests give and that are charged to the guests' credit or debit cards; and (3) the retail value of any complimentary services, meals provided to employees, discounts, trade-outs, cash refunds to guests and coupons used by guests (collectively the "Comps"). If we determine in our sole judgment that the amount of Comps is excessive as compared to the system-wide average, we may require you to include the percentage of Comps that exceeds the system-wide average in your Gross Revenue.

If a state or local law in which your Fat Patty's Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect the Royalty and/or the Brand Building Fund Contribution derived from the sale of alcoholic beverages at your Fat Patty's Restaurant, you will be required to pay whatever increased percentages of all Gross Revenue not deriving from the sale of alcohol are necessary so that the Royalty and Brand Building Fund Contributions you pay equal the Royalty and Brand Building Fund Contributions you would pay if you were not subject to the restrictive state or local law. Royalties are uniformly imposed. However, under rare circumstances, we may agree to temporarily reduce the required Royalty a franchisee must pay, as circumstances warrant.

4.8 **Reports.** On or before 10:00 a.m. Eastern Standard Time on Wednesday of each week or as otherwise specified in the Operations Manual, you shall render, in the manner we specify, a statement, in such form as we shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding week immediately ended, with Monday being considered the first day of the week and Sunday being considered the last day of the week. On or before the twenty-fifth (25th) day of each month, you shall submit to us an operating statement, profit and loss statement and a statistical report for the previous month in a form satisfactory to us as set forth in the Operations Manual. You shall keep and preserve full and complete records of Gross Revenue for at least three (3) years in a manner and form satisfactory to us and shall also deliver such additional financial and operating reports and other information as we may reasonably request on the forms and in the manner prescribed in the Operations Manual. Failure to properly comply with any reporting forms as set forth in the Operations Manual will result in Administrative Assessments. You must pay to us one hundred dollars (\$100.00) for the first Administrative Assessment; two hundred dollars (\$200.00) for the second Administrative Assessment; and three hundred dollars (\$300.00) for the third and each subsequent violation.

4.9 **Manner of Payment.** Unless otherwise stated in this Agreement or the Operations Manual, any fees (including but not limited to the Royalty Fees, Brand Building Fund Fees and Non-Compliance Fees) due hereunder must be paid no later than the end of day on each Wednesday, by an ACH electronic funds transfer under which we automatically deduct all payments owed to us under this Agreement, or any other agreement between you and us, from your bank account. Additionally, you authorize us to withdraw any shortages from your bank account after a reconciliation of your books and records. In the event we have not received the sales report for the preceding accounting period by the proscribed time in the form stipulated in Section 4.8 above, and/or by electronic polling, then we are entitled to withdraw the appropriate fees based on an arithmetic average of your weekly Gross Revenue reported to us over the previous four (4) weeks of payments or based on some other reasonable means of estimating your Gross Revenue.

We may, with written notice, designate another method or time period for payment. You must deposit all revenue from operating the Franchise into one bank account within one (1) business day of receipt, including cash, checks and credit card receipts. Before opening the Franchise, you must provide us with your bank's name, address and account number, a voided check from such bank account, and sign and give to us and your bank, all documents, including Exhibit D to this Agreement, necessary to effectuate our ability to withdraw funds from such bank account via ACH electronic funds transfer. You must immediately notify us of any change in your banking relationship, including changes in account numbers.

4.10 **Interest on Late Payments.** If any fee or other payment due to us or our affiliates under this Agreement is not paid on or before its due date, you agree to pay us, in addition to the overdue amount, interest on any overdue payment at the lower of (i) one and a half percent (1.5%) per month or (ii) the highest contract rate allowable by law plus a fee in the amount of one hundred and fifty dollars (\$150.00) per occurrence. Interest on any overdue amount shall accrue from the original due date until payment in full is received. Interest as enumerated in this Section 4.10 shall also apply to any understated amounts as revealed by an audit of your financial records. You acknowledge that this Section 4.10 is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, your Franchise. You further acknowledge that your failure to pay all amounts that you owe us when due constitutes grounds for our terminating this Agreement under Section 17, notwithstanding this Section.

4.11 **No Right to Set-Off.** You agree that you shall not, on grounds of the alleged nonperformance or default by us of any of our obligations under this Agreement, withhold payment of any fee or other amount payable to us under this Agreement or otherwise.

4.12 **Additional Fees.** We reserve the right to charge a Reputation Management Fee, a Mobile Application Fee, a Menu Database Fee, a Back of House Inventory Management Fee, an Online Ordering Fee, a QR Code Menu Fee or any such third-party fee that we determine in our sole discretion is beneficial for the Fat Patty's System. These fees would represent actual costs charged by third party vendors or an affiliate.

## 5. TRAINING

5.1. **Initial Training.** We will provide an initial training program at a location we determine, usually in Jacksonville, Florida. Prior to opening your Franchise, your Owner- Operator, Control Person and/or General Manager, Kitchen Manager and one other management level employee must attend and satisfactorily complete this initial training program we hold as set forth in the Operations Manual (the “Initial Training”). If this Agreement relates to your first Restaurant, we will provide Initial Training without tuition charge for four persons, one of which must be the Owner-Operator, Control Person or General Manager, but you must pay all expenses incurred in connection with such Initial Training, including travel, lodging, meals, local transportation expenses and wages. You must pay our then current training fees for your managers to attend over the four-person allowance. The actual dates of Initial Training are subject to change at any time, and we assume no responsibility for any costs incurred by you or your attendees as a result of such changes. Successful completion of the Initial Training by your management team is required, in our sole discretion, prior to opening your Restaurant.

5.2. **Additional, Periodic or On-Site Training.** We may require your Owner-Operator Control Person or General Manager or any member of the management staff to attend additional, periodic or refresher training courses on site, in a classroom or location we designate from time to time, or by webinar or videoconference (“Mandatory Additional Training”). We will charge you or your attendees Mandatory Additional Training fees if we require Mandatory Additional Training (a) because you are in default or breach under this Agreement or otherwise in violation of our System Standards or (b) upon renewal of this Agreement, then we will charge you our then current fee per trainer to conduct such Mandatory Additional Training. In addition, you are always responsible for all of your and your attendees’ wages, travel, living and miscellaneous expenses incurred in connection with such Mandatory Additional Training. You may request additional training which we may agree to provide at a cost we determine reasonable in our sole discretion (“Additional Training”). You are also responsible for all of your and your attendees’ wages, travel, living and miscellaneous expenses incurred in connection with such Additional Training. We may provide on-site training or assistance at your Franchise location or within your Designated Area (“On-Site Training”) at your request and subject to availability of personnel and other factors in our sole discretion. If we provide additional On-Site Training, you will pay us the then current fee per trainer to conduct the On-Site Training plus travel, meals, and lodging for them. These fees are fully earned and non-refundable when paid.

5.3. **Annual Conference.** We may, in our discretion, hold an annual conference (“Annual Conference”) at a location to be selected by us. We require you to attend the Annual Conference. The fee to attend the conference is two thousand dollars (\$2,000.00) (this fee is due regardless of whether you attend the Annual Conference) and all expenses, including transportation to and from the Annual Conference, and lodging, meals, and salaries during the Annual Conference, are your sole responsibility. If you do not attend the annual conference, we may require you to attend make-up training at our headquarters in Jacksonville, Florida or another location of our choice and require you to pay our then current rates for such training plus your attendees’ wages, travel, living and miscellaneous expenses incurred in connection with such make-up training.

5.4 **Pre-Opening Assistance.** In connection with the commencement of business of the Restaurant, we will provide a Pre-Opening Assistance Team to provide on-site assistance before and/or after the Restaurant's Opening Date. We will determine the necessary number and experience level of the Pre-Opening Assistance Team and the training days necessary to support the opening or Grand Opening for the Restaurant based on the experience and training of the existing Personnel. The Pre-Opening Assistance Team will in no way be responsible for the operation of the Restaurant before or after the Restaurant's opening. We will estimate the costs of the Pre-Opening Assistance Team and set forth that number on Schedule I. The initial twenty thousand dollars (\$20,000.00) of your Pre-Opening Assistance Team costs will be due upon execution of the Franchise Agreement. In addition, you will reimburse Us for all of our reasonable costs and expenses incurred in providing such Pre-Opening Assistance Team for the Restaurant, including travel, lodging, meals and miscellaneous costs. We will remit an invoice to you within thirty (30) days of the Restaurant's opening date detailing the remaining costs due to us, and you agree to pay the invoice within ten (10) days of your receipt of the invoice.

Notwithstanding the foregoing, if we determine (in our sole judgment) on the date of this Agreement, based on operations at your (or your affiliate's) other Fat Patty's Restaurants, that you are capable of training your own staff prior to the opening of your Restaurant, then (1) you need not pay us the assistance fee or Opening Team expenses, (2) we will not provide the Opening Team for your Restaurant, and (3) you must provide opening training to your Restaurant staff according to our requirements.

## 6. **EMPLOYEES**

6.1. **Personnel Development.** You must, recruit, train and develop all managers, employees, independent contractors and any other personnel or staff ("Personnel"). You will decide the compensation to be paid to your Personnel. We will not be responsible for payment of any compensation to you or your Personnel. You shall be solely responsible for all employment decisions and functions of the Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision and discipline of employees.

6.2. **Owners and Staff Confidentiality Agreements.** Your Owner(s), Control Person and your manager(s) (including your General Manager) must sign a Non-Compete, Confidentiality and Non-Solicitation Agreement in the form attached to this Agreement as Exhibit C ("Non-Compete and NDA Agreement"). You must provide us with a copy of each Non-Compete and NDA Agreement within ten (10) days after it is signed. We are express third party beneficiaries to each Non-Compete and NDA Agreement and NDA Agreement and are entitled to enforce its provisions directly against the signatory. You hereby assign us all rights which you may have, but no obligations, to each Non-Compete and NDA Agreement Franchisee enters into with its Personnel.

6.3. **Indemnification.** You will indemnify us, hold us harmless from, and defend us against any and all liabilities, losses, expenses, and obligations that we may incur related to any of your Personnel (or any person assisting in providing the services or Products or working on behalf of the Franchise) arising out of any claim, cause of action, complaint, proceeding (in litigation, arbitration, mediation, administrative process or otherwise) relating to your obligations to pay them any compensation or remuneration or otherwise relating to an employment relationship. You understand and acknowledge that we are under no obligation or liability to any of your Personnel for any remuneration, compensation, commission, employment or any other duty, responsibility, liability or obligation. Your indemnification obligations: (i) include reimbursement to us of any and all of our attorneys' fees and costs in defending any such claim from your Personnel, and (ii) survive expiration or termination of this Agreement.

## 7. **OPERATIONS MANUAL AND FRANCHISOR GUIDANCE**

7.1. **Operations Manual.** During the Term, we will lend you one copy of our Operations Manual or other writings in which we designate our System Standards (such Operations Manual, and any written guidelines, bulletins, memos, descriptions or instructions concerning System Standards, including updates, amendments and supplements constitute the "Operations Manual"). You agree to promptly follow, adopt and use exclusively the operating, accounting and reporting procedures as well as the approved suppliers, formulas, methods, quality standards for services, cooking techniques, recipes and other specifications and standards contained in the Operations Manual, now and as they may be modified from time to time. Our revisions to the Operations Manual will be effective on delivery to you (including via electronic format), unless we specify a later effective date for a particular revision. You acknowledge that we or our affiliates own all proprietary rights in and to the System and that the information revealed in the Operations Manual, in its entirety, constitute confidential trade secrets. If the Operations Manual is lost, stolen or damaged, you must obtain a replacement from us and we may charge you for such replacement. If a dispute develops with respect to the contents of the Operations Manual, the master copy we maintain at our principal office (or the electronic version of the Operations Manual we designate) will be controlling. You must keep the Operations Manual in a secure location which allows access only to those who have signed a Non-Compete and NDA Agreement or NDA Agreement. By entering into this Franchise Agreement, you agree that changes in the standards, specifications and procedures may become necessary and desirable from time to time and agree to accept and comply with such modifications, revisions and additions to the Operations Manual, via either updates or Operations Memos, which we in the good faith exercise of our judgment believe to be desirable and reasonably necessary

7.2. **Plans and Specifications.** We will make available, at no charge, our standard plans and specifications for a prototypical Fat Patty's Restaurant, including exterior and interior design and layout, fixtures, furnishings and signs. You acknowledge that such plans and specifications will not contain the requirements of any federal, state or local law, code or regulation (including those concerning the American with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities with people with disabilities).

7.3. **Development Stage Assistance.** Unless you are already operating a Restaurant, we shall provide, at our expense, a representative to assist you with the development of the Restaurant. We will also:

- (i) Approve your Restaurant Plan as set forth in Section 3.4.

- (ii) Furnish you lists of the inventory, supplies, paper goods and smallwares needed to stock and operate a Restaurant, together with the names of any Approved Suppliers as described in Section 10.9. These lists include the quality and grade specifications that we have adopted for poultry and beef, logo-printed paper goods and other ingredients and supplies you will need.
- (iii) Identify where you may procure an authorized Restaurant interior decor package, including wall hangings, memorabilia and other trade dress items. You must properly display the interior decor package at all time.

7.4. **General Services of Franchisor.** At our discretion, we will advise and consult with you periodically in connection with the operation of the Restaurant and upon your reasonable request, at other times. We may communicate to you know-how, new developments, techniques, and improvements in areas of restaurant management, food preparation, and service which are pertinent to the operation of a restaurant using the System. The communications may be accomplished through visits by operations consultants, printed materials, teleconference, video conference, or any other means we deem appropriate. We will make reasonable efforts to make available to you all additional services, facilities, rights and privileges relating to the operation of the Restaurant which we make generally available, from time to time, to all our franchisees operating Fat Patty's restaurants. Our guidance and assistance consists of:

- (i) As we deem advisable, occasionally visiting the Restaurant to conduct quality, service, compliance and cleanliness ("QSCC") inspections.
- (ii) Providing you with a listing and link to our website at [www.fatpattys.com](http://www.fatpattys.com) or any website we subsequently maintain;
- (iii) Providing you with any updates to the Operations Manual and any other manuals prepared by us for use by our franchisees in the operation of their Franchises;
- (iv) Issuing, modifying and supplementing System Standards for Fat Patty's franchisees;
- (v) Periodically and at other reasonable times, upon your reasonable request and at our sole discretion, advise and consult with you regarding the ongoing operation of your Franchise;
- (vi) Providing you with marketing materials and/or models for such materials as we may deem necessary;
- (vii) As we deem advisable, inviting you to attend (at your expense) conventions, seminars and other franchise-oriented functions we plan and sponsor from time to time;
- (viii) Permitting you to purchase equipment and inventory from or through any distribution network we establish;
- (ix) Maintaining the Brand Building Fund; and
- (x) Modifying the System as we deem necessary, including, but not limited to, the adoption and use of new or modified techniques, supplies, equipment,

products, trade names, trademarks, service marks, copyrighted materials, and information technology tools.

7.5. **Suggested Retail Prices**. We may, from time to time, provide you with suggested guidelines or assistance in establishing prices for the Products and services offered through your Franchise, which may vary depending on the geographic region in which the Restaurant is located.

## 8. **SYSTEM TECHNOLOGIES**

8.1. **Technology System**. You must acquire, license and use the Point-of-Sale System (“POS System”) and training software that we designate and such other electronic equipment components, peripherals, computer hardware and equipment (including cash registers, fax machine, scanner and printer) and business software including credit card verification, payroll, accounting, scheduling, contact management, word processing and invoicing software (the “Software”) or approved by us from time to time and as outlined in the Operations Manual (collectively with the POS System and Software, the “Computer System”). You shall use the Computer System to collect all of the sales, inventory and financial data of the Restaurant which will provide us independent access to the information collected through the POS System. You agree to maintain the Computer System, purchase all required Software or hardware upgrades and updates, and not interfere, in any way, with our ability to access the Restaurant’s information through the Computer System. We may require you to obtain as part of the Computer System specified computer and communications hardware, equipment, components or Software and services and may reasonably modify our specifications for and components of the Computer System from time to time which may require you to incur additional costs. We may require you to utilize a merchant account and gateway services provided by an Approved Supplier at your sole cost. We may require that the Computer System (i) be capable of connecting with our computer system, (ii) perform the functions we designate, (iii) permit us to review the results of your Franchise’s operations, and/or (iv) be capable of engaging in any e-commerce (as defined below) activities that we designate or approve.

8.2. **Websites/Social Media**. You may not establish a website in any way related to your Restaurant without our prior written consent. We have the right to control all use of URLs, domain names, websites, addresses, meta-tags, links, key words, e-mail addresses and any other means of electronic identification or origin (“e-names”) related to the Franchise. We may require you to, at your expense, operate certain aspects of the Franchise that we designate from time to time through e-commerce methods that we designate, and in the manner we designate from time to time. We also have the right to designate, approve, control or limit all aspects of your use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, virtual worlds, social media, portals, search engine optimization, pay-per-click advertising, home pages, bulletin boards, chatrooms, linking, framing, blogs, text messaging, on-line purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software or other technology (collectively, “e-commerce”). You must follow all of our policies and procedures for the use and regulation of e-commerce. You hereby immediately and irrevocably assign and transfer to us or our designee all interest you may have in any e-commerce in connection with the Franchise. You agree, upon our request, to immediately execute

any documents and perform any other actions required by us to effectuate such assignment and transfer and otherwise ensure that all rights in any e-commerce reverts to us or our designee, and you hereby appoint us as your attorney-in-fact to execute such documents on your behalf if you fail to do so. We may require that you provide photographic, written or other forms of content to us for use in e-commerce activities associated with the Marks, the Intellectual Property or the System which we may designate. We may restrict your use of e-commerce, or any customer's use of e-commerce in connection with Product purchases to a centralized website, portal or network or other form of e-commerce by us or operated by us or our designee. We may require that you provide information to us and arrange Product sales or distribution via e-commerce. We may require you to coordinate your e-commerce activities with us. We may require that your customers be provided access to certain e-commerce activities that we designate from time to time and may require that your customers purchase the Products directly from us through a website or portal by us. You recognize and agree that between you and us, we own all rights to all interest in and to any data collected via e-commerce related to your Franchise, the System, the Intellectual Property and the Marks, including any customer data, click-stream data, cookies, user data, hits and the like. All such information constitutes our Confidential Information (as defined in Section 16).

## **9. INTELLECTUAL PROPERTY AND MARKS**

### **9.1. Fat Patty's Intellectual Property**

- (i) You acknowledge that we are the exclusive licensors of the Intellectual Property, System Standards, and other elements of the System. You further acknowledge that any modifications to the System or any substitutions or additions to the Intellectual Property suggested or developed by you shall be owned exclusively by us or an affiliate of ours and may be incorporated by us or an affiliate of ours into the Intellectual Property without any compensation to you. As such, you hereby assign and transfer to us or an affiliate of ours (as designated by us) all of your entire right, title and interest in and to any improvements, modifications, substitutions, or additions to the Intellectual Property suggested or developed by you and in and to any and all works of authorship and processes embodied therein, and in all goodwill signified thereby, and any and all intellectual property rights and any legal equivalent thereof, including the right to apply for, register, or claim priority to, letters patent, copyrights, trademark, trade secret and other intellectual property protection, and the right to enforce such rights, title and interest by lawsuit or otherwise. In addition, you hereby agree and covenant from time to time to execute and deliver such other documents or agreements and to take such other action as may be necessary or reasonable for the implementation of any assignment and the consummation of the transactions contemplated hereby.
- (ii) You shall use the System, Marks and Intellectual Property strictly in accordance with the terms of this Agreement and all policies set forth from time to time in the Operations Manual. Any unauthorized use of the System, the Marks and/or the Intellectual Property is and shall be deemed to be an infringement of our or an affiliate of ours rights. You may not make any modifications to the System or any substitutions or additions to the

Intellectual Property in connection with your Franchise without advance written approval by us.

- (iii) Except as expressly provided in this Agreement, you shall acquire no right, title or interest to the System, the Marks or the Intellectual Property. All goodwill associated with the System, the Marks and the Intellectual Property used by you shall inure exclusively to our benefit. Upon the termination of the Franchise, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System, the Marks or the Intellectual Property.
  
- (iv) You acknowledge that the use of any social networking website currently in existence or to be created at a future date, including but not limited to Facebook, Snapchat, LinkedIn, X, Instagram, Pinterest, TikTok or any blogs or other bulletin boards, or chat rooms, which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Intellectual Property is our sole property and you may not establish any website, blog, Facebook page, LinkedIn account, Twitter account, Instagram account, Pinterest account, email distribution list, or other Internet account or presence, which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Intellectual Property without our prior written consent. If we have approved the content of the material to be posted online and obtained primary administrative rights to the website, account, or page, then we will provide you with subordinate administrative access to, and guidelines for your use of such online mediums, such that you may promote, advertise, and market your Franchise locally. We retain ownership of the materials posted on any webpage or site. You have no right, title or interest to any webpage on any of your social network sites or websites including, but not limited to, all “fans”, “followers”, “friends” and “contacts” associated therewith which mentions, uses or refers in any way to the Marks or Intellectual Property even if such webpage is established by you or otherwise held in the name of the Franchise or your Owner-Operator or any of your owners. Upon expiration or termination of this Agreement, we retain all ownership of all content created during the Term and will remove your administrative access. In addition, you shall promptly submit to us all passwords for such site(s) and any changes to a password shall be submitted to us within three (3) days of the change.
  
