

## FRANCHISE DISCLOSURE DOCUMENT

SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC

An Ohio Limited Liability Company

2778 Centennial Road, Suite B

Toledo, OH 43617

419-868-9858

franchise@scramblersfranchise.com

www.scramblersfranchise.com



As a franchisee, you will operate a Scramblers restaurant.

The total investment necessary to begin operation of a single-unit Scramblers restaurant is \$547,000 to \$1,096,500. This includes \$40,000 that must be paid to the franchisor. The total investment necessary to begin operation of multiple Scramblers restaurants pursuant to a development agreement is \$571,000 to \$1,136,500, with a development fee of \$20,000 to be added to such total investment necessary per additional Scramblers restaurant unit opened.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kelly Christian at Scramblers Brands Franchise Development, LLC, 2778 Centennial Road, Toledo, OH, 43617, (419) 868-9858.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read the entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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, DC, 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: March 28, 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
<b>How much can I earn?</b>	Item 19 does not give you information about outlet sales, costs, profits or losses. You may wish to try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Exhibit G includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Scramblers business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Scramblers franchisee?</b>	Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

### **Special Risks to Consider About This Franchise**

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Ohio. 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 Ohio than in your own state.

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## MICHIGAN NOTICE

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

**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 Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa Street  
Lansing, Michigan, 48933  
Telephone Number: (517) 373-7117

Note: Notwithstanding paragraph (f) above, franchisor intends to, and franchisee agrees that franchisor and franchisee will, enforce fully the provisions of the arbitration section of our agreements. Franchisor and franchisee believe that paragraph (f) above is unconstitutional and cannot preclude franchisor and franchisee from enforcing the arbitration provisions.

## **ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

The franchisor is Scramblers Brands Franchise Development, LLC. For ease of reference, Scramblers Brands Franchise Development, LLC will be referred to as "we", or "us" in this disclosure document. We will refer to the person who buys the franchise as "you" throughout the disclosure document. If you are married, you and your spouse would be the signers of the franchise agreement. If you are a corporation or partnership or limited liability company, your owners and their spouses will have to guarantee and be bound by the obligations contained in the franchise agreement to be signed by you as described in this disclosure document. This disclosure document contains a summary of some material provisions of the franchise agreement. However, the franchise agreement itself expresses and governs the actual legal relationship between you and us. On occasion, we may negotiate the terms of the franchise agreement.

### **A. "Franchisor" Scramblers Brands Franchise Development, LLC**

Scramblers Brands Franchise Development, LLC is an Ohio limited liability company which was originally named Scrambler Marie's Franchise Development, LLC and was formed on January 28th, 2005. On December 19th, 2017, the name of this entity was officially changed to Scramblers Brands Franchise Development, LLC. Our principal place of business is 2778 Centennial Road, Suite B, Toledo, OH 43617 and we do business as "Scramblers." Our registered agents and agents for service of process are listed on Exhibit B. We are in the business of operating and franchising Scramblers restaurants featuring a limited menu of specific food and beverage items and merchandise related to the Scramblers concept (the "Franchised Business"). We also grant area development rights to area developers to operate multiple Scramblers restaurants within a specific area (which is sometimes referred to as the development area) under a development agreement. A development agreement typically includes a development schedule for the opening of a specified number of Scramblers restaurants within the development area, which is negotiated between us and the area developer. We have been offering franchises for Scrambler Marie's Breakfast Bistros since 2005; and we changed the franchise name and began offering franchises for Scramblers restaurants in 2017. We do not currently operate company owned Scramblers restaurants, but we may, from time to time, elect to do so. We have not offered franchises in any other line of business in the past, but we plan to offer a breakfast restaurant franchise named City Egg in the near future. There are currently two non-franchised City Egg locations operating in Ohio, with a third to be opened in 2023. All City Egg locations operating now or in the future will not violate any of the exclusivity rights or territorial rights provided to our franchisees.

### **B. Parents, Predecessors and Affiliates of Scramblers**

We have no parents or predecessors.