- (v) You shall at no time take any action whatsoever to contest the validity, ownership, distinctiveness or enforceability of the Marks or Intellectual Property and the goodwill associated therewith. You agree that your use of all or any part of the System or the Intellectual Property contrary to any provision of this Agreement, or your use of any confusingly similar method, format, procedure, technique, system, name, trade dress, mark, symbol, emblem, slogan, insignia, term, designation, design, diagram, promotional material or course material, during or after the Term, shall cause irreparable injury to us and shall constitute a material breach of this Agreement, and shall entitle us to obtain temporary, preliminary or permanent injunctive relief from a court or agency of competent jurisdiction, and to recover court costs, reasonable expenses of litigation, reasonable attorneys’ fees, and any

other appropriate remedies, including, without limitation, termination of this Agreement.

- (vi) You assign and transfer to us all rights or interests that you have or may have in any previous or current customer lists, compiled by you during the term of the Franchise (the “Lists”), with the result that the Lists are and remain our sole property. We grant you the right and license to use the Lists during the term of this Agreement solely for the purposes contemplated by this Agreement.

9.2. **Infringements and Claims.** You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark or Intellectual Property or claim by any person of any rights in any Mark or Intellectual Property or similar copyright, trade name, trademark or service mark of which you become aware. You must not communicate with anyone except your attorneys, us and our attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take whatever action we deem appropriate. We have the sole right to control exclusively any U.S. Patent and Trademark Office, U.S. Copyright Office, litigation or other proceeding or any other litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark or Intellectual Property. You must sign any documents, give any assistance, and do any acts that our attorneys believe are necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks or Intellectual Property or otherwise to protect and maintain our interests in the Marks or Intellectual Property. You may not, at any time, contest the validity or ownership of any of the Marks or Intellectual Property, or assist any other person in contesting the validity or ownership of any of the Marks or Intellectual Property.

9.3. **Discontinuance of Use.** If it becomes advisable at any time in our sole judgment for your Franchise to modify or discontinue the use of any of the Marks or for your Franchise to use one or more additional or substitute trademarks or service marks, you agree at your expense to comply with our directions to modify or otherwise discontinue the use of such Mark or Intellectual Property, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you.

9.4. **Franchisee Name.** You may not use the words “Fat Patty’s” in your legal entity’s name. You will hold yourself out to the public as an independent contractor operating a Fat Patty’s Franchise. Whenever practical, you will clearly indicate on your business checks, stationery, business cards, invoices, receipts, advertising, public relations and promotional materials, website, and other written materials that you are a franchisee. Your Restaurant must clearly indicate to the public that your business is independently owned and operated as a Franchise. You will file for a certificate of assumed name (d/b/a) in the manner required by applicable state and/or law so as to notify the public that you are operating your business as an independent business pursuant to this Agreement. Prior to adoption of an assumed name, you shall obtain the written approval of such name from us.

9.5. **Further Reservation Rights.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole and unrestricted discretion and as we may deem to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee or franchisees based upon the peculiarities of a particular territory, density of population, business potential, business practice or other condition important to the successful operation of such franchise owner's business. We may grant to one or more franchisees variations from standard specifications and practices as we determine in our sole and unrestricted discretion, and we shall have no obligation to grant you like or similar variations.

## **10. DUTIES AND RESPONSIBILITIES**

10.1. **Compliance With Entire System.** You acknowledge that every component of the System is important to us and to the operation of the Restaurant as a Fat Patty's Franchise, including a designated menu of food and beverage Products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service. You shall comply with the entire System at all times, including, but not limited to:

- (i) Operating the Restaurant in a manner in compliance with Systems Standards; complying with all business policies, practices, and procedures we impose; serving at the Restaurant only those food and beverage Products we now or hereafter designate; and maintaining the building, fixtures, equipment, signage, seating, décor and parking area in a good, clean, wholesome and well-lighted condition, free from disrepair, and in compliance with our System Standards;
- (ii) Purchasing and installing the authorized Restaurant interior décor package and other kitchen fixtures, lighting, seating, signs and equipment in accordance with our specifications prior to opening for business, as such may be modified or updated from time to time by System Standards;
- (iii) Keeping the Restaurant constructed and equipped in accordance with the Restaurant Plan, as such may be modified or updated from time to time by System Standards, and ensuring that the Restaurant conforms at all times to local ordinances, buildings codes and laws;
- (iv) Notifying us promptly of any change in the General Manager and sending any new General Manager to attend and satisfactorily complete our training program (unless a new general manager has worked as a managerial level employee of the Restaurant for at least six (6) months);
- (v) Abstaining from making any design conversion, alterations, or additions to the Restaurant building, equipment, or parking area unless you have obtained our prior written consent;
- (vi) Making repairs or replacements required (including, without limitation, to existing equipment and HVAC): (i) because of damage or wear and tear or (ii) in order to maintain the Restaurant building and parking area in good condition and in conformity to the Restaurant Plan, as such may be modified or updated in accordance with System Standards;

- (vii) Maintaining and operating the Restaurant during the business hours and days appropriate for the market in which the Restaurant is located as by us or such other hours as may be approved, in writing, by us or as otherwise set forth in the Operations Manual;
- (viii) Maintaining sufficient supplies of food, beverages, paper products and other inventory as prescribed in the Operations Manual and as is sufficient to meet reasonably anticipated customer demand;
- (ix) Causing all Personnel, while working in the Restaurant, to: wear uniforms of such color, design, and other specifications as we may designate from time to time;
- (x) In the dispensing and sale of food Products: (i) using only containers, cartons, bags, napkins, other paper goods and packaging meeting our System Standards; (ii) using only those flavorings, garnishments food and beverage ingredients which meet System Standards; and (ii) employing only those methods of food handling and preparation which meet System Standards;
- (xi) Imprinting the authorized Fat Patty's logo on all cups, containers, bags, take out menus and other paper goods used in the Restaurant in accordance with instructions contained in the Operations Manual, and purchasing items imprinted with the authorized Fat Patty's logo only from Approved Suppliers;
- (xii) At our request, displaying in a prominent, accessible place a "*franchise opportunity*" display furnished by us at our expense for the purpose of increasing public awareness of the availability of Fat Patty's franchises;
- (xiii) Franchisee must, at Franchisee's expense, participate in, and comply with the requirements of, any gift certificate, gift card, stored value card, customer loyalty, or customer retention program (e.g. customer e-mail program) that Franchisor or its Affiliates implement for all or part of the System and must sign the forms and take any other action that Franchisor or its Affiliates require in order for Franchisee to participate in such programs. Without limitation, Franchisee must honor coupons, stored value cards, gift certificates, gift cards, or vouchers sold or distributed by other locations and include the related proceeds in Gross Revenue strictly in accordance with the Standards. Franchisee will not issue or offer any gift

certificate, gift card, stored value card, customer loyalty or retention program without Franchisor's prior written approval. Franchisee will utilize a vendor approved by Franchisor or its Affiliates for gift card processing. Any coupon offer proposed by Franchisee must be approved by Franchisor in writing prior to being offered;

- (xiv) Permitting our representatives to conduct unannounced QSCC inspections of the Restaurant at any time during normal business hours. You must promptly correct any condition noted as "unsatisfactory" or "needs improvement" in a QSCC report. A failing score (as defined in the Operations Manual) shall be deemed a material breach and is a default under this Agreement; and
- (xv) At your expense, complying with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant. You shall furnish to us, within five (5) days after receipt thereof, a copy of any violation or citation which indicates your failure to maintain local health or safety standards.
- (xvi) Participating in any third party delivery programs that we designate.

10.2. **Sales Methods**. You must follow our System Standards when marketing and selling the Products. You must not make any misrepresentations to anyone regarding the quality of the Products or services or concerning the Franchise or System. Moreover, you must not alter, modify, change or misrepresent the Products in any manner whatsoever. Accordingly, you will not disseminate any information, or represent to anyone, any information that conflicts with any of the materials we provide you to assist in the sale of the Products or we approve for use by you in the marketing and selling of Products.

10.3. **Liability Insurance**. Utilizing an Approved Supplier or insurance carrier acceptable to us, you are required to procure and maintain at all times insurance policies at your expense which meet the standards and requirements set forth in the Operations Manual. The cost of the insurance policies will vary depending on the insurance carrier charges, terms of payment and your history. The standards and specifications for insurance coverage as set forth in the Operations Manual are intended as "minimum" standards and you must review your insurance coverage and policies with your insurance agent/broker to determine if additional coverage is necessary or appropriate for your Franchise. Until the Operations Manual specifies otherwise, you must carry general liability insurance with policy limits of \$1,000,000 per occurrence and \$2,000,000 aggregate, worker's compensation insurance, dram shop insurance and automobile insurance if automobiles are assets of the Franchise. Each policy must (1) be obtained from an insurance carrier that has and maintains a Best's Insurance Reports rating of B+ or better; (2) name us as an additional insured and afford separate coverage to each named insured; (3) provide for a deductible of not more than \$1,000 per occurrence; (4) contain no provision that limits or reduces your coverage on account of a claim against you by us; and (5) provide for not less than thirty (30) days' prior notice to us of cancellation, non-renewal, expiration or amendment. The insurance must be primary coverage without the right of contribution from any of our insurance. You must submit a certification of insurance and all applicable policy endorsements to us which demonstrates compliance with this Section. If you fail to obtain or maintain the required insurance coverage, we

may purchase it for you. You agree to reimburse us for the premium costs we incur to provide such coverage, plus interest, our expenses and our Non-Compliance Fee. Nothing in the section may be construed as requiring us to furnish the insurance for you. We may change these insurance requirements, upon reasonable notice to you, to conform to reasonable business practices.

10.4. **Compliance with Laws and Good Business Practices.** You will secure and maintain in force all required licenses, permits, approvals and certificates relating to the operation of the Franchise. You will operate the Franchise in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, safety, privacy, worker's compensation insurance, unemployment insurance, workplace safety, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You will, in all dealings with customers, suppliers, vendors, us and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the System, the Marks and other Franchises.

10.5. **Authorized Products and Services.**

- (i) **General.** You shall offer for sale all Products which we designate for the System, including any additional Products we may now or in the future specify and any other ancillary products and services which we prescribe. You further agree to only sell those goods and services which we prescribe or otherwise authorize. You may not offer any other products for sale, rent or lease without having received our prior written authorization. You must comply fully and on a timely basis with any changes that we implement, including the introduction or cessation of any services or products.
- (ii) **New Product Tests.** If we allow your Restaurant to participate in any new product test, you shall participate in the test in accordance with our standards and specifications and will discontinue offering any product that we decide not to add permanently to the authorized restaurant merchandise list.
- (iii) **Assignment of Developments.** If you or any of your owners or Personnel develop or suggest an innovation or improvement that we decide to incorporate into the System, either temporarily or permanently, you and the developing party shall assign ownership of the innovation or improvement to us without compensation.

10.6. **Modification of System.** You expressly acknowledge that the System must continue to evolve in order to reflect changing market conditions and to meet new and changing customer demands. Therefore, variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and to improve the continuing operating efficiency of all franchisees. Accordingly, you agree that we may from time to time, upon written notice, add to, subtract from or otherwise change the System, including, without limitation, adopting new or modified Marks, Products, services, Approved Suppliers, equipment and techniques and methods relating to the sale, promotion and provision of services or Products.

**You agree to promptly accept, implement, and use in the operation of the Franchise all such additions, modifications and changes at your sole cost and expense.**

10.7. **Evaluations and Analysis.** We shall have the right to conduct unannounced QSCC inspections and otherwise inspect the Restaurant at all reasonable times to ensure that Franchisee's operation is in compliance with System Standards. This right shall include: sampling and testing your food, beverages and supplies; questioning your landlord, customers and employees; and conducting secret shopper evaluations from time to time and without prior notice. Our representatives will use reasonable efforts to minimize interference with the operation of the Restaurant. If we reasonably determine that the Restaurant is not being operated in compliance with this Agreement or the Operations Manual or that the Restaurant is otherwise not being operated efficiently and effectively, then we may, at our discretion, place one or multiple representatives at the Restaurant to oversee the operation of the Restaurant. You will be responsible for the reasonable daily wage of the representative plus all of the representative's travel and living expenses.

10.8. **Menu and Food Preparation.** You acknowledge the importance of our Products and services in the operation of the Restaurant and agree that the Franchise will be confined to the preparation, sale, and rendering only of such food, beverages, goods, Products and services at retail (not wholesale) and not for resale or distribution, as are from time to time required or authorized by us. We may add or delete menu items, Products, merchandise, or services, from time to time, and you shall do the same upon notice from us unless our prior written consent to the contrary is obtained.

10.9. **Suppliers.** So that we may control the quality and consistency of food, beverages, and other items sold or used in all Fat Patty's Franchises, all food, beverages, supplies, equipment, merchandise, uniforms, goods, fixtures, inventory, marketing materials, paper products, packaging, Products and other items used, served, or sold in the Restaurant shall be purchased from only those suppliers and sources or approved by us ("Approved Suppliers"). We may designate or require our approval of the types, models, formats, providers, performers or suppliers of any Products or services, and any of the equipment, supplies, goods, uniform apparel, tools, insurance carriers, financial services, employee benefit plans, merchant accounts and gateway services, and other services, assets, products, or materials utilized by you to operate your Franchise, which we may change, alter, or amend from time to time. We may require you to order through us certain Products or materials, as we may specify from time to time. We reserve the right to derive revenue from your required purchases ordered through us. If you propose to use any supplies or suppliers which are not then approved, you must notify us in writing and submit sufficient information, samples, and specifications to allow us to determine if the supplier and/or supplies meet our approved criteria. In addition, you must remit our then current New Product and Supplier Testing Fee prior to our review of your request. It is in our sole discretion whether to test additional supplies and/or suppliers you propose. All criteria used by us or our designee in making our determination and any further procedures for obtaining approval of a new supplier or supplies are set forth in the Operations Manual. You may not use a supplier without prior approval.

10.10 **Delivery Service Providers.** We may require you to utilize a delivery service provider, including but not limited to third party food aggregators, and if so you must do so in accordance with any restrictions and guidelines that we may establish in the Operations Manual or otherwise in writing. You may only provide these delivery services through a vendor that we

approve or designate. If an approved delivery service vendor is unable to provide delivery services for your Restaurant you may request, in writing, approval for an alternate vendor. We will review this request and decide whether the alternative vendor meets our delivery service provider criteria. We, our affiliates, and our other franchisees may provide delivery services anywhere, including near your Restaurant. We retain the right to revise and/or make exceptions to our delivery policies as they apply to you and other franchisees.

**10.11 Restaurant Supervision.** The Restaurant shall at all times be under the direct on-premises supervision of the Owner-Operator, Control Person or an approved General Manager who has satisfactorily completed the Initial Training.

**10.12 Virtual Kitchens.** You shall not operate any virtual or ghost kitchens out of your Restaurant without our written consent which shall be in our sole discretion. In the event that we grant permission to operate the virtual or ghost kitchen all sales derived from the operation shall be expressly included in the definition of Gross Revenue.

## **11. ADVERTISING AND PROMOTION**

**11.1. Generally.** All your advertising must conform to all provisions of this Agreement. All advertising, promotion and marketing must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and promotion policies that we prescribe from time to time. In no event will your advertising contain any statement or material which may be considered: (a) in bad taste or offensive to any group or person; (b) defamatory on any person or an attack on a competitor; (c) inconsistent with our public image; or (d) not in accord with System Standards. Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved must be submitted to us for approval before you use them. Unless a shorter time period or alternative method is specifically set forth in this Agreement or the Operations Manual, if you do not receive our written disapproval or approval within thirty (30) days after our receipt of such materials, the materials are deemed not approved.

**11.2. Local Advertising and Promotion.** We may require you to spend during each month a minimum of two percent (2%) of Gross Revenue for such month on local advertising and promotion in accordance with the parameters, specifications and standards outlined in the Operations Manual (the "Local Advertising Requirement") commencing thirty (30) days after you open for business. The Local Advertising Requirement must be expended within your Designated Area. You acknowledge and agree that your Local Advertising Requirement must be expended regardless of the amount(s) spent by other Franchises on local advertising. You may spend any additional sums you wish on local advertising. Upon our request, you must send us proof of these expenditures on a monthly basis, or in any other manner as we may specify.

**11.3. Grand Opening Advertising.** A plan for grand opening expenses will be agreed upon by you and us. At least 60 days before the opening of your Restaurant, you must submit a grand opening promotional campaign plan ("Grand Opening Plan") to us, which outlines your proposal for grand opening marketing and promotion of your Franchised Restaurant. You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must spend a minimum of

eight thousand dollars (\$8,000) on the Grand Opening Plan within 30 days before and 30 days after the opening date of your Restaurant (the “Grand Opening Period”). We may designate a different time period for you to conduct the Grand Opening Plan upon 30 days’ prior written notice. Grand opening advertising expenditures may include radio broadcasts, giveaways, franchise branded gifts and accessories, leaflets, cable television and Internet advertising, banners, kick-off events, signs, direct mail, social media campaigns or any other promotional event which we pre- approve in writing. You must participate in any grand opening programs that we require according to the terms and conditions that we prescribe. You must provide us within 60 days after your opening date with copies of all invoices, statements, canceled checks or other forms of payment that you have issued which evidence your expenditure and payment for the Grand Opening Plan. In addition, we may require you to participate in our pre-opening food truck promotion wherein you must give away a prescribed amount of product free-of-charge during the Grand Opening Period. Participation in the food truck promotion plan will be in addition to the minimum amount required to be spent in your Grand Opening Plan.

11.4. **Brand Building Fund.** Recognizing the value of advertising and marketing to the goodwill and public image of Franchises, we have established a system-wide Brand Building Fund (the “Brand Building Fund”) for such advertising, marketing and public relations programs and materials we deem necessary or appropriate. We reserve the right to defer or reduce the Brand Building Fund Fee, including without limitation as described in Section 4.4, for your Franchise and, upon thirty (30) days’ prior written notice to you, to reduce or suspend contributions to and operations of the Brand Building Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Brand Building Fund. If the Brand Building Fund is terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the Brand Building Fund during the preceding twelve (12) month period.

11.5. **Use of the Funds.** We or our designee will direct all programs financed by the Brand Building Fund, including the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. You agree that the Brand Building Fund may be used to pay the costs of preparing and producing video, e-commerce, website or software enhancements, audio and written advertising, musical jingles, vehicle decals, sponsorships, marketing, or promotional materials; operation or marketing techniques; research and development of marketing materials; administering regional and multi-regional advertising programs, including, without limitation, purchasing e-commerce rights, services, direct mail and other media advertising and employing advertising, promotion and marketing agencies; our marketing salaries, and supporting public relations and market research. We reserve the right to include “Franchises Available” or similar language along with our contact information on any advertising purchased through the Brand Building Fund. The Brand Building Fund periodically will furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

11.6. **Accounting for the Fund.** The Brand Building Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Brand Building Fund and its

programs, including, without limitation, conducting market surveys, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Brand Building Fund. We may spend, on behalf of the Brand Building Fund in any fiscal year, an amount greater or less than the aggregate contribution of all Franchises to the Brand Building Fund in that year, and the Brand Building Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Brand Building Fund will be an asset of the Brand Building Fund. We have the right to cause the Brand Building Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in this Agreement.

11.7. **Brand Building Fund Limitations.** You acknowledge that the Brand Building Fund is intended to maximize recognition of the Marks, Intellectual Property and patronage of Franchises. We undertake no obligation to ensure that expenditures by the Brand Building Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Building Fund by Franchises operating in that geographic area or that any Franchise will benefit directly or in proportion to its contribution to the Brand Building Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to the Brand Building Fund.

11.8. **Advertising Cooperatives.** We have the right, in our sole discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”). If a Cooperative has been established applicable to your Franchise at the time you commence business, then you shall immediately become a member. If a Cooperative is established that is applicable to your Franchise at a later time during the Term, then you shall become a member no later than thirty (30) days after the date on which the Cooperative commences operations. If established:

- (i) each Cooperative shall be organized, governed and administered in a form and manner and shall commence operation on a date, approved in advance by us in writing;
- (ii) each Cooperative shall be organized for the exclusive purposes of administering regional advertising and public relations programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising and promotion;
- (iii) each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative by majority vote and your failure to make any such payments is a breach of this Agreement;
- (iv) each member shall submit to the Cooperative its contribution in the manner set forth in the Operations Manual; and
- (v) you may offset your Local Advertising Requirement by any amounts paid by you to the Cooperative.