Our affiliate, Ten Star Enterprises, Inc. ("TSE"), has a principal place of business at 2778 Centennial Road, Toledo, OH 43617. TSE is an Ohio corporation formed on December 12, 1990. TSE operates Scramblers and City Egg restaurants and has operated businesses similar to the business to be operated by our franchisees since 1991. TSE does business under its corporate name, Scrambler Marie's and the Marks. TSE does not offer nor has it previously offered franchises to franchisees.

### **C. The Franchises Offered**

We franchise a unique breakfast and lunch restaurant using the "Scramblers" tradename and servicemark (the "Marks") using certain procedures, methods and systems pertaining to the operation of the Franchise Business (the "System").

The franchise agreement (the "Franchise Agreement") grants the right to establish and operate the Franchised Business at an agreed-upon location. A copy of the standard Franchise Agreement currently offered is attached as Exhibit C.

We also offer a Development Agreement (the "Development Agreement") which grants the right to develop multiple Scramblers restaurants within a specific geographic area (the "Development Area"). A copy of the standard

form of Development Agreement is attached as Exhibit D. The Development Agreement requires that you open an agreed upon number of Scramblers restaurants under a development schedule. You must sign our then-current form of Franchise Agreement for each Scramblers restaurant you open, which may differ substantially and materially year to year from the initial Franchise Agreement you sign for your first Scramblers restaurant to be developed.

The Franchised Business will operate a restaurant and provide catering services. You must offer for sale all products we designate and no others, unless you obtain our written approval not to carry certain items.

From time to time, we may sell and franchise one or more of our company or affiliate-owned Scramblers restaurants. In these transactions, we negotiate with the prospective franchisee to reach mutually acceptable terms of a sale agreement (for the assets used in connection with the operation of a Scramblers restaurant) and any lease or sublease of the underlying real estate. If you purchase a company or affiliate owned Scramblers restaurant, you must sign a Franchise Agreement and, possibly, also a Development Agreement for further development of Scramblers restaurants in the area where the purchased Scramblers restaurant is located. Depending upon the circumstances, the financial and other terms may vary from the standard terms of our Franchise Agreement or Development Agreement.

We also may offer franchises for Scramblers restaurants to be located at Special Locations, such as college campuses, office buildings, hospitals, hotels, motels, casinos, resorts, turnpike or other limited access highway rest stops, airport facilities, inter-metropolitan train and/or bus stations, grocery stores, convenience stores, supermarkets, malls, department stores, sports venues, entertainment facilities or mobile units located temporarily at special events. The terms and conditions of a franchise for a Special Location may vary considerably from the standard terms of our Franchise Agreement or Development Agreement.

Scramblers restaurants that are currently operated by our affiliate are considered franchisor owned stores for the purpose of this disclosure document.

#### **D. General Market and Competition**

The products and services offered by the Franchised Business are intended for personal consumption by the general public and sales are not seasonal. The restaurant industry is a highly competitive and developed market, which can be affected significantly by many factors, including changes in local, regional and national economic conditions, changes in consumer tastes, consumer concerns about the nutritional quality of casual dining food and increases in the number of, and particular locations of, competing restaurants.

#### **E. Special Regulations**

You should consider that certain aspects of any restaurant business are regulated by federal, state and local laws, rules and ordinances in addition to the laws, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupation, Health and Safety Act. The U.S. Food and Drug Administration, the U.S. Department of Agricultural, as well as state and local departments of health and other agencies have laws and regulations concerning the preparation of food and sanitary conditions of restaurants. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to obtain, by applicable statutory guidelines, national quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of these laws impose limits on emissions resulting from commercial food preparation. You should consult with an attorney to determine the regulatory requirements in your area.

### **ITEM 2. BUSINESS EXPERIENCE**

Unless another location is specified, the location of the persons listed below is Toledo, Ohio.