11.9. **Promotional Campaigns.** From time to time during the term of the Agreement, we shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may, by way of illustration and not limitation, promote particular products or marketing themes. You agree to participate in such promotional campaigns on such terms and conditions as we may establish. You acknowledge and agree that such participation may require you to purchase advertising material, posters, flyers, product displays, and other promotional material. Nothing herein shall be construed to require you to charge any prices for the goods and services offered at the Restaurant other than those determined by us in our sole and absolute discretion. Should you refuse to participate in any promotional campaign, you shall remain responsible for the payment of your portion of the campaign. Expenditures made by you in promotional campaigns as described in this section will be credited against your Local Advertising Requirement.

## 12. **RELATIONSHIP OF THE PARTIES**

12.1. **Independent Contractors.** We do not have a fiduciary relationship with you. Neither you nor we are general or special agents, representatives, joint venturers, partners or employees of the other for any purpose whatsoever. You are not entitled to workers' compensation, unemployment compensation, or any other statutory or regulatory benefit or right predicated on an employer-employee relationship. We have no obligation to carry workers' compensation coverage or pay unemployment compensation taxes or withhold any amounts from payment to you for federal income taxes or for federal social security taxes, unless otherwise required by applicable laws and regulations. We have no obligation to provide you with any employment and fringe benefits that we may provide to employees, such as health insurance, for example. The foregoing also applies to any relationship we have with your Personnel.

12.2. **Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or your Owners, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your responsibility.

## 13. **INDEMNIFICATION**

13.1. **By You.** You agree to indemnify, defend and hold harmless us, our affiliates and our respective members, directors, officers, owners, employees, agents, contractors, advisors, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all losses, expenses, judgments, settlements, claims, liabilities, reasonable attorneys' fees, costs (including, without limitation, expert witness fees, court costs, accountants' fees, travel and living expenses) and damages arising out of any claim directly or indirectly related to the operation of the Franchise or arising out of a breach of this Agreement or any other agreement with us or an affiliate of us as well as any and all taxes described in this Agreement provided, however, that you shall not be required to hold harmless or indemnify us for any claim to the extent it arises out of our gross negligence or willful misconduct. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

13.2. **By Us.** We agree to hold harmless and indemnify you against any claim for copyright, service mark or trademark infringement, including reasonable attorney's fees and court costs in connection with such claims, arising out of your authorized use of our materials or the Intellectual Property in accordance with this Agreement and the Operations Manual, provided you notify us in writing within ten (10) days, or within such shorter period as is necessary to avoid prejudice, after learning of any claim, and also provided we have the right to control any litigation or proceeding resulting from any such claim.

#### 14. **REPORTS, FINANCIAL STATEMENTS, INSPECTIONS AND AUDIT**

14.1. **Our Right to Audit.** We have the right at any time during your business hours, and upon forty-eight (48) hours prior notice to you, to inspect and audit, or cause to be inspected and audited, your business, bookkeeping, accounting and invoicing records, sales and income tax records and returns, and any other records related to the Franchise. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if we determine that Gross Revenue or any other fees are understated by one and one half percent (1.5%) or more you agree to reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys, independent accountants, and employees and their travel expenses, room and board. In addition, you must pay us the cost of annual audits for the three (3) years following the discovery of your understatement. You also must immediately pay us any shortfall in the amounts you owe us, including late fees and interest as described in Section 4. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

14.2. **Books and Records.** You shall establish and maintain, at your expense, a bookkeeping, accounting, and record keeping system conforming to the requirements prescribed by us from time to time including, but not limited to providing us (a) within thirty (30) days after the end of each quarter, a profit and loss statement and (b) within ninety (90) days after the end of the fiscal year a profit and loss statement, balance sheet, and cash flow statement for the immediately preceding fiscal year reflecting all year-end adjustments, each prepared in accordance with generally accepted accounting principles. You shall furnish us with copies of all federal and state income and sales tax returns the Franchise files with respect to the Franchise's business income or sales within thirty (30) days after the date they are filed.

#### 15. **TRANSFER**

15.1. **By Us.** This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests. We may assign our interest in this Agreement, directly or indirectly, by merger, assignment, pledge or other means, without your approval or consent. Nothing in this Agreement will be interpreted to place any restrictions on the issuance, sale or transfer of any shares of our capital stock.

15.2. **By You.** We have granted the Franchise to you in reliance upon our perceptions of your and your Owners' individual or collective character, skill, aptitude, business ability and financial capacity. Accordingly, you may make no Transfer (as defined below) without our prior written approval. Any purported Transfer without such approval will be a breach of this Agreement and will entitle us to terminate this Agreement.

15.3. **Definition of Transfer.** As used in this Agreement, the term “Transfer” means you or your Owners’ voluntary, involuntary, direct or indirect assignment, sale, gift, pledge, mortgage, disposal or other disposition of any legal or beneficial interest in: (i) this Agreement, (ii) any material asset of the Franchise; or (iii) fifty percent (50%) or more of the ownership interest in the Franchise entity, whether in the form of equity or voting interest (provided that a transfer of less than fifty percent (50%) of an Owner’s ownership interest in the Franchise entity, whether in the form of equity or voting interest, may occur in accordance with the requirements of Section 15.4 below). “Transfer” also includes (i) the merger or consolidation of your Franchise entity; or (ii) the issuance of additional securities or other ownership interests of the Franchise entity comprising fifty percent (50%) or more of the ownership interest whether in the form of equity or voting interest. It includes transfers resulting from proceedings under the U.S. Bankruptcy Code or any similar law, and transfers resulting from divorce.

15.4. **Transfer of Less than 50% of Franchise Entity.** Prior to the transfer, sale, gift, pledge, mortgage, disposal or other disposition of less than fifty percent (50%) of the total ownership in the Franchise by an Owner or Owners, you and such Owners must (a) provide us ten (10) days advance written notice, (b) comply with Section 15.6(a)(h), (i) and (j) hereof to our satisfaction, and (c) pay any of our out-of-pocket expenses related to your Transfer. In addition, the transferee must execute and agree to be bound by all the terms and conditions of the Personal Guaranty (if such transfer is for 10% or more of an ownership interest in the Franchise) and the Non-Compete and NDA Agreement.

15.5. **Notice of Transfer.** You agree to notify us of any planned Transfer and provide us with any information we may reasonably request in order to permit us to evaluate the planned Transfer. If we do not exercise our right of first refusal under Section 15.9, we agree not to unreasonably withhold our approval of a Transfer. If we approve the Transfer, then you will be free, for sixty (60) days following such approval, to effect the Transfer to the entity approved by us. If such Transfer does not occur within such sixty (60) day period, you must again comply with the consent provisions of this Section 15.

15.6. **Conditions for Approval of Transfer.** If you are in full compliance with this Agreement, then subject to the other provisions of this Agreement, we will approve a Transfer that meets all the applicable requirements of this Section:

- (i) the transferee and its Owners meet or exceed the approval criteria applied to new franchisees of the System, including, without limitation, passing a background check and having sufficient business experience, aptitude and financial resources to operate the Franchise, all at our sole discretion;
- (ii) you have paid all amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;
- (iii) the transferee has received all third party consents necessary to operate the Restaurant;
- (iv) if applicable, the new Owner-Operator and/or General Manager of transferee has agreed to complete the standard training program, at their expense;

- (v) the transferee has entered into our then-current form of Franchise Agreement and any required related agreements for a term ending on the expiration date of this Agreement and requiring no Initial Franchise Fee, provided that if the transfer is for an ownership interest in the Franchise of ten percent (10%) or more, the transferee or transferees of such ownership interest sign a personal Guaranty and Non-Compete and NDA Agreement and any other related agreements reasonably required by us;
- (vi) the transferee agrees to upgrade the Franchise to conform to our then-current System Standards within twelve (12) months of the transfer which upgrade includes but is not limited to the modernization of the Restaurant to reflect the then current image of Fat Patty's;
- (vii) you pay us a transfer fee equal to the greater of fifty percent (50%) of the then current franchise fee or \$10,000.00. You must submit to us a \$5,000 deposit at the time you submit an application for consent to transfer. We have the right to increase the deposit above \$5,000 and up to \$10,000 if we believe our costs and expenses will exceed \$5,000. We will refund the \$5,000 (or any increased deposit amount) less our costs and expenses (including our time) if the transfer is not completed. If the transfer proceeds, the balance (or any adjusted balance amount) on the transfer fee is due to us prior to the closing of the transfer and the entire transfer fee becomes nonrefundable at that time. Payment of the transfer fee is a condition of transfer.
- (viii) you and all transferring Owners have signed a general release in the form attached to this Agreement as Exhibit A of any and all claims against us and our affiliates, members, owners, officers, directors, employees, consultants, advisors, and agents;
- (ix) you have provided us with copies of all purchase related documents and we have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Franchise;
- (x) if you or your Owners finance any part of the sale price of the transferred interest, you and/or your Owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your Owners have reserved in the Franchise are subordinate to the transferee's obligation to pay Royalty Fees, Brand Building Fund Fees and other amounts due to us and otherwise to comply with this Agreement; and
- (xi) at our request, you and your transferring Owner-Operator or General Manager have agreed that you will provide guidance and support related to the Restaurant, Personnel, marketing, and System Standards compliance at the discretion of the transferee for a period of no less than thirty (30) days from the day the transferee satisfactorily completes all training.

15.7. **Transfer Upon Death or Disability.** Upon the death or disability of the Owner-Operator or of an Owner of a controlling interest in you, we may require you or such Owner-Operator or Owner (or such Owner-Operator's or Owner's executor, administrator, conservator, guardian or other personal representative) to Transfer such interest to a third party. Such disposition (including, without limitation, transfer by bequest or inheritance) must be completed not more than one hundred and eighty (180) days from the date of death or disability. Such disposition will be subject to all of the terms and conditions applicable to Transfers contained in this Section. A failure to Transfer the ownership interest of the deceased or disabled Owner-Operator or controlling Owner within this period of time constitutes a breach of this Agreement. For purposes of this Agreement, the term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent your Owner-Operator or an Owner of a controlling interest in you from managing and operating the Franchise.

15.8. **Operation Upon Death or Disability.** If, upon the death or disability of the Owner-Operator or Owner of a controlling interest in you, the Franchise is not being managed by a trained General Manager, then such Owner-Operator's or Owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a General Manager to operate the Franchise. Such General Manager will be required to complete training at your expense and must be approved by us. Pending the appointment of a General Manager as provided above or if, in our judgment, the Franchise is not being managed properly any time after the death or disability of the Owner-Operator or Owner of a controlling interest in you, we have the right, but not the obligation, to appoint a General Manager for the Franchise. At our discretion all funds from the operation of the Franchise during the management by our appointed manager may be kept in a separate account, and expenses of the Franchise, including compensation, other costs and travel and living expenses of our manager, may be charged to this account or may be paid from other accounts or assets of the Franchise. We also have the right to charge a management fee of twenty percent (20%) during the period that our appointed General Manager operates the Franchise. Operation of the Franchise during any such period will be on your behalf, provided that we only have a duty to utilize commercially reasonable efforts and will not be liable to you or your Owners for any debts, losses or obligations incurred by the Franchise or to any of your creditors for any products, materials, supplies or services the Franchise purchases during any period it is managed by our appointed manager.

15.9. **Effect of Consent to Transfer.** Our consent to a Transfer of this Agreement and the Franchise or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchise or transferee or a waiver of any claims we may have against you (or your Owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement

15.10. **Our Right of First Refusal.** If you and/or any Owner(s) in the aggregate receive a bona fide arm's length offer to purchase a fifty percent (50%) or more interest in (a) this Agreement, (b) in any material assets of the Franchise or (c) in the Franchise or you or any Owner proposes to Transfer any interest in this Agreement, in any material assets of the Franchise or in the Franchise, in whole or in part, to a person other than an entity of which your Owners are the sole owners, shareholders, members, or partners, you must first offer to sell said interest to us. You must provide us the terms of the offer received or made by you and we shall have thirty (30) days from the receipt

of said statement to either accept or refuse such offer. Acceptance by us must be at the same price and on the same terms set forth in the written statement submitted by you, provided that we may, in our sole discretion, substitute cash in place of any finance terms set forth in the written offer statement. If we fail to accept the offer within the thirty (30) day period, you are free to effect the disposition described in the statement upon the exact terms set forth in the statement delivered to us, provided that nothing in this Section may be interpreted as limiting the requirements of this Agreement relating to transfer of rights under this Section 15 and provided that, if the sale to such transferee is not completed within one hundred twenty (120) days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the thirty (30) day period following either the expiration of such one hundred twenty (120) day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option. Furthermore, if you are insolvent, or upon the filing of any petition by or against you under provisions of any bankruptcy law, we have the first right to purchase the Franchise, for the amount and pursuant to terms established by an independent appraiser selected by us. If this Agreement is terminated, expires or is not renewed, we may purchase any of your inventory, equipment, supplies or anything containing a Proprietary Mark for the lower of: (i) cost; or (ii) book value.

15.11. **Waiver of Interference Claims**. 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. You also acknowledge that our contact with potential transferees for the purpose of protecting our business interests will not constitute wrongful conduct, including without limitation, unlawful interference with your business or contracts. You expressly authorize us to investigate any potential transferee's character and qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Without limitation of the foregoing, you waive any claim that any action we take in relation to a proposed transfer to protect our business interests constitutes tortious interference with contractual or business relationships.

## 16. **RESTRICTIVE COVENANTS**

16.1. **Confidential Information**. During the Term, we will give you, and you will have access to, a variety of information concerning us, our affiliates and our business including: the Operations Manual; System Standards; methods, techniques, recipes, ingredients, procedures, and processes for cooking our food Products; methods for operating, managing and developing the Franchise; sales, marketing, distribution, performance, equipment, Product or supplies information; recruitment, training, coordination, marketing or compensation methods information; reporting methods; customer lists; billing and collection methods; know-how; procedures; financial information; Computer System information; other information about us and information about our Approved Suppliers; strategic partners, franchisees, business plans, employees, and independent contractors (collectively, the "**Confidential Information**"). We consider the Confidential Information to be confidential and our trade secrets. You acknowledge that we have expended and continue to expend great amounts of time, money and effort in devising, implementing and processing the Confidential Information.

16.2. **Restrictions On Use**. You will use your best efforts and diligence both during and after the Term to protect the Confidential Information and our Customer goodwill. You will not, directly or indirectly, use (for yourself or others) or disclose any of the Confidential Information to any other person or entity except as is necessary for the operation of your Franchise in

accordance with our System Standards. You will not disclose any element of the System, Intellectual Property, Marks, any of the trade secrets or the contents of the Operations Manual, or make the Operations Manual available, to any general or limited partner, shareholder, member, or equity Owner of Franchisee other than those Owners who are actively and regularly involved in the Restaurant's management and who have signed a Non-Compete and NDA Agreement.

16.3. **Mandatory Requests For Information.** If you or anyone to whom you transmit the Confidential Information becomes legally compelled (by court order, interrogatories, discovery requests for information or documents, subpoenas, civil investigative demands or similar process) to disclose any Confidential Information, you must immediately notify us in writing so that we may seek a protective order or other remedy. You will reasonably cooperate with us in our efforts to seek such protective order or other remedy. In any event, you will furnish only that portion of the Confidential Information which is legally required and exercise your best efforts to obtain reliable assurance that confidential treatment will be accorded to the Confidential Information.

16.4. **Return.** Upon termination, expiration or non-renewal, or any other time at our request, you must promptly deliver to us, or destroy at our request, any and all documents or other materials (including information embodied in intangible form, e.g., in computer memory) in your possession or control relating, directly or indirectly, to any Confidential Information and all copies of it without retaining any copies, duplicates, extracts or portions of it. Your Owner-Operator or a Owner or Owners holding a majority of the equity interests in the Franchise shall certify, within fifteen (15) days of our request, as to the return or destruction of all such information.

16.5. **Competitive Activities.** You acknowledge our legitimate business interest in the Confidential Information and customer goodwill associated with our System. Accordingly, during the Term, and for a period of eighteen (18) months following the expiration, termination or non-renewal of the Agreement for any reason, unless we otherwise permit in writing, you must not, directly or indirectly (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on your own account), do any of the following:

- (i) Participate in the development of, or engage in, or market, sell, distribute, render, provide, perform or sell the Products or similar products or services, or contribute your knowledge to, or have any financial interest in, any work or activity that relates to or involves any of the Confidential Information or is in any way engaged in the licensing, franchising, developing or operation of a business that serves chicken wings, chicken, hamburgers or similar or related Products of ours as a menu items or sells products similar to the Products sold by our System or our Franchisees (a "Competitive Business");
- (ii) within your Designated Area; (ii) within any geographic Designated area that we have assigned to another Franchise or in which we directly operate a Restaurant; (iii) via the Internet or other form of e-commerce, wherever located; or (iv) within twenty (20) miles of any Designated area of any Franchise in existence or under development during the Term.

- (iii) Solicit, divert, contact, take away or interfere with any of our business, Customers, brokers, insurers, suppliers, trade or patronage with whom we (or our affiliates or franchisees) do business or whom you know we have contacted or solicited for business relationships, or those of any of our affiliates or franchisees, as of the date of termination or expiration of this Agreement.

16.6. **Non-Disparagement**. You agree not to take any action or make any statement the effect of which would be to directly or indirectly materially impair our goodwill or our rights to our Intellectual Property or the goodwill of our affiliates, or be materially detrimental to us, our affiliates or our franchisees, including, but not limited to any action or statement intended, directly or indirectly, to benefit any of our competitors. This provision survives forever.

16.7. **Equitable Relief**. Due to our interest in the Confidential Information and Customer goodwill, you agree that damages cannot fully compensate us if you breach any provision of this Section 16 of this Agreement. Thus, if you breach any provision of Section 16 of this Agreement, we are entitled to an injunction restraining you from any further breach and other equitable relief. We may obtain the injunction without bond and without notice. Your only remedy if such an injunction is issued is its dissolution, if warranted, upon an appropriate hearing. You waive any claims for damages as a result of the obtaining of any such injunction. In the event that a court of competent jurisdiction shall determine that the scope of any part of this Section 16 shall be discerned as overly broad and unenforceable as written, the parties agree that such provision shall be amended by such court so as to be enforceable so that such provision shall not be stricken from this Agreement.

16.8. **Extension of Time Period**. The time period during which you are to refrain from the activities described in this Section, will be extended by any length of time during which you are in breach of Section 16 of this Agreement.

## 17. **TERMINATION**

17.1. **By Franchisor - Non-Curable Defaults**. We may, at any time, terminate this Agreement effective immediately upon written notice if you or any of your Owners:

- (i) are convicted by a trial court of, plead no contest or enter into a consent decree in connection with any violation of the rules or regulations of franchise laws, federal or state securities laws, or any felony or any other crime or offense that is likely to adversely affect your reputation, our reputation or otherwise involving any fraud or breach of trust, or to any crime or offense that may adversely affect the reputation of the goodwill associated with the Marks; or
- (ii) engage in any misconduct which unfavorably affects your reputation or that of any of your Owners or the goodwill associated with the Marks (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, sexual harassment, discrimination, fraud, embezzlement, or allowing unlawful activities or unauthorized or illegal items to be used or distributed in connection with the Franchise);

- (iii) make any unauthorized direct or indirect Transfer under Section 15 of this Agreement; or
- (iv) become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if you are dissolved; if execution is levied against your Franchise or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchise shall be sold after levy thereupon by any sheriff, marshal, or constable; or
- (v) fail to successfully complete Initial Training; or
- (vi) abandon or fail to operate the Franchise for three (3) consecutive days during which you are required to operate the Franchise under the terms of this Agreement or the Operations Manual, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake, or similar causes beyond your control; or
- (vii) breach Section 16 of this Agreement; or
- (viii) knowingly fail to report accurately the Gross Revenue of the Franchise; or intentionally fail to submit, in fully accurate and complete form and when required, any other report due under this Agreement; or you commit any act or omission constituting fraud, misrepresentation or similar act or omission, whether with respect to us, any related entities and/or any third party; or
- (ix) (i) default, on two (2) or more separate occasions within any period of twelve (12) consecutive months, in any obligation(s) (whether the same or different), whether or not such defaults are timely corrected, to us, any of our affiliates and/or a Cooperative or (ii) commit any default, or violate any material obligation to us, any of our affiliates and/or a Cooperative, which is incurable, or (iii) commit any material default, or violate any material obligation to us, any of our affiliates and/or a Cooperative which remains uncured after any applicable cure period, whether under this Agreement, any other agreement with us, any of our affiliates and/or a Cooperative, the Operations Manual or otherwise; or

- (x) fail to commence operation of the Franchise within the time prescribed in this Agreement; or
- (xi) make any material misrepresentation on your franchise application or supporting documentation; or
- (xii) uncured default under the lease agreement or loss of possession of the leasehold; or
- (xiii) revocation of the automatic debit agreement or tampering with the POS system in order to change data transmitted to Franchisor; or
- (xiv) failure to carry required insurance; or
- (xv) failure of three (3) consecutive quality assurance inspections.

17.2. **By Franchisor - Curable Breaches.** The occurrence of any of the following events shall constitute a curable default under this Agreement. You may cure such default by taking appropriate remedial action within a prescribed time after we demand remedial action. We will charge you a Non-Compliance Fee for each day a default remains uncured. Unless you cure such default before the end of the indicated remedial period, we may terminate this Agreement or take any other actions as this Agreement permits including choosing to cure the breach ourselves and charging you for our costs and expenses. We may terminate this Agreement upon written notice to you if you or any of your Owners:

- (i) submit a financial report or other data, information or supporting records which understate by more than two percent (2%) the Gross Revenue, or other fees due by you, for any reporting period, and you unable to demonstrate within five (5) days after written notice from us that such understatements resulted from an inadvertent error; or
- (ii) fail to remit any payments immediately when due to us and fail to cure such breach within ten (10) days after written notice from us; or
- (iii) fail to remit any payments immediately when due to a supplier, vendor, broker, landlord, the Cooperative or other third party owed by the Franchise and fail to cure such breach within thirty (30) days after written notice from us or such supplier, vendor, broker, Cooperative or other third party; or
- (iv) make any unauthorized use of the Marks or otherwise violate any of the provisions of Section 9 hereof which is not cured within five (5) days after written notice from us; or
- (v) fail to submit to us any financial or other information required under this Agreement and fail to cure such breach within ten (10) days after written notice from us; or
- (vi) breach any other obligation, covenant or representation under this Agreement (other than the non-curable defaults described in Section 17.1 above) and fail to remedy such breach within thirty (30) days after written notice from us specifying the breach alleged to have occurred and the action

to be taken by you curing the same, including but not limited to: (i) your failure operate the Franchise in accordance with the Operations Manual and/or other manuals, (ii) failure to conform to our System Standards, or failure in any other way to maintain our standards of quality in the operation of the Franchise, or (iii) taking or using for your own personal use any assets or property of the Franchise.

17.3. **Cross Defaults, Non-Exclusive Remedies, Etc.** Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any affiliate of ours) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, between us (or any of our affiliate) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliate) or a Cooperative may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any loan agreement, security agreement, lease or otherwise, related to your Franchise or the System whether with us, any of our affiliate and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliate) and you (or any of your affiliate).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights hereunder (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations in accordance with the terms of this Agreement. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

17.4. **Rights upon Default.** Except in the case of death or disability which is governed by Section 15.8 hereof, if we determine in our sole judgment that the operation of your Franchise is in jeopardy, or if you are in default under this Agreement, then in order to prevent an interruption of the Franchise which would cause harm to the System and thereby lessen its value, you authorize us to operate your Franchise for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement ("Step-In Rights"). We shall keep in a separate account all monies generated by the operation of your Franchise, less the expenses of the Franchise, including a management fee of twenty percent (20%) of Gross Revenue provided that if expenses exceed Gross Revenue then you are responsible for such shortfall. In the event of the exercise of the Step-In Rights by us, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of our Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

17.5. **Obligations Upon Termination/Expiration.** Upon any expiration or termination of this Agreement for any reason, you must, at your cost and expense:

- (i) immediately cease to use any of the Confidential Information, the Intellectual Property and the Marks;
- (ii) immediately return to us (or destroy upon our request) all of your copies of any materials containing any of the Confidential Information or the Intellectual Property or any materials bearing the Marks and all copies and

- (iii) records of the Lists and any other materials relating to the Franchise we reasonably request;
- (iv) at our discretion, take whatever steps may be necessary to effect the collateral assignment of lease provision in the Lease Addendum;
- (v) cooperate in assigning to us or to a person or entity by us any and all vendor agreements or sales or service contracts related to your Franchise, which will be automatic at our option as a result of the termination or expiration;
- (vi) immediately cease all use of our Marks and Intellectual Property, including any of our marketing materials and brochures and stop holding yourself out to the public as associated with us in any way;
- (vii) immediately terminate your use and access to the e-commerce activities we designate and assign to us all telephone numbers, e-name and directory listings associated in any way with the Fat Patty's Franchise and our Marks, and direct the telephone company to transfer all such numbers and listings to us or our designee;
- (viii) immediately pay us all unpaid fees and pay us, our affiliates, and our approved and suppliers and vendors, all other monies owed; and
- (ix) comply with the post-termination covenants set forth in Section 16 hereof, all of which will survive the transfer, termination or expiration of this Agreement.

Alternatively, we may elect in our sole discretion, to undertake the obligations set forth in subsection (a)-(g) above and charge you for our costs and expenses. The costs and expenses charged under this Section are in addition to any liquidated damages set forth in Section 17.7 below. You and each of your Owners hereby irrevocably appoint us as the Franchise's attorney-in-fact to undertake any obligations set forth in this Section or sign any documents on your behalf to effectuate the provisions of this Section 17.6.

17.6. **Liquidated Damages.** You acknowledge and agree that if we terminate this Agreement or if you terminate this Agreement in violation of the terms hereof or otherwise abandon your Franchise, we will incur damages, the actual amount of which would be speculative and difficult to calculate. As such, you agree to pay us, within fifteen (15) days after the effective date of such unauthorized termination or abandonment, in addition to all other amounts then owed to us under the Agreement, the agreed upon liquidated damages amount equal to the average monthly Royalty Fees and Brand Building Fund Fees you owed during the twelve (12) months of operation preceding the effective date of termination or abandonment multiplied by the lesser of (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower. If you have not been in continuous operation for the twelve (12) months preceding the effective date of termination or abandonment then we will take the average of all franchisees for the preceding twelve (12) months to determine the multiplier. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages and not a penalty or punitive in nature. The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees and Brand Building Fund Fees. It does not cover any other damages, including damages to our reputation with the public and damages arising from a violation of any provision of this Agreement other than the

Royalty Fee and Brand Building Fund Fee Sections. You and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee and Brand Building Fund Fee Sections.

17.7. **Survival.** All obligations under this Agreement (whether yours or ours) which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding the expiration or termination of this Agreement until such provisions are satisfied in full or by their nature expire.

17.8 **Security Interest.** To secure payment and performance of the Obligations, as defined herein, the Franchisee grants to the Franchisor a continuing security interest in the following “Collateral” which shall consist of all of the following properties, assets and rights of Franchisee: all goods (including inventory, equipment, furniture and signs), accounts, fixtures, and contract rights (including interests under all real and personal property leases) of or relating to the Restaurant, wherever located, now owned or hereafter acquired, and in all improvements, attachments, additions, accessions, replacements and substitutions thereto and proceeds and products therefrom, including but not limited to, cash derived from the operation of the Restaurant.

(i) **Obligations.** “Obligations” shall mean:

(a) All obligations, including payments for inventory, equipment and supplies, obligations and payments under this Agreement and other agreements between the Franchisor, its affiliates and the Franchisee and other amounts and obligations owed to the Franchisor.

(b) All expenditures of any kind or nature made by the Franchisor to preserve the Collateral, including, but not limited to, all amounts paid to discharge taxes, liens, security interests and any other encumbrances against the Collateral, and to repair any damage to the Collateral or otherwise preserve or maintain the Collateral and all insurance thereon.

(c) All expenditures made or incurred by the Franchisor pursuant to the provisions of any credit agreements, any promissory notes and this Agreement.

(d) All other indebtedness, obligations and liabilities of the Franchisee to the Franchisor, its affiliates or other third parties, direct or indirect, absolute or contingent, due or to become due, whether now existing or hereafter arising.

(ii) **Authorization to File Financing Statements.** The Franchisee hereby irrevocably authorizes the Franchisor at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto and to furnish any information relating to such filings to the Franchisor promptly upon the Franchisor’s request. The Franchisee further agrees, at the request and option of the Franchisor, to

take any and all other actions the Franchisor may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of the Franchisor to enforce, the Franchisor's security interest in any and all of the Collateral.

(iii) **Possession of Collateral.** Upon default and termination of the Franchisee's rights under this Agreement, the Franchisor shall have the immediate right to possession and use of the Collateral.

(iv) **Remedies.** Upon the occurrence of any event of default set forth above or upon the occurrence of any other default in payment or performance of any Obligations for which this security interest is granted, the Franchisor shall have, in addition to all other rights and remedies, the remedies of a secured party under the Uniform Commercial Code as then in effect in the state in which the Restaurant is located ("UCC"), regardless of whether the UCC applies to the security transactions covered by this Agreement, including without limitation the right to accelerate the maturity of the obligations, without notice or demand, and to take possession of the Collateral and any proceeds thereof wherever located. The Franchisee shall assemble the Collateral and make the Collateral and all records relating thereto available to the Franchisor at a place to be by the Franchisor that is reasonably convenient for both parties. If notice is required, the Franchisor shall give to the Franchisee at least 5 business days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition is to be made. The Franchisee hereby acknowledges that 5 business days prior written notice of such sale or sales shall be reasonable notice. During the time that the Franchisor is in possession of the Collateral, and to the extent permitted by law, the Franchisor shall have the right to hold, use, operate, manage and control all or any part of the Collateral; to make all such repairs, replacements, alterations, additions and improvements to the Collateral as it may deem proper; and to demand, collect and retain all earnings, proceeds from such use and all other costs, expenses, charges, damage or loss by reason of such use.

#### 17.9 **Lease / Purchase Rights.**

(i) With respect to Restaurant premises owned by Franchisee, in the event of termination of this Agreement, Franchisor shall have, for 30 days after the termination is effective, an option, exercisable upon written notice to Franchisee within such 30-day period, to elect to purchase the Restaurant premises from Franchisee for the fair market value of the land and buildings, furnishings and equipment located therein;

(ii) If the parties cannot agree on the purchase price or other terms of purchase within 30 days following Franchisor's exercise of its option pursuant to this Section 17.9 the price or disputed terms of purchase shall be determined by three appraisers, with each party selecting one appraiser and the two appraisers, so chosen, selecting the third appraiser. In the event of such an appraisal, each party shall bear its own legal and other costs and shall split equally the appraisal fees. The appraisers' determination of the price and other disputed terms of purchase shall be final and binding;

(iii) If the Restaurant premises are leased by Franchisee from a third-party, such lease must allow Franchisee to assign the lease to Franchisor. Upon termination of this Agreement for any reason, Franchisor has the right, exercisable upon written notice to Franchisee within 30 days after termination is effective, to require Franchisee to assign all Franchisee's rights and obligations under the lease to Franchisor and to immediately surrender possession of the premises, including all fixtures and leasehold improvements, to Franchisor. The lessor may not impose any assignment fee or other similar charge on Franchisor in connection with such assignment. If Franchisor exercises that right, it has an additional right, to be exercised within 30 days after taking possession of the premises, to purchase all of Franchisee's equipment, signs, décor items, furnishings, supplies and other products and materials at their then-fair market value. If the parties cannot agree on the price, the price will be determined in the manner set forth in connection with Franchisee-Owned Restaurant premises. If Franchisor elects not to purchase the items mentioned above, Franchisee shall, at Franchisee's own expense and under Franchisor's supervision remove those items from the premises within 10 days after such final election, or 10 days after expiration of the option period, whichever is earlier. If Franchisee fails to remove all such property from the premises within such period, Franchisor shall be entitled to do so, or to authorize a third-party to do so, all at Franchisee's expense.

**18. NOTICE.** All notices, requests, consents and other communications required hereunder shall be in writing and shall be duly given if hand delivered and a signed receipt obtained, sent by registered or certified mail, postage prepaid, return receipt requested, sent by recognized overnight express type service, or sent by telecommunication with confirmed delivery, including electronic mail and facsimile, addressed:

If to us:  
FP Franchisor LLC  
Attn: Yannick Bastien  
4530 St. Johns Avenue, Suite 15-323  
Jacksonville, Florida 32210-3356  
Email: [yannick@arcgrpinc.com](mailto:yannick@arcgrpinc.com)

If to you, to the address, email and facsimile indicated on Schedule I to this Agreement. In the alternative, notice shall be sent to such other address as you or we shall have specified in a written notice given to the other party. Each such notice shall be deemed delivered (a) on the date delivered, if by personal delivery; (b) on the date delivered, if by overnight express type service; (c) on the date of transmission by telecommunication with confirmed delivery, if by electronic mail or other electronic method; and (d) on the first occurring of (i) three (3) days after mailing, postage prepaid, or (ii) the date upon which the return receipt is signed or delivery is refused or the notice is by the postal authorities as not deliverable, as the case may be, if mailed. Any notice provided by electronic mail or other electronic method shall be confirmed by one of the delivery methods listed under subsection (a), (b), or (d).

**19. NO GUARANTIES.** We disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenue, sales, profits or success of the Franchise contemplated by this Agreement or the extent to which we will continue to develop and expand the System. You acknowledge that:

- (i) any statements regarding the potential or probable revenue, sales or profits of the Franchise are made solely in the Disclosure Document delivered to you prior to signing this Agreement;

- (ii) any statement regarding the potential or probable revenue, sales or profits of the business venture or statistical information regarding any existing Fat Patty's Franchises that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable and should be reported to us immediately;
- (iii) any information you obtained from our franchise associates relating to revenue, sales, profits or otherwise does not constitute information obtained from us and we do not warrant or guaranty the accuracy of any such information; and
- (iv) you have not received or relied on any representations about the Fat Patty's Franchise made by us, or our officers, directors, employees or agents that are contrary, or in addition, to the statements made in our Franchise Disclosure Document or to the terms of this Agreement.

INITIAL HERE \_\_\_\_\_

**20. BUSINESS ORGANIZATION.** You must be a business organization (like a corporation, limited liability company or partnership) (a "Business Entity"). You agree and represent that:

- (i) You have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;
- (ii) Your organizational or governing documents will recite that you will only conduct the business of a Fat Patty's Franchise and no other, the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;
- (iii) At our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your Owners and your agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).

**21. DISPUTE RESOLUTION**

21.1. **Governing Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 and the sections following it) or other federal law, this Agreement and the Franchise shall be enforced and governed by and under the substantive law of the State of Florida, without regard to choice of law rules, unless otherwise provided herein.

21.2. **Jurisdiction.** Except as otherwise set forth herein, the exclusive venue and exclusive forum for all disputes between the parties shall be any court of general jurisdiction located in Duval County, Florida and/or the United States District Court in or closest to Duval County, and the parties to this Agreement hereby waive any and all objections with regard to personal jurisdiction and/or venue.

21.3. **Internal Dispute Resolution.** You must first bring any claim or dispute between you and us to our President, after providing notice as set forth in Section 18 above. We must respond to your notice inquiry within ten (10) days of receipt or otherwise it is deemed denied. You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

21.4. **Mediation.** At our sole discretion, any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, may be submitted to non-binding mediation conducted before a sole neutral mediator referred by Franchise Arbitration and Mediation Services (“FAM”), in accordance with FAM’s Mediation Guidelines, which are available at FAM’s website ([www.franarb.com](http://www.franarb.com)) or by the American Arbitration Association (“AAA”) in accordance with its Commercial Mediation Procedures. Mediation will be conducted in Duval County, Florida. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between you and us. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. We will notify you of our election to submit any dispute to non-binding mediation within thirty (30) days of receiving written notice of a dispute, claim, or alleged cause of action from you or at the time we provide you with notice of a dispute, claim, or alleged cause of action, as applicable.

21.5. **Arbitration.** At our sole discretion, any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, may be resolved by submission to binding arbitration by and before a neutral franchise attorney referred by FAM or AAA and selected by the parties in accordance with the Federal Arbitration Act (“FAA”) and FAM's Arbitration Guidelines (available on FAM's website: [www.franarb.com](http://www.franarb.com)) or the then- existing Commercial Arbitration Rules of the AAA. All hearings and other proceedings will take place in Duval County, Florida. We will notify you of our election to submit any dispute to arbitration (i) within thirty (30) days of receiving written notice of a dispute, claim, or alleged cause of action from you, or (ii) within thirty (30) days of a non-binding mediation determination pursuant to Section 21.4 above, or (iii) at the time we provide you with notice of a dispute, claim, or alleged cause of action, as applicable.

(i) The following shall supplement and, in the event of a conflict with any law or rule, including but not limited to the FAA or the AAA Commercial Arbitration Rules, shall govern any dispute submitted to arbitration. The arbitrator shall be a member in good standing of the Bar of the State of Florida. The parties shall select one arbitrator from the proposed list of arbitrators provided by FAM or the AAA, as applicable. If the parties are unable to agree upon an arbitrator, each party to the dispute shall have fifteen (15) days from the transmittal date of the proposed list in which to strike names objected to, number the remaining names in order of preference, and return the list to FAM or the AAA, as applicable. If a party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, and in accordance with the order of mutual preference, FAM or the AAA as applicable shall invite the acceptance of an arbitrator to serve. If the parties fail to agree on any of the persons named, or if acceptable arbitrators are unable to act, or if for any other reason the appointment cannot be made from the submitted lists, the process of submitting lists shall continue until a suitable arbitrator is selected. In all aspects of conducting the arbitration and in rendering his or her decision, the arbitrator shall enforce and apply the substantive laws of the State of Florida for interpretation of this Agreement, without regard to choice of law rules.

(ii) The arbitrator shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to a state or federal court located in or closest to Duval County, Florida and, if confirmed, may be subsequently entered and/or docketed, including as a judgment, in any court having competent jurisdiction. Similarly, any appeals from and/or relating to any arbitration which may be brought in accordance with this Section 21.5 shall be heard before the state or federal courts located in or closest to Duval County, Florida.

(iii) The arbitration provisions of this Agreement shall survive any termination or expiration of this Agreement.

21.6. **Injunctive Relief.** Nothing contained in this Agreement shall prevent us from applying to and/or obtaining, from any court having competent jurisdiction, a writ of attachment, injunctive relief, including without limitation a temporary injunction or preliminary injunction, and/or other emergency relief available to safeguard and protect our interests. We are entitled to seek this relief without the posting of any bond or security and, if a bond is nevertheless required by a court of competent jurisdiction, the parties expressly agree that the sum of \$1,000 is a sufficient bond.

21.7. **Third Party Beneficiaries.** Our officers, directors, members, agents, representatives, affiliates, the Cooperative and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation and arbitration provision set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate/litigate claims asserted against such person(s) by you or asserted in relation to this Agreement.

21.8. **Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, you must notify us within sixty (60) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

21.9. **Cumulative Remedies.** The remedies available to any party if the other party breaches this Agreement are cumulative. The exercise of any remedy will not limit any other remedies that may be available. Both parties will also be entitled to any and all remedies available under applicable law.

21.10. **Waiver of Punitive Damages.** WITHOUT LIMITING YOUR OBLIGATIONS TO INDEMNIFY US OR PAY LIQUIDATED DAMAGES PURSUANT TO THIS AGREEMENT, BOTH PARTIES EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO, OR CLAIM OF, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS AND ANY OTHER DAMAGES AWARD SPECIFICALLY REFERENCED IN THIS AGREEMENT.

21.11. **Limitations of Claims.** ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP BETWEEN AND/OR AMONG YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN 1 YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) INDEMNIFICATION; OR (B) UNAUTHORIZED USE OF THE MARKS, INTELLECTUAL PROPERTY OR CONFIDENTIAL INFORMATION. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

21.12. **Waiver of Jury Trial.** BOTH PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US.

21.13. **Waiver of Class Actions.** Each of the parties hereby irrevocably waives the right to litigate on a class action basis, in any action, proceeding, or counterclaim, whether at law or in equity, brought by any party.

21.14. **Arbitration/Litigation Expenses.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to the terms of this Agreement, the prevailing party shall be entitled to full reimbursement of its arbitration or litigation expenses from the other party. Litigation or arbitration expenses include reasonable attorneys' fees, arbitrator's fee, defense costs, witness fees including expert witness fees and costs and other related expenses including paralegal fees, administrative costs, investigative costs, court reporter fees, sales and use taxes, if any, travel and lodging expenses, court or arbitration costs, and all other charges billed by the attorneys to the prevailing party. Reimbursement is due within thirty (30) days of written notice of an award or other notice of the expenses due. If we engage legal counsel for your failure to pay when due any monies owed under this Agreement or to submit when due any reports, information or supporting records, or for any failure otherwise to comply with this Agreement, you must reimburse us on demand for all of the above-listed expenses we incur.

## 22. MISCELLANEOUS

22.1. **Severability**. If any of the provisions of this Agreement are held invalid for any reason, the remainder will not be affected and will remain in full force and effect in accordance with its terms.

22.2. **Waivers**. Waiver of any provision of this Agreement will not be valid unless in writing and signed by the person against whom it is sought to be enforced. The failure by either party to insist upon strict performance of any provision will not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same provision at any other time, or any other provision of this Agreement.

22.3. **Entire Agreement**. This Agreement, including any schedules, amendments, addenda and exhibits compose the entire Agreement between the parties relating to its subject matter and supersedes all prior agreements, proposals, representations and commitments, oral or otherwise; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. This Agreement may only be amended by an instrument signed by the authorized officers of both parties.

22.4. **Construction**. The headings of sections are for convenience only and do not define, limit or construe the contents of such sections. All words used in this Agreement, regardless of the number or gender in which they are used, will be construed to include any other number, singular or plural, in any other gender, masculine, feminine or neuter, as the context of this Agreement may require. Unless otherwise specifically stated in this Agreement, the term “day” means calendar day.

22.5. **Counterparts**. The parties may sign this Agreement in counterparts. Each signed counterpart will be an original; and all of them constitute one and the same Agreement.

22.6. **Timing**. Time is of the essence of this Agreement. However, whenever the time for the performance of any action or condition contained in this Agreement falls on a Saturday, Sunday or legal holiday, such time will be extended to the next business date. Indications of time of day mean time at Jacksonville, Florida.

22.7 **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 of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, 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, shall constitute good cause for immediate termination of this Agreement.

22.8 **Interpretation**. Each of the parties agrees that they have been or have had the opportunity to have been represented by their own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement.

None of the parties can, while this Agreement is effective or after its termination, assert that any provisions of this Agreement or any of the other documents should be construed against the drafter of this Agreement or any of the other documents.

Intending to be bound, the parties sign below:

\_\_\_\_\_  
Franchisee Entity

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

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

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

FP Franchisor LLC

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

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

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

SCHEDULE I  
FRANCHISE DESCRIPTION

Effective Date of Franchise Agreement \_\_\_\_\_

Franchisee: \_\_\_\_\_

Owner-Operator (if applicable): \_\_\_\_\_

Control Person: \_\_\_\_\_

Direct and Indirect Owners:

Name	Address	Email	% Ownership

Initial Franchise Fee: \_\_\_\_\_

Restaurant Site: \_\_\_\_\_

Restaurant Development Area (if no site): \_\_\_\_\_

Designated Area: \_\_\_\_\_

Required Open Date: \_\_\_\_\_

Pre-Opening Assistance Team Fee: \_\_\_\_\_

Notice Address: \_\_\_\_\_

**EXHIBIT A  
GENERAL RELEASE**

This General Release Agreement (the “Release”) is made by the undersigned \_\_\_\_\_ (together, the “Releasor”) for the benefit of FP Franchisor LLC a Florida limited liability company, and all of its affiliates (together, “Franchisor”), on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**RECITALS**

WHEREAS, Releasor is a Fat Patty’ s Franchisee operating a Fat Patty’ s Franchise (the “Franchise”) under that Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”);

WHEREAS, Releasor desires to transfer or renew the Franchise in accordance with the Franchise Agreement; and

WHEREAS, all capitalized terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

NOW, THEREFORE, in consideration of the consent by Franchisor to the transfer (the “Transfer”) or renewal (“Renewal”) of the Franchise and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Releasor hereby covenants and promises as follows:

(1) Releasor hereby absolutely and forever releases and discharges Franchisor from any and all claims, demands, damages, debts, liabilities, accounts, costs, expenses, liens, losses, charges, actions, suits, proceedings and causes of action of every kind and nature whatsoever (“Released Matters”), whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor-franchisee relationship in connection therewith or the operation of the franchised business.

(2) Releasor hereby understands and agrees that this Release shall extend to and be binding upon any and all of Releasor’s attorneys, officers, members, directors, owners, employees, agents, heirs, estate executors, administrators, successors, affiliates, associates and assigns and their respective insurers and underwriters. If more than one party shall execute this Release, the term “Releasor” shall mean all parties executing this Release, and all parties shall be bound by its terms.

(3) Releasor hereby understands and agrees that this Release shall extend to and inure to the benefit of any and all of Franchisor’s attorneys, officers, directors, owners, employees, agents, authorized representatives, estate, legal representatives, successors, affiliates, associates and assigns, and its and their respective insurers and underwriters.

(4) Releasor hereby understands and agrees that this Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made with respect to this Release, other than those set forth in this Release, and that in executing this Release, Releasor is not relying upon any representations, warranty, agreement or covenant not set forth in this Release.

(5) If any of the provisions of this Release are held invalid for any reason, the remainder will not be affected and will remain in full force and effect in accordance with its terms.

(6) This Release and all acts and transactions under it shall in all respects be interpreted, enforced and governed by the internal laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned hereto have executed this Release effective as of the date first set forth above.

RELEASOR

\_\_\_\_\_

Franchisee

BY: \_\_\_\_\_

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

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

\_\_\_\_\_

Individually

\_\_\_\_\_

Individually

\_\_\_\_\_

Individually

**AGREED AND ACKNOWLEDGED:**

FP Franchisor LLC

BY: \_\_\_\_\_

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

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

**EXHIBIT B**  
**PERSONAL GUARANTY AND ASSUMPTION OF OBLIGATIONS**

This Guaranty must be signed by the owners (referred to as “you” or “your” for purposes of this Guaranty only) of \_\_\_\_\_ (the “**Business Entity**”) under the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “**Franchise Agreement**”) with FP Franchisor LLC (“us,” or “our” or “we”). Terms not defined herein shall have the meaning set forth in the Franchise Agreement.

1. **Scope of Guaranty.** In consideration of and as an inducement to our signing and delivering the Franchise Agreement, each of you signing this Guaranty personally and unconditionally: (a) guarantee to us and our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement.
2. **Waivers.** Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.
3. **Consents and Agreements.** Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Franchise Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Franchise Agreement and, for obligations surviving the termination or expiration of the Franchise Agreement, after its termination or expiration; and (f) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Franchise Agreement and despite the transfer of any interest in the Franchise Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers of the underlying Franchise Agreement or other related agreement.
4. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants’, attorneys’, attorney’s assistants’, mediators’, arbitrators and expert witness fees, costs of investigation and proof of facts, court costs, filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.
5. **Effectiveness.** Your obligations under this Guaranty are effective on and from the Franchise Agreement Effective Date, regardless of the actual date of signature.

6. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Florida, which laws shall prevail in the event of any conflict of law.
7. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Guaranty to our President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Guaranty.
8. **Dispute Resolution.** At our option, all claims or disputes between you and us arising out of, or in any way relating to, this Guaranty or the Franchise Agreement or any other agreement by and between you and user, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to mediation and then arbitration as set forth in the Franchise Agreement. This agreement to mediate and arbitrate at our option shall survive the termination or expiration of this Guaranty.
9. **Third Party Beneficiaries.** Our officers, directors, owners, members, agents, representatives, affiliates, the Cooperative and/or employees are express third party beneficiaries of the Franchise Agreement and this Guaranty, and the mediation and arbitration provisions incorporated by reference herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.
10. **Injunctive Relief.** Nothing contained in this Guaranty shall prevent us from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interest prior to the filing of any mediation proceeding or pending the arbitration or handing down of a decision or award pursuant to any mediation or arbitration conducted hereunder.
11. **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation or arbitration, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Duval County, Florida and the jurisdiction and venue of the United States District Court in or closest to Duval County, Florida.
12. **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM US OF THE FRANCHISE.
13. **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages, and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable, for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.
14. **Waiver of Class Actions.** Each of the parties hereby irrevocably waives the right to litigate on a class action basis, in any action, proceeding, or counterclaim, whether at law or in equity, brought by any party.

15. **Limitation on Action.** You agree that no cause of action arising out of or under this Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

Each of you now sign and deliver this Guaranty effective as of the date of the Franchise Agreement regardless of the actual date of signature.

**PERCENTAGE OF OWNERSHIP  
INTEREST IN BUSINESS ENTITY**

**GUARANTORS**

PERCENTAGE: \_\_\_\_\_%

NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

PERCENTAGE: \_\_\_\_\_%

NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**EXHIBIT C**  
**NON-COMPETE, CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT**

I, \_\_\_\_\_ agree that during my association with \_\_\_\_\_ (“Franchisee”) a franchisee of FP Franchisor LLC (including its affiliates, collectively referred to as “Fat Patty’s”) and for eighteen (18) months immediately thereafter, I will not (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on my own account):

(a) Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of business or revenue or any customer, broker, insurer, supplier, trade or patronage with whom Franchisee, Fat Patty’s, any affiliate of Fat Patty’s or any other franchisee does business or whom I know Franchisee, Fat Patty’s, any affiliate of Fat Patty’s or any other franchisee has contacted or solicited for business relationships; or

(b) Within the Non-Compete Area (defined below), participate in the development of, or engage in, or market, sell, distribute, render, provide, perform or sell (including through licensing or franchising) products, goods, or services the same or similar to the products, goods, or services offered by the Franchisee or Fat Patty’s, or contribute my knowledge or have any financial interest in any work or activity that relates to or involves or is in any way engaged in the licensing, franchising, developing or operation of a business that serves chicken wings, chicken, hamburgers or similar or related products as a menu items any related services or products; or

(d) Induce or attempt to induce, or solicit any of Franchisee’s, Fat Patty’s or other Fat Patty’s affiliates’ or franchisees’, strategic partners, customers, employees, sales associates, brokers, personnel or other independent contractors to accept employment or a business affiliation of any kind with you; or

(e) Perform or contribute to any other act injurious or prejudicial to the goodwill associated with Fat Patty’s or its trademarks, trade names or other intellectual property.

In addition to the above, I agree to at all times during and after this Agreement, treat as confidential all manuals and materials designated for use with by Fat Patty’s for the Franchisee’s business and in the Fat Patty’s franchise system (the “System”) (including without limitation the Operations Manual), and such other information as Fat Patty’s or the Franchisee may designate from time to time for confidential use with the System (as well as all trade secrets and confidential information, knowledge and know-how concerning the operation of the Franchise that may be imparted to, or acquired by, me from time to time in connection with my relationship with Fat Patty’s and the Franchisee), and shall use all reasonable efforts to keep such information confidential. I acknowledge that the unauthorized use or disclosure of such confidential information (and trade secrets, if any) will cause incalculable and irreparable injury to Fat Patty’s and the Franchisee. I accordingly agree that I shall not, at any time, without Fat Patty’s and the Franchisee’s prior written consent, disclose, use or permit the use (except as may be required by applicable law or authorized by this Agreement) of such information, in whole or part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about Fat Patty’s Standards and such other information or material as Fat Patty’s or the Franchisee may designate as confidential, shall be deemed confidential for purposes of this Agreement.

The "Non-Compete Area" means: (1) in Franchisee's Designated Area as granted by Fat Patty's to Franchisee under their Franchise Agreement and within twenty (20) miles of such Franchisee's designated area, (2) within any other Fat Patty's Franchisee designated area or other business which is franchised, owned, operated or managed by Fat Patty's, (3) via the Internet or other form of e-commerce, wherever located; or (4) within twenty (20) miles of any designated area of any franchisee in existence or under development during the term of the Franchise Agreement between Fat Patty's and Franchisee.

In the event that a court of competent jurisdiction shall determine that the scope of any part of this Agreement shall be discerned as overly broad and unenforceable as written, the parties agree that such provision shall be amended by such court so as to be enforceable so that such provision shall not be stricken from this Agreement.

Because of my significant responsibilities and access to proprietary information of the Fat Patty's and the Franchisee, I acknowledge that each of my obligations in this Agreement are reasonable and necessary to protect the Franchisee's, Fat Patty's and its franchisees' legitimate business interests. I understand that breaking any of my promises or obligations will irreparably and continually damage Franchisee, Fat Patty, and Fat Patty's Franchisees for which money damages may not be adequate.

Consequently, if I violate any of my promises in this Agreement, or Fat Patty's and/or Franchisee has reason to believe that I am about to violate this Agreement, without limitation to other available remedies, Fat Patty's and Franchisee will be entitled to both: (1) a preliminary or permanent injunction and/or any other equitable remedy to prevent the continuing harm to Fat Patty's (and/or any of its franchisees) and/or Franchisee, and (2) money damages insofar as they can be determined. An injunction ordering me to stop any activities that may violate this Agreement will not prevent me from earning a living. I will pay Fat Patty's and/or Franchisee its costs and expenses resulting from any enforcement of this Agreement resulting from my violation of the terms hereof, including reasonable attorney fees.

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

\_\_\_\_\_  
Date

**AGREED AND ACKNOWLEDGED:**

FP Franchisor LLC

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

**EXHIBIT D**  
**ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION**

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Franchisee Information:

Franchisee Name	
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Franchisee Mailing Address (street)

Franchise Phone No.

---

Franchisee Mailing Address (city, state, zip)

---

Contact Name, Address and Phone number (if different than above)

---

---

Bank Account Information:

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Bank Name

Bank Account No.

---

Bank Mailing Address (street)

Bank Routing No.

[: [:

(9 characters)

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Bank Mailing Address (city, state, zip)

Bank Phone No.

---

Payee Information

FP Franchisor LLC

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Authorization:

The Franchisee hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to the Payee. The amount of such charge shall be set forth in a notice from the Payee presented to the Bank on Wednesday of each week. The Franchisee agrees to execute such additional documents as may be reasonably requested by the Payee or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until the Payee has received written notification from the Franchisee in such time and manner as to afford the Payee and the Bank to act on such notice. The Franchisee understands that the termination of this authorization does not relieve the Franchisee of its obligations to make payments to the Payee.

Signature:

Date:

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**INDEMNIFICATION OF BANK**

In consideration of the Bank's compliance with the foregoing request and authorization, the Payee agrees with respect to any action by the Bank in compliance with the foregoing request and authorization to indemnify the Bank and hold the Bank harmless for, from and against any loss the Bank may suffer as a consequence of the Bank's actions from or in connection with the execution and issuance of any electronic fund transfer or draft, whether or not genuine, purporting to be executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, except to the extent such loss caused by the negligence or willful misconduct of the Bank.

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**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

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**EXHIBIT E**  
**FORM OF LEASE ADDENDUM**

This Addendum ("Addendum") to Lease, dated \_\_\_\_\_, 20\_\_\_\_, is entered into by and between \_\_\_\_\_ ("Lessor"), and \_\_\_\_\_ ("Lessee").

A. The parties hereto have entered into a certain Lease Agreement, dated \_\_\_\_\_, 20\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_ ("Lease").

B. Lessor acknowledges that Lessee intends to operate a Fat Patty's Franchise Business from the leased premises ("Premises") pursuant to a Franchise Agreement ("Franchise Agreement") with FP Franchisor LLC ("Franchisor") under the name Fat Patty's or other name designated by Fat Patty's (herein referred to as the "Fat Patty's Franchise").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Collateral Assignment of Lease. Notwithstanding anything set forth in the Lease, as security for the Lessee's obligations to Franchisor under the Franchise Agreement, Lessee collaterally assigns to Franchisor its interest under the Lease, including any extensions and renewals, all prepaid rent, security deposits, Landlord credits and leasehold improvements. The Landlord consents to, and will recognize, this collateral assignment.

2. Use of Premises. Lessor and Lessee agree that the Premises shall be used only for the operation of a Fat Patty's Franchise, unless another use is approved in writing by Franchisor.

3. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Fat Patty's Franchise on the Premises.

4. Fat Patty's Right to Enter. Lessor and Lessee agree that the employees of Franchisor or its parent, subsidiaries, affiliates, or agents shall have the right to enter the leased premises to make any modifications necessary to protect their proprietary marks.

5. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, affiliate, or another franchisee, at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor's consent. Notwithstanding the collateral assignment set forth in Section 1 and anything else set forth in this Addendum, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated transferee a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its designated transferee unless and until the Lease is assigned to, and accepted in writing by Franchisor or its designated transferee. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord's consent in accordance with this Section.

7. Modification of Lease. Lessor and Lessee will not make any material modifications to the Lease without Franchisor's written consent, which consent will not be unreasonably withheld or delayed.

8. Use of Premises. If Franchisor does not take over the Lease upon the termination or expiration of the Franchise Agreement and Lessee remains in possession of the Premises, Lessor and Lessee agree that, for a period of eighteen (18) months after the expiration or termination of the Franchise Agreement, the Premises will not be used for a business in competition with Franchisor or any Fat Patty's franchisees.

9. Default and Notice.

(a.) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within five (5) days after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default. Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

(b.) Lessor will mail, upon transmission or within three (3) days of receipt, by registered or certified mail postage prepaid, to Franchisor at the address below, copies of all written notices, reports, information and data, including sales data, sent to or received from, Lessee, including all notices of default to the following address:

FP Franchisor LLC  
Attn: Yannick Bastien  
4530 St. John's Avenue Suite 15-323  
Jacksonville, FL 32210  
Email: [yannick@arcgrpinc.com](mailto:yannick@arcgrpinc.com)

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c.) Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the term of the Franchise Agreement, including any renewal thereof, without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

11. Consideration; No Liability.

(a.) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum.

(b.) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee 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 Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

12. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

13. Renewals. Lessor agrees that if the Lease contains any renewal or extension right and Lessee fails to exercise such right, Landlord will give Franchisor written notice thereof, and Franchisor will have the right, within 30 days after receipt of such notice from Lessor, to exercise such renewal or extension right on the same terms and conditions set forth in the Lease. If Franchisor exercises such right, Lessor and Franchisor will execute a lease assumption agreement.

14. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

15. Beneficiary. Lessor and Lessee expressly agree that FP Franchisor LLC is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:

LESSEE:

\_\_\_\_\_

\_\_\_\_\_

BY: \_\_\_\_\_

BY: \_\_\_\_\_

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

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

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

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

EXHIBIT D

**FAT  
PATTY'S**

## FP FRANCHISOR LLC

### AREA DEVELOPER AGREEMENT

This Area Developer Agreement (the “Agreement”) is made and entered into on the Effective Date, between FP Franchisor LLC a Florida limited liability company (“Franchisor”) and the entity identified on Schedule I (“Area Director”). Certain capitalized terms used in this Agreement that are not otherwise defined herein are defined in Section XIII.

### BACKGROUND

A. Franchisor and its affiliates have purchased and developed a comprehensive system for the operation of Fat Patty's restaurants (each, a "Restaurant" or collectively, "Restaurants"), as such business model is licensed to franchisees (each, a "Franchise" or collectively, "Franchises"), utilizing a casual dining concept and retailing a menu that may include appetizers, sandwiches, burgers, salads, chicken, liquor and domestic and craft beer selections and related food items as well as food product mixes, ingredients and spices and prepackaged food and/or condiment items; clothing, jewelry, jackets, hats, T-shirts, sweat shirts, shorts, pins, watches, sunglasses, backpacks, key chains and other wearing apparel; and napkins, cups, glasses, dishware and all similar items and supplies (the "Products") that advertise or promote Fat Patty's or its affiliates, prepared using certain formulas, recipes and methods of production and marketed using certain valuable trade names in conjunction with certain color schemes, signs, equipment layouts and restaurant designs and Franchisor's distinctive formats, methods, policies, procedures, standards, specifications, information, training and business relationships, all of which Franchisor, in its sole judgment, may change, alter, amend, further improve, discontinue, develop or otherwise modify from time to time (the "System").

B. The distinguishing characteristics of the System include, but are not limited to, the name “Fat Patty's” together with such other trade names, service marks and trademarks we may develop or use in connection with the System (collectively, the “Marks”) and all other intellectual property, including without limitation all patents, recipes, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, know-how, methods, specifications, designations, designs, diagrams, anecdotes, artworks, worksheets, techniques, rules, ideas, course materials, advertising and promotional materials and other audio, video and written materials developed and designated for use in connection with the System, including the URL website “www.fatpattys.com”, or as we may hereafter acquire, develop or designate for use in connection with the System (together with the Marks, the “Intellectual Property”).

C. Franchisor licenses franchisees to use the Intellectual Property, the Marks and the System to establish and operate Restaurants under Franchise Agreements with Franchisor.

D. Area Director wishes to obtain certain development rights to obtain and operate Restaurants under Franchise Agreements with Franchisor in the Development Area described in this Area Development Agreement.

E. Simultaneously with the execution of this Agreement, Area Director and Franchisor are executing a Franchise Agreement to govern the terms and relationship of the first Restaurant to be opened (the “Initial Franchise Agreement”) and terms not otherwise specifically defined herein shall have the meaning set forth in the Franchise Agreement.

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

## **I. GRANT**

A. Grant of Rights. Franchisor hereby grants to Area Director, and Area Director hereby accepts, the right and obligation to develop Restaurants within the Development Area, in accordance with the terms and conditions set forth in this Agreement. The development rights shall be exercised following satisfaction of the conditions set forth in Section III.A., hereof, and as provided in the Development Schedule. Except for the right to develop Restaurants as provided hereunder, this Agreement grants no territorial protection in the Development Area. Subject to Area Developer’s full compliance with this Agreement and the full compliance by Area Developer and its affiliates with any other agreement between Area Developer or any of its affiliates and Franchisor or any of its affiliates, neither Franchisor nor any Affiliate shall establish, or authorize any person or entity other than Area Developer or any of its Affiliates to establish, a Fat Patty's Restaurant in the Development Area during the term of this Agreement subject to the exclusions set forth in Section I.C.

B. Scope of Area Developer’s Rights. Area Developer acknowledges and agrees that the rights granted hereunder pertain only to the development of Restaurants and that this Agreement does not confer upon Area Developer a right or franchise to establish or operate any Restaurant. This Agreement is intended by the parties to set forth the terms and conditions which, if fully satisfied by Area Developer, shall entitle Area Developer to obtain Franchise Agreements for the establishment and operation of Restaurants within the Development Area. This Agreement is not a franchise agreement and does not grant to Area Developer any right or license to operate a Restaurant or distribute goods or services, any right to use the Intellectual Property or the Marks, or any interest in the Intellectual Property or the Marks. Area Developer further acknowledges and agrees that the rights and duties set forth in this Agreement are personal to Area Developer and that Franchisor has granted such rights in reliance on the representations and warranties of Area Developer and its Principals. Area Developer and its Principals have represented to Franchisor that they have entered this Agreement for the purpose and with the intention of fully complying with the Franchise development obligations hereunder.

C. Retained Rights. Subject to Area Developer’s full compliance with this Agreement and the full compliance of Area Developer and its Affiliates with any other agreement between Area Developer or any of its Affiliates and Franchisor or any of its Affiliates, neither Franchisor nor any Affiliate shall establish, or authorize any person or entity other than Area Developer or any of its Affiliates to establish, a Fat Patty's Restaurant in the Development Area during the term of this Agreement. The rights granted to Area Developer under this Agreement are nonexclusive, and Franchisor and its Affiliates

have and retain all rights within and outside the Development Area except those expressly granted to Area Developer. Accordingly, Franchisor, its Affiliates, and any other authorized person or entity shall have the right, among others: (i) to develop and establish other business systems using the Intellectual Property or the Marks, or other names or marks, and to grant licenses to use those systems without providing any rights to Area Developer; (ii) to advertise and promote the System in the Development Area; (iii) to operate, and license others to operate, Restaurants at any location outside the Development Area, including locations that are adjacent to the Development Area; (iv) except for any restrictions set forth in the Franchise Agreement, to operate or license any type of business under other names or marks inside or outside the Development Area; (v) to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all food, beverages, or other services and products, under the Intellectual Property or the Marks, or under other names or marks, within and outside the Development Area, through any channels or methods of distribution, including, but not limited to, wholesale, mail order catalogs, the Internet or retail, regardless of the proximity to, or the competitive impact on, Area Developer's Restaurants; (vi) own and operate businesses which provide Catering and Delivery Services prepared pursuant to the System in the Development Area; (vii) own, operate or permit others to own and operate a Fat Patty's or use the Marks and System within your Development Area at a site designated as a "Mass Gathering Location". "**Mass Gathering Locations**" are places where large numbers of individuals congregate for various reasons, often due to transit or housing, such as airports, cruise ship terminals, train stations, subway stations, gas stations, military bases and the like, or for shopping purposes such as indoor and outdoor malls, outlet centers, town centers, and the like, or for purposes of entertainment like stadiums, amphitheaters, amusement parks, theme parks, boardwalks, private and governmental parks, historic sites, and the like; and (viii) own, operate or permit others to own and operate a Fat Patty's or use the Marks and System within your Development Area at a site designated as a "Non Traditional Site". "**Non-Traditional Sites**" are places where we prepare and/or sell Products using the Marks and/ or System from locations that do not qualify as a traditional casual dining restaurant location. These include but are not limited to remote and/or ghost kitchens wherein food is prepared for delivery only usually utilizing third party delivery platforms and fast-casual or quick service eateries where food and beverages may be ordered via counter-service and/or a menuboard.

D. Notwithstanding the provisions of Section I, Franchisor may acquire or merge with any existing business inside or outside of its Development Area and may operate that business.

## II. FEES

A. Development Fee. Area Developer shall pay to Franchisor a Development Fee in the amount set forth on Schedule I. The development fee shall be paid in one lump sum in cash or by certified funds upon execution of this Agreement and shall be deemed fully earned and nonrefundable by Franchisor for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Area Director herein. Future development fees will be at then current rates after this Area Director Agreement is completed.

B. Initial Franchise Fee. Upon execution of each Franchise Agreement executed by Franchisor and Area Director, Area Director will receive a credit in the amount set forth on Schedule I against the initial franchise fee due for that Restaurant.

C. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by Franchisor on or before the due date shall be deemed past due. Time is of the essence for all payments to be made by Area Director to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid, at the lesser of eighteen percent (18%) per annum, or the maximum rate allowed by applicable law. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required, or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment.

(2) Acceptance by Franchisor of any payments due subsequent to the due date shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Director or the Principals of any terms, provisions, covenants, or conditions of this Agreement.

(3) Franchisor shall have the right to apply any payment it receives from Area Director to any amounts Area Director owes Franchisor or its affiliates under this Agreement or any other agreement between them, even if Area Director has designated the payment for another purpose or account. Franchisor may accept any check or payment in Area Director any amount from Area Director without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment, or in any letter accompanying any check or payment, or elsewhere, shall constitute or be considered as an accord or satisfaction.

(4) Area Director shall have no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Area Director.

### **III. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS**

A. Franchise Agreement Execution; Compliance with Conditions.

(1) Area Director shall exercise the development rights granted hereunder only by entering into (or, with Franchisor's written consent, causing a wholly-owned subsidiary, or Affiliate with the identical ownership, of Area Director to enter into) a separate Franchise Agreement with Franchisor for each Restaurant for which a development right is granted. The Initial Franchise Agreement shall be in the form of the Franchise Agreement attached as Attachment C and shall be executed contemporaneously with this Agreement. All subsequent Restaurants developed under this Agreement shall be established and operated pursuant to the form of Franchise Agreement then being used by Franchisor for new franchisees of Restaurants under the System. The Initial Franchise Agreement and all other Franchise Agreements shall also be included in the term "Franchise Agreement" as used in this Agreement and shall be executed by Area Developer or Area Developer's Affiliate in accordance with this Section III.

(2) Prior to exercising any development right granted hereunder, Area Developer shall apply to Franchisor for a franchise to operate a Restaurant within the Development Area. If Franchisor, in its sole discretion, determines that Area Developer has met each of the following operational, financial, and legal conditions, then Franchisor will grant Area Developer a franchise for a Restaurant in the Development Area:

(a) Operational Conditions: Area Developer is in compliance with the Development Schedule and this Agreement, and Area Developer or its affiliates are in compliance with any other agreement between them and Franchisor or its affiliates. Area Developer is conducting the operation of its existing Restaurants, if any, and is capable of conducting the operation of the proposed Restaurant in accordance with the terms and conditions of this Agreement, the respective Franchise Agreements, and the standards, specifications, and procedures set forth and described in the Manuals (as defined in the Franchise Agreement).

(b) Financial Conditions: Area Developer and the Principals satisfy Franchisor's then-current financial criteria for Area Developer and principals of Restaurants. Area Developer and Principals have been and are faithfully performing all terms and conditions under each of the existing Franchise Agreements with Franchisor. Area Developer is not in default, and has not been in default during the twelve (12) months preceding Area Developer request for financial approval, of any monetary obligations owed to Franchisor or its affiliates under any Franchise Agreement or any other agreement between Area Developer or its affiliates and Franchisor or its affiliates. Area Developer acknowledges and agrees that it is vital to Franchisor's interest that each of its franchisees be financially sound to avoid failure of a Restaurant and that such failure would adversely affect the reputation and good name of Franchisor and the System.

(c) Legal Conditions: Area Developer has submitted to Franchisor, in a timely manner, all information and documents requested by Franchisor as a basis for the issuance of individual franchises or pursuant to any right granted to Franchisor by this Agreement or by any Franchise Agreement.

B. Development Schedule. Acknowledging that time is of the essence, Area Developer agrees to exercise its development rights according to Section III.A and the Development Schedule reflected on Schedule I. Area Developer may, subject to the terms

and conditions of this Agreement and with Franchisor's prior written consent, which may be withheld in its sole discretion, develop more than the total minimum number of Restaurant which Area Developer is required to develop during any Development Period. Any Restaurant in excess of the minimum number of Restaurants required to be developed shall be applied to satisfy Area Developer's development obligation during the next succeeding Development Period, if any. Notwithstanding the above, Area Developer shall not open or operate more than the cumulative total number of Restaurants Area Developer is obligated to develop under the Development Schedule.

(1) If during the term of this Agreement, Area Developer ceases to operate any Restaurant developed under this Agreement for any reason, Area Developer shall develop a replacement Restaurant. The replacement Restaurant shall be developed within a reasonable time (not to exceed four hundred and eighty-five (485) days). If, during the term of this Agreement, Area Developer transfers its interest in a Restaurant in accordance with the terms of the applicable Franchise Agreement for the Restaurant, the transferred Restaurant shall continue to be counted in determining whether Area Developer has complied with the Development Schedule so long as it continues to be operated as a Restaurant. If the transferred Restaurant ceases to be operated as a Restaurant during the term of this Agreement, Area Developer shall develop a replacement Restaurant within a reasonable time (not to exceed four hundred and eighty-five (485) days) thereafter.

(2) Failure by Area Developer to adhere to the Development Schedule (including any extensions thereof, approved by Franchisor in writing) or to any time period for the development of replacement Restaurants shall constitute a material breach of this Agreement.

C. Projected Opening Dates. Area Developer acknowledges that the Projected Opening Date for each Restaurant to be developed hereunder is reasonable. Subject to Area Developer compliance with Section III.A., hereof, Area Developer (or its approved Affiliate as set forth above) shall execute a Franchise Agreement for each Restaurant at or prior to the applicable execution date set forth on Schedule I, which shall be a date no later than four hundred and eighty-five (485) days prior to the Projected Opening Date for the applicable Restaurant set forth on the Development Schedule.

#### **IV. TERM**

The term of this Agreement will begin on the Effective Date and, unless sooner terminated, will expire on the earlier of: (i) the date Area Developer has completed its development obligations under this Agreement or (ii) 12:00 midnight on the last day specified in the Development Schedule.

#### **V. AREA DEVELOPER'S OBLIGATIONS**

A. Continuing Obligations. Area Developer and its Principals make the following representations, warranties, and covenants and accept the following obligations. Such representations, warranties, and covenants are continuing obligations, and Area Developer and its Principals acknowledge and agree that any failure to comply with them shall constitute a

material event of default under this Agreement. Area Developer will cooperate with Franchisor to verify compliance with the following representations, warranties, and covenants.

B. Organization. Area Developer and each of its Principals represents, warrants and covenants that:

(1) The legal entity which owns Area Developer: (i) is duly organized and validly existing under the law of the state of its formation; (ii) is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification; and (iii) has a corporate charter or written partnership or limited liability company agreement that does and at all times will provide that the activities of Area Developer are confined exclusively to the development and operation of Restaurants.

(2) The execution of this Agreement and the performance of the transactions contemplated hereby are within Area Developer's corporate power, if Area Developer is a corporation, or if Area Developer is a partnership or a limited liability company, are permitted under Area Developer's written partnership or limited liability company agreement and have been duly authorized by Area Developer.

(3) If Area Developer is a corporation, copies of Area Developer's articles of formation, bylaws, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements, or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by Franchisor, shall have been furnished to Franchisor prior to the execution of this Agreement; or, if Area Developer is a partnership or limited liability company, copies of Area Developer's written partnership or limited liability company agreement, other governing documents and any amendments thereto shall have been furnished to Franchisor prior to the execution of this Agreement, including evidence of consent or approval of the execution and performance of this Agreement by the requisite number or percentage of partners or members, as applicable, if such approval or consent is required by Area Developer's written partnership or limited liability company agreement.

C. Ownership.

(1) The ownership interests in Area Developer are accurately and completely described on Schedule I. Area Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Area Developer. Area Developer shall make its list of owners available to Franchisor upon request.

(2) If Area Developer is a corporation, Area Developer shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities, and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement. If Area Developer is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that

ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) All Principals must sign the Personal Guaranty, attached as Attachment A to this Agreement and the Non-Compete, Confidentiality and Non-Solicitation Agreement attached as Attachment B to this Agreement.

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Area Developer's Principals, or if any individual succeeds to or otherwise comes to occupy a position which, upon designation by Franchisor, would qualify him or her as one of Area Developer's Principals, Area Developer shall notify Franchisor within seven (7) days after any such change and, upon designation of such person by Franchisor as one of Area Developer's Principals, such person shall execute all documents and instruments (including, as applicable, this Agreement) as Franchisor may require others in such positions to execute.

D. Financial Matters.

(1) Area Developer and, at Franchisor's request, each of the Principals have provided Franchisor with the most recent financial statements of Area Developer and such Principals. Such financial statements present fairly the financial position of Area Developer and each of the Principals, as applicable, at the dates indicated therein and, with respect to Area Developer, the results of its operations and its cash flow for the years then ended or as of a more recent date as Franchisor may request. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments, or obligations of any nature, whether accrued, unliquidated, absolute, contingent, or otherwise, which are not reflected as liabilities on the financial statements.

(2) The Principals that Franchisor designates shall jointly and severally guarantee the performance of Area Developer's obligations under this Agreement pursuant to the terms and conditions of the Principal's Guaranty and Assumption Agreement, attached as Attachment A, and shall otherwise bind themselves to the terms of this Agreement as stated herein.

(3) Area Developer shall provide Franchisor with any and all loan or other documents regarding the financing of the business, contemplated hereby, that Franchisor may request.

(4) Area Developer shall maintain at all times during the term of this Agreement sufficient working capital to fulfill its obligations under this Agreement.

E. Owner-Operator; General Manager. Upon the execution of this Agreement, Area Developer shall designate, and shall retain at all times during the term of this Agreement, an individual to serve as Area Developer's Owner-Operator. The Owner-Operator under this Agreement and under each Franchise Agreement executed pursuant hereto shall be the same individual. The Owner-Operator shall, during the entire period he or she serves as such, meet the

following qualifications and such other standards as may be set forth by Franchisor in the Manuals, or otherwise in writing:

(1) The Owner-Operator's interest in Area Developer shall be, and remain free, of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest, or purchase right or options. The Owner-Operator shall execute the Principals' Personal Guaranty attached hereto as Attachment A, and shall be individually, jointly and severally, bound by all obligations of Area Developer, the Owner-Operator, and a Principal hereunder.

(2) Notwithstanding Section V.E.(1), Area Developer may, at its option and subject to Franchisor's written consent, designate a General Manager to supervise the operation of the business contemplated by this Agreement; provided that, the General Manager under this Agreement and under each Franchise Agreement executed pursuant hereto is the same individual and is approved by Franchisor; and provided further, that Area Developer and its Owner-Operator shall remain fully responsible for General Manager's performance. The General Manager shall execute the Confidentiality and Non-competition Agreement attached as Attachment B to this Agreement.

(3) Unless a General Manager is designated pursuant to Section V.E.(2), Area Developer's Owner-Operator shall devote full time and best efforts to the supervision of the business contemplated by this Agreement and shall not engage in any other business, unless written consent to do so is provided by Franchisor. The foregoing provision shall not apply if a General Manager is designated, provided that, the General Manager shall devote his or her full time and best efforts to the supervision and operation of the business contemplated by this Agreement.

(4) The Owner-Operator and any General Manager shall meet Franchisor's qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing and, without limitation, shall be empowered with full authority to act for and on behalf of Area Developer. Area Developer must promptly notify Franchisor if the Owner-Operator cannot continue to serve in that capacity or no longer qualifies as such, and Area Developer must take corrective action within seven (7) days thereafter. During such seven (7) day period, Area Developer must provide for interim management of its operations in accordance with this Agreement. Any failure to comply with this Section V.E will be a material breach of this Agreement.

F. Training. Area Developer's Owner-Operator and / or any General Manager shall successfully complete Franchisor's initial management training program in accordance with the terms set forth in the Franchise Agreement.

G. Site Selection. Area Developer assumes all cost, liability, expense, and responsibility for selecting, obtaining, and developing a site within the Development Area for each Restaurant to be developed pursuant to this Agreement in accordance with the terms, conditions (including time limitations and deadlines) set forth in the applicable Franchise Agreement for such Restaurant.

H. Legal Compliance. In addition to complying with its obligations under this Agreement, Area Developer shall comply with all requirements of federal, state, and local laws, rules, regulations, ordinances, and orders.

I. Operation and Standards. In addition to any other obligation set forth in this Agreement, Area Developer shall:

(1) Devote its full time and use best efforts to develop a successful franchise operation and properly conduct the business in establishing, opening, operating and supervising Restaurants;

(2) Pay all bills, invoices, fees, and meet all other obligations promptly when due;

(3) Properly train key personnel in order to maintain the standards of quality in the Restaurants, its operation and the protection of the proprietary rights of the Franchisor;

(4) Abide by the terms and requirements of the Franchise Agreements, Manuals and any other written guidelines setting forth the standards, rules, and regulations acknowledged by the parties to be essential and necessary for the operation of a successful Restaurant;

(5) Permit Franchisor, its officers and designated representatives to enter any Restaurant in the Area Developer's designated Development Area at all reasonable times and conduct inspections to ascertain whether or not the uniform standards are being met;

(6) Protect the integrity of Franchisor's service marks, trademarks, and other proprietary rights and maintain the highest standards of quality and reputation associated with the Restaurants;

(7) Maintain this Agreement in good standing by observing all of its provisions;

(8) Develop and continue operations of the Restaurants within the Development Area in accordance with the Development Schedule; and

(9) Make no promises, representations, or commitments to any person other than as furnished or authorized by Franchisor.

## **VI. DEFAULT AND TERMINATION; POST TERMINATION OBLIGATIONS**

A. Termination Without Notice or Cure. Area Developer shall be deemed to be in material default under this Agreement and all rights granted herein shall automatically terminate without notice to Area Developer if:

(1) Area Developer becomes insolvent or makes a general assignment for the benefit of creditors or files a voluntary petition under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state or admits in writing its inability to pay its debts when due;

(2) Area Developer is adjudicated bankrupt or insolvent in proceedings filed against Area Developer under any section or chapter of federal bankruptcy law or any similar law or statute of the United States or any state;

(3) A bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer, or if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;

(4) Proceedings for a composition with creditors under any state or federal law are instituted by or against Area Developer;

(5) A final judgment against Area Developer remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed);

(6) Area Developer is dissolved;

(7) Execution is levied against Area Developer's business or property;

(8) Suit to foreclose any lien or mortgage against the premises or equipment of any business operated hereunder or under any Franchise Agreement is instituted and not dismissed within thirty (30) days; or

(9) The real or personal property of any business operated hereunder or under any Franchise Agreement shall be sold after levy by any sheriff, marshal, or constable.

B. Termination on Notice. Area Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Area Developer any opportunity to cure the default, effective immediately upon written notice to Area Developer, upon the occurrence of any of the following events of default:

(1) If Area Developer fails to comply with the Development Schedule, or otherwise fails to satisfy its obligations set forth in Section III.

(2) If Area Developer or any of the Principals is convicted of, or enters a plea of nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.

(3) If Area Developer or any of the Principals breach in any material respect any of the representations, warranties, and covenants in Section V.

(4) If Area Developer or any of the Principals transfers or attempts to transfer any rights or obligations under this Agreement, or any interest in Area Developer, or the business contemplated hereby, contrary to the terms of this Agreement, or if an approved

transfer upon death or permanent disability is not effected within the time period and in the manner prescribed by Section VII.E.

(5) If Area Developer or any of the Principals fails to comply with the covenants in Section VIII.

(6) If Area Developer, or any of the Principals, commits two (2) or more events of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured after notice by Franchisor.

(7) If any Franchise Agreement executed pursuant to this Agreement is terminated by Franchisor on account of a material default by the franchisee thereunder.

(8) If a threat or danger to public health or safety results from the construction, maintenance or operation of any Restaurant developed under this Agreement.

C. Termination After Notice and Opportunity to Cure. Upon the occurrence of any event set forth below, Area Developer shall be deemed to be in material default, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, by giving Area Developer written notice stating the nature of the default and the applicable cure period (defined below). Area Developer may avoid termination by curing such default to Franchisor's satisfaction within the time period set forth below or such longer period as applicable law may require ("cure period"). If a default is not cured within the cure period, Area Developer's rights under this Agreement shall terminate without further notice to Area Developer, effective immediately upon the expiration of the cure period.

(1) If Area Developer or any of its affiliates fails, refuses, or neglects to pay promptly, when due, any monetary obligation owing to Franchisor or any of its affiliates and fails to cure such default within ten (10) days following notice from Franchisor, or if Area Developer or any of its affiliates are otherwise in default under any Franchise Agreement and fails to cure such default within the applicable cure period, if any, contained in such Franchise Agreement.

(2) If Area Developer fails to designate a qualified replacement Owner-Operator or General Manager within thirty (30) days after any initial or successor Owner-Operator or General Manager ceases to serve.

(3) If Area Developer fails to obtain the execution of the covenants required under Section VIII.F within ten (10) days following Franchisor's request that Area Developer do so.

(4) If Area Developer misuses or makes any unauthorized use of the Marks, or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein, and fails to cure such default within five (5) days following notice from Franchisor.

(5) If Area Developer fails to comply with any other term or condition imposed by this Agreement and fails to cure within thirty (30) days following notice from Franchisor.

D. Additional Remedies. Upon default by Area Developer under Section VI.B or C, Franchisor may, in its sole discretion, elect to exercise any one or more of the following remedies in lieu of terminating this Agreement: (i) terminate or modify any territorial protections granted to Area Developer in Section I; (ii) reduce the size of the Development Area; (iii) reduce the number of Restaurants which Area Developer may establish pursuant to the Development Schedule.

(1) If Franchisor elects to exercise one or more of the additional remedies set forth above, Area Developer shall continue to develop Restaurants in accordance with its rights and obligations hereunder, as so modified. To the extent such rights are modified pursuant to this Section VI.D., Area Developer acknowledges that Franchisor shall be entitled to establish, and to license others to establish, Restaurants in some or all of the Territory, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Area Developer.

(2) Franchisor's exercise of any of its remedies under this Section VI.D shall not constitute a waiver by Franchisor to exercise its option to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

E. Effect on Franchise Agreements; Remedies Non-Exclusive.

(1) No default under this Agreement shall constitute a default under any Franchise Agreement, unless the default is also a default under the terms of such Franchise Agreement.

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

F. Post-Termination Obligations. Upon the termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Restaurant for which a Franchise Agreement has not been executed by Franchisor and delivered to Area Developer at the time of termination or expiration (but may complete development of and/or operate Restaurants under then-existing Franchise Agreements), and Franchisor may develop, or authorize others to develop, Restaurants in the Development Area upon the expiration or termination of this Agreement:

(1) Area Developer and the Principals shall comply with the restrictions on confidential information contained in Section VIII.A and the covenants against competition contained in Section VIII.B. Any other person required to execute similar covenants pursuant to Section VIII.F shall also comply with such covenants.

(2) Area Developer and its Principals shall promptly pay all sums owing to Franchisor and its subsidiaries or affiliates. Such sums shall include all damages, costs, and

expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Area Developer, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Area Developer and on the premises operated under any Franchise Agreement at the time of default.

(3) Area Developer and the Principals shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section VI.F.

(4) Area Developer acknowledges and agrees that if Franchisor terminates this Agreement or if Area Developer terminates this Agreement in violation of the terms hereof or otherwise abandons your Development Area, Franchisor will incur damages, the actual amount of which would be speculative and difficult to calculate. As such, you agree to pay us, within fifteen (15) days after the effective date of such unauthorized termination or abandonment, in addition to all other amounts then owed to us under the Agreement, the agreed upon liquidated damages amount equal to fifteen thousand dollars (\$15,000.00) per unopened Restaurant under the Development Schedule. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages and not a penalty or punitive in nature.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees and Brand Building Fund Fees. It does not cover any other damages, including damages to our reputation with the public and damages arising from a violation of any provision of this Agreement. Area Developer and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement.

## **VII. TRANSFER OF INTEREST**

A. By Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Area Developers consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all Franchisor's obligations arising hereunder subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or acquire other entities, or may be acquired by another entity; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

B. By Area Developer and Principals. Area Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Area Developer, and that Franchisor has granted such rights in reliance on the business skill, financial capacity and personal character of Area Developer and Area Developer's Principals. Subject to this provision, Area Developer may transfer a direct or indirect interest in this

Agreement, but the Development Area and the associate rights and obligations are a package and not divisible in any way. Any transfer requires Franchisor's prior written consent, which may be withheld in Franchisor's sole discretion. Franchisor may place any other conditions and restrictions it deems reasonable on approval of the transfer. Any transfer approved by the Franchisor will require payment of a transfer fee equal to Fifteen Thousand Dollars (\$15,000.00) (the "Transfer Fee").

C. Right of First Refusal. Franchisor has the right of first refusal for any proposed transfer. Area Developer must provide Franchisor with a copy of any agreement (and any amendment to the agreement) for the transfer and Franchisor shall have sixty (60) days after receipt to notify Area Developer if Franchisor is exercising its option to purchase the interest under the same terms and conditions as such agreement. The Transfer Fee is still required.

D. Death or Permanent Disability. Area Developer, or its representative, shall promptly notify Franchisor of any death or claim of permanent disability subject to this Section VII.D. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section VII.B., for any inter vivos transfer.

(1) Upon the death of or any Principal or the majority owner of any Principal holding at least twenty-five percent (25%) of the equity of Area Developer (the "Deceased"), the executor, administrator, or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within six (6) months after the death of the Deceased.

(2) Upon the permanent disability of Principal or the majority owner of any Principal holding at least twenty-five percent (25%) of the equity of Area Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section VII within six (6) months after notice to Area Developer. "Permanent disability" shall mean any physical, emotional, or mental injury, illness, or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section VII.D. The costs of any examination required by this Section shall be paid by Franchisor.

E. No Waiver. Franchisor's consent to a transfer of any interest described herein shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

## VIII. COVENANTS

A. Confidentiality. Neither Area Developer nor any Principal shall, during the term of this Agreement and thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, limited liability company, corporation, or other entity or association and, following the termination or expiration of this Agreement, they shall not use for their own benefit, any Confidential Information, knowledge, or know-how which may be communicated to them or of which they may be apprised concerning the methods of conducting the business contemplated by this Agreement, including, without limitation, the methods of development and operation of the Restaurants and other information contained in the Manuals, the Franchise Agreements or otherwise disclosed. Area Developer and each of the Principals shall disclose such Confidential Information only to those employees of Area Developer who must have access to it in connection with their employment and Area Developer shall be liable for any unauthorized disclosure of Franchisor's Confidential Information. Neither Area Developer nor the Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination, or transfer of this Agreement or any interest herein and shall be perpetually binding upon Area Developer and each of the Principals.

B. Noncompetition Covenants. Area Developer and the Principals specifically acknowledge that, pursuant to this Agreement, they will receive access to valuable training, trade secrets, and Confidential Information which are beyond their present skills and experience, including, without limitation, information regarding operational, sales, promotional, and marketing methods and techniques of the System. Area Developer and the Principals further acknowledge that such specialized training, trade secrets, and Confidential Information provide a competitive advantage, and that gaining access thereto is a primary reason for entering into this Agreement. In consideration therefor, Area Developer and the Principals covenant as follows:

(1) With respect to Area Developer, during the term of this Agreement (or with respect to each of the Principals, for so long as such individual or entity satisfies the definition of "Principal" under this Agreement), except as otherwise approved in writing by Franchisor, neither Area Developer nor any of the Principals shall, either directly or indirectly, for themselves, through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, corporation, or other entity or association:

(a) Divert, or attempt to divert, any business, supplier or customer of the business described hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Restaurants operated under valid Franchise Agreements with Franchisor, own, maintain, operate, engage in, be employed by, or have any financial or beneficial interest in, advise, assist, or make loans to any business that is the same as or similar to a Restaurant and which is located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has

used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks.

(2) With respect to Area Developer, and for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of Area Developer's interest in this Agreement (or with respect to each of the Principals, commencing upon the earlier of: (i) the expiration, termination, or transfer of all of Area Developer's interest in this Agreement; or (ii) the time such individual or entity ceases to satisfy the definition of "Owner" under this Agreement), and continuing for eighteen (18) months thereafter, except as otherwise approved in writing by Franchisor, neither Area Developer nor any of the Principals shall, directly or indirectly, for themselves, through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, corporation, or other entity or association:

(3) Participate in the development of, or engage in, or market, sell, distribute, render, provide, perform or sell the Products or similar products or services, or contribute knowledge to, or have any financial interest in, any work or activity that relates to or involves any of the Confidential Information or is in any way engaged in the licensing, franchising, developing or operation of a business that serves chicken wings, chicken, hamburgers or similar or related Products of ours as a menu items or sells products similar to the Products sold by the System or the Franchises (a "Competitive Business"): (i) within the Development Area; (ii) within any geographic protected area that we have assigned to another Franchise or in which we directly operate a Restaurant; (iii) via the Internet or other form of e-commerce, wherever located; or (iv) within twenty (20) miles of any protected area of any Franchise in existence or under development during the term of this Agreement.

(4) Induce or attempt to induce, or solicit any of Franchisor's or other F a t P a t t y ' s Franchise's strategic partners, employees, sales associates, brokers, Personnel, franchisees, franchise owners or other independent contractors to accept employment or an affiliation with Area Developer or an affiliate or Owner of Area Developer.

(5) Solicit, divert, contact, take away or interfere with any of Franchisor's business, customers, brokers, insurers, suppliers, trade or patronage with whom Franchisor (or Franchisor's affiliates or franchisees) do business or whom you know Franchisor has contacted or solicited for business relationships, or those of any of Franchisor's affiliates or franchisees, as of the date of termination or expiration of this Agreement.

C. Non-Disparagement. Area Developer agrees not to take any action or make any statement the effect of which would be to directly or indirectly materially impair Franchisor's or the System's goodwill or rights to the Intellectual Property or the goodwill of Franchisor's affiliates, or be materially detrimental to Franchisor, its affiliates or its franchisees, including, but not limited to any action or statement intended, directly or indirectly, to benefit any of Franchisor's competitors. This provision survives forever.

D. Reasonable Restrictions. The parties acknowledge and agree that each of the covenants contained herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Each such covenant shall be construed as

independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section VIII is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

E. Reduction of Scope of Covenant. Area Developer and the Principals acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section VIII without their consent, effective immediately upon notice to Area Developer, and Area Developer and the Principals agree that they shall promptly comply with any covenant as so modified.

F. Enforcement. Area Developer and the Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section VIII.

G. Execution of Covenants. Area Developer shall require and obtain execution of covenants similar to those set forth in Section VIII from all Principals not signing the Principals' Guaranty and Assumption Agreement, from all General Managers and, if requested by Franchisor, other personnel of Area Developer who have received or will have access to Confidential Information or training from Franchisor. Such covenants shall be substantially in the form set forth in Attachment B. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the scope of the noncompetition covenant set forth in Attachment B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement under this Section VIII.G.

H. Injunctive Relief. Area Developer and the Principals acknowledge that any failure to comply with the requirements of this Section shall constitute a material breach of this Agreement. Area Developer and the Principals acknowledge that a violation of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer and the Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Area Developer or the Principals in violation of the terms of this Section, without the requirement that Franchisor post a bond. Area Developer and the Principals agree to pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining injunctive relief or any other remedy available to Franchisor for any violation of the requirements of this Section.

I. New Developments. If Area Developer, its employees, or Principals develop any new concept, process, product, recipe, method or improvement in the operation or promotion of the business contemplated by this Agreement or any Restaurant developed pursuant to this Agreement, Area Developer shall promptly notify Franchisor and provide Franchisor with all necessary related information, as determined by Franchisor in its sole discretion, without compensation. Any such concept, process, product, recipe, method or improvement shall become Franchisor's sole property, and Franchisor shall be the sole owner of all patents, patent

applications, and other intellectual property rights related thereto. Area Developer and its Principals hereby assign to Franchisor any rights they may have or acquire therein, including the right to modify such concept, process, method, product, recipe or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Area Developer and its Principals agree to assist Franchisor or its Affiliates as directed in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. Area Developer and its Principals hereby irrevocably designate and appoint Franchisor as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such concept, process, or improvement. In the event that the foregoing provisions of this Section VIII.I are found to be invalid or otherwise unenforceable, Area Developer and its Principals hereby grant to Franchisor or its Affiliates a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein.

J. Anti-Terrorist Activities. Area Developer certifies that neither Area Developer, its owners, employees, nor anyone associated with Area Developer is listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) Area Developer agrees not to hire or have any dealings with a person listed in the Annex. Area Developer certifies that it has no knowledge or information that, if generally known, would result in Area Developer, its owners, employees, or anyone associated with Area Developer being listed in the Annex to Executive Order 13224. Area Developer agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Area Developer certifies, represents, and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Developer and its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Area Developer is solely responsible for ascertaining what actions must be taken by Area Developer to comply with all such Anti-Terrorism Laws, and Area Developer specifically acknowledges and agrees that Area Developer's indemnification responsibilities as provided in Section VIII of this Agreement pertain to Area Developer's obligations under this Section VIII.J. Any misrepresentation by Area Developer under this Section or any violation of the Anti-Terrorism Laws by Area Developer, its owners, or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Area Developer has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section VI.C.(3) and VI.F. of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA Patriot Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and any other requirements of any Governmental Authority (including, without limitation, the United States

Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

## **IX. INDEPENDENT CONTRACTOR**

A. Independent Contractor Relationship. Area Developer agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Area Developer no duties except as expressly provided in this Agreement. Area Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, or servant of the other for any purpose. During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor conducting its operations pursuant to the rights granted by Franchisor.

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

## **X. INDEMNIFICATION**

A. Indemnity. Area Developer and each of the Principals shall, at all times, defend, indemnify, and hold harmless to the fullest extent permitted by law Franchisor, its affiliates, successors, and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them ("Indemnitees") from all Losses and Expenses, defined below, incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted), which arises out of or relates to this Agreement in any way or which arises out of or is based upon any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation by Area Developer or any of the Principals of any patent, mark, copyright, or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, the Intellectual Property, any copyrights, or other proprietary information granted to Area Developer under a Franchise Agreement);

(2) The violation, breach, or asserted violation or breach by Area Developer or any of the Principals of any federal, state, or local law, regulation, ruling, standard, or directive, or any industry standard;

(3) Libel, slander, or any other form of defamation of Franchisor, the System, or any Area Developer or franchisee under the System, by Area Developer or by any of the Principals;

(4) The violation or breach by Area Developer or by any of the Principals of any warranty, representation, agreement, or obligation in this Agreement or in any Franchise Agreement or other agreement between Area Developer or any of its affiliates and Franchisor or any of its affiliates; and

(5) Acts, errors, or omissions of Area Developer, any of Area Developer's affiliates, any of the Principals and the respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of any of them in connection with the performance of the development activities contemplated under this Agreement or the establishment and operation of any Restaurant pursuant to a Franchise Agreement.

B. Defense of Claim. Area Developer and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Area Developer and each of the Principals, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or appoint counsel of its own choosing with respect to the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry, or investigation. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Area Developer and each of the Principals to indemnify the Indemnitees and to hold them harmless.

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

(1) any of the acts or circumstances enumerated in Section X.A.(1)-(4) above has occurred; or

(2) any act, error, or omission as described in Section X.A.(5) may result directly or indirectly in damage, injury, or harm to any person or any property.

D. Losses and Expenses.

(1) All Losses and Expenses incurred under this Section X shall be chargeable to and paid by Area Developer or any of the Principals pursuant to its obligations of indemnity under this Section, regardless of any action, activity, or defense undertaken by Franchisor or any other Indemnitees or the subsequent success or failure of such action, activity, or defense.

(2) As used in this Section X, the phrase "Losses and Expenses" shall include, without limitation, all losses, compensatory, exemplary, or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees and costs, court costs, settlement amounts, judgments, compensation for damages to Indemnitees's reputation and goodwill, costs of or resulting from delays, financing costs, costs of advertising material, and media time/space and

costs of changing, substituting, or replacing the same, any and all expenses of recall, refunds, compensation, and public notices and all other payments of money incurred in connection with the matters described in this Section X.

E. Contributory Negligence. The Indemnitees do not assume any liability for acts, errors, or omissions of those with whom Area Developer or the Principals may contract, regardless of the purpose. Area Developer and Principals shall hold harmless and indemnify the Indemnitees as set forth herein, without limitation, and without regard to the cause or causes thereof, or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties arising in connection therewith provided, however, that an Indemnitee shall not be required to hold harmless or indemnify Franchisor for any claim to the extent it arises out of Franchisor's gross negligence or willful misconduct.

F. No Duty to Mitigate; Survival of Obligations. Under no circumstances shall any Indemnitee be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under the indemnity and against Area Developer, and the failure of any Indemnitee to pursue such recovery or mitigate such loss will in no way reduce the amounts recoverable by such Indemnitees from Area Developer. Area Developer and Principals expressly agree that the terms of this Section X shall survive the termination, expiration, or transfer of this Agreement or any interest herein.

## **XI. MISCELLANEOUS**

A. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the addresses reflected on Schedule I, unless and until a different address has been designated by written notice to the other party. Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

B. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto constitute the entire, full, and complete agreement between Franchisor and Area Developer and the Principals concerning the subject matter hereof and shall supersede all prior related agreements. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

C. No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Area Developer or Principals under this Agreement shall constitute a waiver by Franchisor to enforce

any such right, option, duty, or power against Area Developer or Principals, or as to a subsequent breach or default by Area Developer or Principals.

D. Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice, or suggestion given to Area Developer, and no neglect, delay, or denial of any request therefor shall constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Area Developer or any third party as a result thereof.

E. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, Area Developer shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event, and the Indemnitees shall continue to be indemnified and held harmless by Area Developer in accordance with Section X Except as provided in the immediately preceding sentence, neither party shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

F. Internal Dispute Resolution. Area Developer must first bring any claim or dispute between Franchisor and Area Developer or any of their respective affiliates to Franchisor's President, after providing notice as set forth in Section XI(A) above. Franchisor must respond to Area Developer's notice inquiry within ten (10) business days of receipt or otherwise it is deemed denied. Area Developer must exhaust this internal dispute resolution procedure before it may bring its dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

G. Mediation. At Franchisor's sole discretion, any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, may be submitted to non-binding mediation conducted before a sole neutral mediator referred by Franchise Arbitration and Mediation Services ("FAM"), in accordance with FAM's Mediation Guidelines, which are available at FAM's website ([www.franarb.com](http://www.franarb.com)) or by the American Arbitration Association ("AAA") in accordance with its Commercial Mediation Procedures. Mediation will be conducted in Duval County, Florida. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between Area Developer and Franchisor. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or

admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. Franchisor will notify Area Developer of its election to submit any dispute to non-binding mediation within thirty (30) days of receiving written notice of a dispute, claim, or alleged cause of action from Area Developer or at the time Franchisor provides Area Developer with notice of a dispute, claim, or alleged cause of action, as applicable.

H. Arbitration of Disputes. At Franchisor's sole discretion, any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, may be resolved by submission to binding arbitration by and before a neutral franchise attorney referred by FAM or AAA and selected by the parties in accordance with the Federal Arbitration Act ("FAA") and FAM's Arbitration Guidelines (available on FAM's website: [www.franarb.com](http://www.franarb.com)) or the then-existing Commercial Arbitration Rules of the AAA. All hearings and other proceedings will take place in Duval County, Florida. Franchisor will notify Area Developer of its election to submit any dispute to arbitration (i) within thirty (30) days of receiving written notice of a dispute, claim, or alleged cause of action from Area Developer, or (ii) within thirty (30) days of a non-binding mediation determination pursuant to Section XI.G above, or (iii) at the time Franchisor provides Area Developer with notice of a dispute, claim, or alleged cause of action, as applicable.

(1) The following shall supplement and, in the event of a conflict with any law or rule, including but not limited to the FAA or the AAA Commercial Arbitration Rules, shall govern any dispute submitted to arbitration. The arbitrator shall be a member in good standing of the Bar of the State of Florida. The parties shall select one arbitrator from the proposed list of arbitrators provided by FAM or the AAA, as applicable. If the parties are unable to agree upon an arbitrator, each party to the dispute shall have fifteen (15) days from the transmittal date of the proposed list in which to strike names objected to, number the remaining names in order of preference, and return the list to FAM or the AAA, as applicable. If a party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, and in accordance with the designated order of mutual preference, FAM or the AAA as applicable shall invite the acceptance of an arbitrator to serve. If the parties fail to agree on any of the persons named, or if acceptable arbitrators are unable to act, or if for any other reason the appointment cannot be made from the submitted lists, the process of submitting lists shall continue until a suitable arbitrator is selected. In all aspects of conducting the arbitration and in rendering his or her decision, the arbitrator shall enforce and apply the substantive laws of the State of Florida for interpretation of this Agreement, without regard to choice of law rules. The parties may conduct one seven-hour discovery deposition of a designated representative of the opposing party. Any party wishing to take such a deposition must describe with reasonable particularity, in the notice of deposition, the matters to be inquired into at the deposition, and the party producing the designated representative must designate one or more officers, directors, or managing agents who consent to testify on its behalf. No other discovery depositions shall occur, unless the arbitrator finds such additional depositions to be necessary after written request and an opportunity to be heard. Each party shall be permitted up to ten (10)

interrogatories and reasonable requests for production of documents. Each party shall be entitled to file a motion to dismiss, a motion for summary judgment and reasonable motions in limine. The arbitrator shall permit a responding party a reasonable period of time to respond in writing to any such motions. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The arbitrator's award shall include an award of pre-hearing interest from the date upon which any damages were incurred, and from the date of the award until paid in full, at a rate to be fixed by the arbitrator, but in no event less than 1.5% per month, or part of a month (unless a lower rate is required by law). The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator's fee, interest, and costs of investigation. In addition, the prevailing party shall be entitled to an award of its reasonable and necessary attorneys' fees. The arbitration hearings shall be completed within one hundred and fifty (150) days of the filing of the arbitration demand, unless the arbitrator, for good cause, must extend this deadline.

(2) The arbitrator shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to a state or federal court located in or closest to Duval County, Florida and, if confirmed, may be subsequently entered and/or docketed, including as a judgment, in any court having competent jurisdiction. Similarly, any appeals from and/or relating to any arbitration which may be brought in accordance with this Section XI.H shall be heard before the state or federal courts located in or closest to Duval County, Florida.

(3) The arbitration provisions of this Agreement shall survive any termination or expiration of this Agreement.

I. Injunctive Relief. Nothing contained in this Agreement shall prevent Franchisor from applying to and/or obtaining, from any court having competent jurisdiction, a writ of attachment, injunctive relief, including without limitation a temporary injunction or preliminary injunction, and/or other emergency relief available to safeguard and protect our interests. Franchisor is entitled to seek this relief without the posting of any bond or security and, if a bond is nevertheless required by a court of competent jurisdiction, the parties expressly agree that the sum of \$1,000 is a sufficient bond.

J. Governing Law. This Agreement shall be governed by and interpreted and construed under Florida law (without regard for Florida conflict of law principles that would require the application of another jurisdiction's law).

K. MUTUAL ACKNOWLEDGMENTS. THE PARTIES ACKNOWLEDGE THAT THEIR AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF THEM WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH PARTY FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT. IN ADDITION, THE PARTIES ACKNOWLEDGE THAT THE EXECUTION OF THIS AGREEMENT AND ACCEPTANCE

OF THE TERMS BY THE PARTIES OCCURRED IN DUVAL COUNTY, FLORIDA, AND FURTHER ACKNOWLEDGE THAT THE PERFORMANCE OF CERTAIN OBLIGATIONS OF AREA DEVELOPER ARISING UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF MONIES DUE HEREUNDER AND THE SATISFACTION OF CERTAIN REQUIREMENTS OF FRANCHISOR, SHALL OCCUR IN DUVAL COUNTY, FLORIDA.

L. DAMAGES WAIVER. AREA DEVELOPER AND THE PRINCIPALS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR, ITS AFFILIATES, AND THE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, MEMBERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS, AND EMPLOYEES OF EACH OF THEM, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT, OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, AREA DEVELOPER AND THE PRINCIPALS SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THEM. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

M. BUSINESS JUDGMENT. AREA DEVELOPER, PRINCIPALS, AND FRANCHISOR ACKNOWLEDGE THAT VARIOUS PROVISIONS OF THIS AGREEMENT SPECIFY CERTAIN MATTERS THAT ARE WITHIN THE DISCRETION OR JUDGMENT OF FRANCHISOR OR ARE OTHERWISE TO BE DETERMINED UNILATERALLY BY FRANCHISOR. IF THE EXERCISE OF FRANCHISOR'S DISCRETION OR JUDGMENT AS TO ANY SUCH MATTER IS SUBSEQUENTLY CHALLENGED, THE PARTIES TO THIS AGREEMENT EXPRESSLY DIRECT THE TRIER OF FACT THAT FRANCHISOR'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION OR JUDGMENT IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF SUCH DISCRETION OR JUDGMENT, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

N. WAIVER OF JURY TRIAL. BOTH PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US.

O. WAIVER OF CLASS ACTIONS. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS, IN

ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY.

P. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

Q. Headings and Gender. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify, or in any other manner affect the scope, meaning, or intent of the provisions of this Agreement or any part thereof, nor shall such captions otherwise be given any legal effect. All references to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable. Without limiting the obligations individually undertaken by the Principals under this Agreement, all acknowledgments, promises, covenants, agreements, and obligations made or undertaken by Area Developer in this Agreement shall be deemed, jointly and severally, undertaken by all of the Principals.

R. Survival. Any obligation of Area Developer or Principals that contemplates performance of such obligation after termination or expiration of this Agreement, or the transfer of any interest of Area Developer or Principals therein, shall be deemed to survive such termination, expiration, or transfer. Without limitation of the foregoing, the provisions of Sections VIII and Sections XI.F, G, and H are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

S. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term, or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms, or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms, or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term, or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

T. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to, and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between Area Developer or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Section

VI of this Agreement shall not discharge or release Area Developer or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, Area Developer and the Principals shall pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in obtaining any remedy available to Franchisor for any violation of this Agreement.

U. No Third Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, Franchisor's officers, directors, owners, members, agents, representatives, Affiliates, cooperatives and employees and such of Area Developer's, and Franchisor's respective successors and assigns as may be contemplated (and, as to Area Developer, authorized by Section VII) any rights or remedies under or as a result of this Agreement.

V. Further Assurances. The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

W. Agreement Effective Upon Execution by Franchisor. This Agreement shall not become effective until signed by an authorized representative of Franchisor.

## **XII. ACKNOWLEDGMENTS**

A. Independent Investigation. Area Developer acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Area Developer. Franchisor expressly disclaims making, and Area Developer acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. Consultation with Advisors. Area Developer acknowledges that Area Developer has received, read, and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Area Developer sufficient time and opportunity to consult with advisors selected by Area Developer about the potential benefits and risks of entering into this Agreement.

C. Disclosure. Area Developer acknowledges and represents that:

(1) Franchisor has made no promise or representation to Area Developer as to the renewal of this Agreement;

(2) Area Developer has received a copy of this Agreement, has read and understands all obligations being undertaken, and has had an opportunity to consult with Area Developer's attorney with respect thereto;

(3) No representation has been made by Franchisor to Area Developer as to the future profitability of any Restaurant or of the rights granted under this Agreement; and

(4) Neither Franchisor nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Franchise, which is not embodied herein or set forth in the Franchise Disclosure Document.

### **XIII. CERTAIN DEFINITIONS**

A. An “Affiliate” of a named person is any person or entity that is controlled by, controlling, or under common control with such named person.

B. “Business Day” means any day other than Saturday, Sunday, or the following national holidays: New Year’s Day, Martin Luther King Day, Presidents’ Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving, and Christmas.

C. “Confidential Information” means any confidential or proprietary information, knowledge, or know-how concerning the methods of establishing and operating the Restaurants and the related franchised business which may be communicated to Area Developer or any of the Principals or of which they may be apprised under this Agreement. The Operations Manual; System Standards; methods, techniques, recipes, ingredients, procedures, and processes for cooking Franchisor’s food Products; methods for operating, managing and developing the Restaurant; sales, marketing, distribution, performance, equipment, Product or supplies information; recruitment, training, coordination, marketing or compensation methods information; reporting methods; customer lists; billing and collection methods; know-how; procedures; financial information; Computer System information; other information about Franchisor and information about Franchisor’s Approved Suppliers; strategic partners, franchisees, business plans, employees, and independent contractors; and any other materials used in or related to the System which Franchisor provides to Area Developer in connection with this Agreement shall be deemed confidential for the purposes of this Agreement.

D. “Development Area” means the area identified on Schedule I.

E. “Development Period(s)” means the discrete periods set forth in the Development Schedule within which Area Developer must establish and have in operation the designated number of Restaurants.

F. “Development Schedule” means, collectively, the Development Schedule and the Projected Opening Date Schedule reflected on Schedule I.

G. “General Manager” means a qualified individual approved by Franchisor to supervise the Area Developer’s operations under this Agreement.

H. “Force Majeure” means acts of God, strikes, lockouts, or other industrial disturbances, war, terrorism, riot, epidemic, fire, or other catastrophe or other similar forces beyond Area Developer’s control.

I. “Franchise Agreement” means the Initial Franchise Agreement and all other Franchise Agreements for Restaurants executed pursuant to this Agreement.

J. “Principals” shall include, collectively and individually, Area Developer’s spouse, all officers and directors of Area Developer (including the officers and directors of any general partner of Area Developer) whom Franchisor designates as Area Developer’s Principals, and all holders of an ownership interest in Area Developer and of any entity directly or indirectly controlling Area Developer.

K. “Projected Opening Date” means the date by which a Restaurant is to be open for business, which shall be no later than the date reflected in the Development Schedule.

L. “Taxes” means any present or future taxes, levies, imposts, duties, or other charges, of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by Franchisor’s net income.

*[Signature page follows.]*

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

**FRANCHISOR:**

**AREA DEVELOPER:**

**By:**

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

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

Name:

Title:

Title:

**SCHEDULE I**

**Effective Date:** \_\_\_\_\_

**Area Developer:** \_\_\_\_\_ **Type of Entity:**

- General Partnership
- Corporation
- LLC
- Limited Partnership

**Address for Notices:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Telephone:** \_\_\_\_\_  
**Facsimile:** \_\_\_\_\_  
**Email:** \_\_\_\_\_

**Area Developer’s Principals:** The following is a list of all shareholders, partners, members, or other investors owning a direct or indirect interest in Area Developer, and a description of the nature of their interest:

<b>Name</b>	<b>% Ownership in Area Developer</b>	<b>Nature of Interest</b>

**Development Area:** [Insert description]

**Development Schedule**

<b>Development Period</b>	<b>Expiration Date of Development Period</b>	<b>Cumulative Total Number of Restaurants Located in the Development Area Which Area Developer Shall Have Open and in Operation</b>

**Projected Opening Dates**

<b>Restaurant</b>	<b>Franchise Agreement Execution Date</b>	<b>Opening Date (180 days after Execution)</b>
1		
2		
3		
4		
5		

**Development Fee:**                    \$ \_\_\_\_\_

By signing below, each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and provisions of the FP Franchisor LLC Area Developer Agreement, effective on the Effective Date set forth above.

**FRANCHISOR:**

**AREA DEVELOPER:**

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

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

## ATTACHMENT A PERSONAL GUARANTY

This Guaranty must be signed by the owners (referred to as “you” or “your” for purposes of this Guaranty only) of \_\_\_\_\_ (the “Business Entity”) under the Area Developer Agreement dated \_\_\_\_\_, 20\_\_ (the “Area Developer Agreement”) with FP Franchisor LLC (“us,” or “our” or “we”). Terms not defined herein shall have the meaning set forth in the Area Developer Agreement.

1. **Scope of Guaranty.** In consideration of and as an inducement to our signing and delivering the Area Developer Agreement, each of you signing this Guaranty personally and unconditionally: (a) guarantee to us and our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Developer Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Area Developer Agreement.
2. **Waivers.** Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.
3. **Consents and Agreements.** Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Area Developer Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Area Developer Agreement and, for obligations surviving the termination or expiration of the Area Developer Agreement, after its termination or expiration; and (f) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Area Developer Agreement and despite the transfer of any interest in the Area Developer Agreement or Area Developer, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers of the underlying Area Developer Agreement or other related agreement.
4. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants’, attorneys’, attorney’s assistants’, mediators’, arbitrators and expert witness fees, costs of investigation and proof of facts, court costs, filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.
5. **Effectiveness.** Your obligations under this Guaranty are effective on and from the Area Developer Agreement Effective Date, regardless of the actual date of signature.

6. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Florida, which laws shall prevail in the event of any conflict of law.
7. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Area Developer Agreement or this Guaranty to our President. We must respond to your notice inquiry within ten (10) days of receipt or otherwise it is deemed denied. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Guaranty.
8. **Dispute Resolution.** At our option, all claims or disputes between you and us arising out of, or in any way relating to, this Guaranty or the Area Developer Agreement or any other agreement by and between you and user, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to mediation and then arbitration as set forth in the Franchise Agreement. This agreement to mediate and arbitrate at our option shall survive the termination or expiration of this Guaranty.
9. **Third Party Beneficiaries.** Our officers, directors, owners, members, agents, representatives, affiliates, the Cooperative and/or employees are express third party beneficiaries of the Area Developer Agreement and this Guaranty, and the mediation and arbitration provisions incorporated by reference herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.
10. **Injunctive Relief.** Nothing contained in this Guaranty shall prevent us from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interest prior to the filing of any mediation proceeding or pending the arbitration or handing down of a decision or award pursuant to any mediation or arbitration conducted hereunder.
11. **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation or arbitration, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Duval County, Florida and the jurisdiction and venue of the United States District Court in or closest to Duval County, Florida.
12. **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE AREA DEVELOPER AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM US OF THE FRANCHISE.
13. **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages, and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable, for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.
14. **Waiver of Class Actions.** Each of the parties hereby irrevocably waives the right to litigate on a class action basis, in any action, proceeding, or counterclaim, whether at law or in equity, brought by any party.

- 15. **Limitation on Action.** You agree that no cause of action arising out of or under this Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.
- 16. **Counterparts.** This Guaranty may be executed in counterparts, and by facsimile or electronic signature, each of which shall be considered to be an original instrument but all of which, taken together, shall constitute one and the same document.

Each of you now sign and deliver this Guaranty effective as of the date of the Area Developer Agreement regardless of the actual date of signature.

**PERCENTAGE OF OWNERSHIP  
INTEREST IN BUSINESS ENTITY**

**GUARANTORS**

PERCENTAGE: \_\_\_\_\_ %

NAME: \_\_\_\_\_  
SIGNATURE: \_\_\_\_\_  
DATE: \_\_\_\_\_

PERCENTAGE: \_\_\_\_\_ %

NAME: \_\_\_\_\_  
SIGNATURE: \_\_\_\_\_  
DATE: \_\_\_\_\_

**SPOUSES**

NAME: \_\_\_\_\_  
SIGNATURE: \_\_\_\_\_  
DATE: \_\_\_\_\_

NAME: \_\_\_\_\_  
SIGNATURE: \_\_\_\_\_  
DATE: \_\_\_\_\_

**ATTACHMENT B**  
**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

I, \_\_\_\_\_ agree that during my association with \_\_\_\_\_ (“Area Director”) and FP Franchisor LLC and its affiliates (collectively referred to as “FP”) and for eighteen (18) months immediately thereafter, I will not (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on my own account):

(a) Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of business or revenue or any customer, referral source, broker, insurer, supplier, trade or patronage with whom Area Developer, FP, any affiliate of FP or any other franchisee does business or whom I know Area Developer, FP, any affiliate of FP or any other franchisee has contacted or solicited for business relationships; or

(b) Within the Non-Compete Area (defined below), participate in the development of, or engage in, or market, sell, distribute, render, provide, perform or sell (including through licensing or franchising) products, goods, or services the same or similar to the products, goods, or services offered by the Area Developer or FP, or contribute my knowledge or have any financial interest in any work or activity that relates to or involves or is in any way engaged in the licensing, franchising, developing or operation of a business that serves chicken wings, chicken, hamburgers or similar or related products as a menu items any related services or products; or

(c) Perform or contribute to any other act injurious or prejudicial to the goodwill associated with FP or its trademarks, trade names or other intellectual property.

In addition to the above, I agree to at all times during and after this Agreement, treat as confidential all manuals and materials designated for use with FP and in the FP franchise system (including without limitation the Operations Manual), and such other information as FP or the Area Developer may designate from time to time for confidential use with the FP business (as well as all trade secrets and confidential information, knowledge and know-how concerning the operation of the Franchise that may be imparted to, or acquired by, me from time to time in connection with my relationship with FP and the Area Developer), and shall use all reasonable efforts to keep such information confidential and shall not use the confidential information for any other purpose other than in connection with the operation of the Franchise. I acknowledge that the unauthorized use or disclosure of such confidential information (and trade secrets, if any) will cause incalculable and irreparable injury to FP and the Area Developer. I accordingly agree that I shall not, at any time, without FP's and the Area Developer's prior written consent, disclose, use or permit the use (except as may be required by applicable law or authorized by this Agreement) of such information, in whole or part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about FP Standards and such other information or material as FP or the Area Developer may designate as confidential, shall be deemed confidential for purposes of this Agreement.

The “Non-Compete Area” means: (1) in Area Developer's Development Area as set forth under the Area Developer Agreement and within twenty (20) miles of such Development Area, (2) within any

other FP Franchise protected area or other business which is franchised, owned, operated or managed by FP, (3) business conducted via the Internet or other form of e-commerce, wherever located; or (4) within twenty (20) miles of any territory in existence or under development during the term of the Area Developer Agreement between FP and Area Developer.

Because of my significant responsibilities and access to proprietary information of the FP and the Area Developer, I acknowledge that each of my obligations in this Agreement are reasonable and necessary to protect the Area Developer's, FP's and its Area Developers' and franchisees' legitimate business interests. I understand that breaking any of my promises or obligations will irreparably and continually damage Area Developer, FP, and FP Area Developers and franchisees for which money damages may not be adequate.

Consequently, if I violate any of my promises in this Agreement, or FP and/or Area Developer has reason to believe that I am about to violate this Agreement, without limitation to other available remedies, FP and Area Developer will be entitled to both: (1) a preliminary or permanent injunction to prevent the continuing harm to FP (and/or any of its franchisees or Area Developers) and/or Area Developer, and (2) money damages insofar as they can be determined. An injunction ordering me to stop any activities that may violate this Agreement will not prevent me from earning a living. I will pay FP and/or Area Developer its costs and expenses resulting from any enforcement of this Agreement resulting from my violation of the terms hereof, including reasonable attorney fees.

If any court determines that any of the covenants set forth in this Agreement, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable.

This Agreement may be executed in counterparts, and by facsimile or electronic signature, each of which shall be considered to be an original instrument but all of which, taken together, shall constitute one and the same document.

\_\_\_\_\_

Name:

\_\_\_\_\_

Date

Title:

AGREED AND ACKNOWLEDGED:

FP Franchisor LLC

\_\_\_\_\_

Name:

Title:

**ATTACHMENT  
C FRANCHISE  
AGREEMENT**

EXHIBIT E

**FAT  
PATTY'S**

## **LIST OF FAT PATTY'S LOCATIONS**

As of December 31, 2024

1935 Third Avenue  
Huntington, West Virginia 25702  
304-781-2555  
Papaw Burgers LLC

3401 RT 60 East  
Barboursville, West Virginia 25504  
304-736-3600  
Papaw Burgers LLC

4156 WV 34  
Hurricane, WV 25526  
304-757-5000  
Papaw Burgers LLC

1442 Winchester Avenue  
Ashland, Kentucky 41101  
606-325-7287  
Papaw Burgers LLC

182 E. Main Street  
Morehead, WV 40351  
606-462-3638  
Bite This Morehead LLC

EXHIBIT F

**FAT  
PATTY'S**

**LIST OF FORMER FRANCHISEES  
AS OF DECEMBER 31, 2024**

Franchisees Who Had Outlets Cease To Operate Under Their Agreements  
January 1, 2024 to December 31, 2024

NONE

EXHIBIT G

**FAT  
PATTY'S**

### **State Effective Dates**

The following states have franchise registration laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

---

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**  
**(OUR COPY)**

This disclosure document summarizes certain provisions of the Franchise Agreement, the Area Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FP Franchisor LLC offers you a franchise, it must provide this disclosure document to you at the earlier of 14 calendar days before you sign a binding agreement or make a payment of consideration in connection with the proposed franchise sale, or sooner if required by applicable state law.

If FP Franchisor 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 listed on Exhibit A.

The franchisor is FP Franchisor LLC 4530 St. John's Avenue, #15-323, Jacksonville, Florida 32210 1-833-LOVEARC.

The name, business address and phone number of the franchise seller is: Sean Oatney 4530 St. John's Avenue, #15-323, Jacksonville, Florida 32210 1-833-LOVEARC.

Issuance Date: June 20, 2025

FP Franchisor LLC authorizes the agents listed on Exhibit A to receive service of process in the respective states.

I received a disclosure document dated June 20, 2025 that included the following Exhibits:

- A. List of State Agencies and Agents for Service of Process
- B. Financial Statements
- C. Franchise Agreement
- D. Area Developer Agreement
- E. List of Fat Patty's Locations
- F. List of Former Franchisees
- G. State Specific Addenda

\_\_\_\_\_  
Prospective Franchisee Signature

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee Printed Name

Email signed and dated Receipt to [cindy@arcgrplegal.com](mailto:cindy@arcgrplegal.com) or mail signed and dated Receipt to:  
FP Franchisor LLC 4530 St. John's Avenue, #15-323, Jacksonville, Florida 32210 1-833-LOVEARC.

**RECEIPT** (YOUR COPY)

This disclosure document summarizes certain provisions of the Franchise Agreement, Area Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FP Franchisor LLC offers you a franchise, it must provide this disclosure document to you at the earlier of 14 calendar-days before you sign a binding agreement or make a payment of consideration in connection with the proposed franchise sale, or sooner if required by applicable state law.

If FP Franchisor 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 listed on Exhibit A.

The franchisor is FPFranchisor LLC 4530 St. John’s Avenue, #15-323, Jacksonville, Florida 32210 1-833-LOVEARC.

The name, business address and phone number of the franchise seller is: Sean Oatney 4530 St. John’s Avenue, #15-323, Jacksonville, Florida 32210 1-833-LOVEARC.

Issuance Date: June 20, 2025

FP Franchisor LLC authorizes the agents listed on Exhibit A to receive service of process in the respective states.

I received a disclosure document dated June 20, 2025 that included the following Exhibits:

- A. List of State Agencies and Agents for Service of Process
- B. Financial Statements
- C. Franchise Agreement
- D. Area Developer Agreement
- E. List of Fat Patty’s Locations
- F. List of Former Franchisees
- G. State Specific Addenda

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee Signature

\_\_\_\_\_  
Prospective Franchisee Printed Name