Name	Positions with the Company and Principal Occupation or Employment
<b>Shain Buerk</b> , President	Mr. Buerk has served as President of Scramblers since January, 2005 and as President of our affiliate, TSE, since 1992.
<b>Tim Trautman</b> , Vice President of Operations	Mr. Trautman has served as a Vice President of Operations of Scramblers since January, 2005 and Vice President of Operations of our affiliate, TSE, since 1990.
<b>Brandon Buerk</b> , Vice President of Operations	Mr. Buerk has served as a Vice President of Operations of Scramblers since January, 2005. He has served as Vice President of Operations for TSE since 1996.
<b>Kelly Christian</b> , Director of Franchising	Mrs. Christian has served as Director of Franchising since May, 2021. Prior to her role as Director of Franchising, Kelly worked as: (i) a Sales Associate and Fitness Instructor at AKT Fitness, located at 5675 Deerfield Boulevard, Cincinnati, Ohio 45040, from June 2020 to May, 2021; and (ii) a Company Coordinator at Mac’s Village Express, located at 11006 Reading Road, Suite 103, Cincinnati, Ohio 45241, from May 2019 to June, 2020. From January 2016 to December 2019, Kelly earned a bachelor’s degree from the University of Cincinnati while majoring in Organizational Leadership, with a minor in Business Administration.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5. INITIAL FEES**

**Franchise Agreement**

The initial franchise fee is **\$40,000**. If you are operating 4 or more Scramblers restaurants at the time you sign this Agreement, and you and your Owners are then in compliance with all agreements with us or any of our Affiliates, the initial franchise fee is **\$30,000**. If you are currently an employee of us or a company that we own, then you would receive a **\$10,000** discount from the **\$40,000** initial franchise fee for your first franchise (the “Employee discount”). We provide only one applicable discount, not multiple discounts, to the initial franchise fee. The initial franchise fee is due and payable (less the pro rata portion of any Development Fee paid pursuant to a Development Agreement as described below) upon signing the Franchise Agreement. If you fail to complete your initial training to our satisfaction, one-half of the initial franchise fee will be refunded to you and we shall retain the balance. Otherwise, after the Franchise Agreement has been signed, the initial franchisee fee is not refundable. Except as noted below with respect to the application of a portion of the Development Fee due and payable under a Development Agreement or the opening of multiple Scramblers restaurants or the Employee discount; and possibly in connection with the sale of Scramblers restaurant that we or our affiliates own, and Special Locations (see Item 1), the initial franchise fee is uniform for all franchisees currently licensing a franchise.

If you receive the Employee Discount, then the total of all the above initial fees is **\$30,000**.

If you do not receive the Discounts, then the total of all the above initial fees **\$40,000**.

Currently, we pay a **\$5,000** referral fee to anyone who is one of our franchisees, an employee of one of our franchisees, or one of our employees for referring us to a person who buys his first Scrambler’s franchise.

**Development Agreement**

Under the Development Agreement you must pay a development fee of **\$20,000** for each Scramblers restaurant to be opened under a Development Agreement (the “Development Fee”). The number of Scramblers restaurants that you may develop under a Development Agreement is determined by mutual agreement. The number of Scramblers restaurants will vary depending upon a variety of factors, including: (a) existing population and anticipated population growth within the Development Area; (b) competition within the Development Area; (c) the availability of acceptable locations; and (d) the number of Scramblers restaurants we estimate can be developed within the Development Area.

The initial franchise fee payable for each Scramblers restaurant that you are required to develop under a Development Agreement is the amount specified in each Franchise Agreement then currently being executed. We will apply a pro-rata portion of the Development Fee paid under the Development Agreement against the amount of the then current initial franchise fee payable under each Franchise Agreement entered into under the terms of the Development Agreement. No portion of the Development Fee is refundable if you fail to develop the cumulative number of Scramblers restaurants to be developed in accordance with the terms of the Development Agreement.

**ITEM 6. OTHER FEES**

**Franchise Agreement**

Type of Fee	Amount	Due Date	Remarks
Lease/Sublease Payments	\$18-35 per square foot.	Payable monthly, in advance, on the first day of each month.	See Notes 2 and 8.
Inspections	Actual cost.	As incurred.	See Note 3.
Furniture, Fixtures, Equipment and Supplies	\$125,000 to \$210,000.	As incurred.	See Note 4.
Training	Actual cost of travel and lodging.	As incurred.	See Note 5.
On-going Guidance	\$200 per day per employee for assistance.	As incurred.	See Note 6.
Indemnification	Actual Cost.	As incurred.	If you do not satisfy your obligations under the Franchise Agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations. You must reimburse us if we are held liable for claims involving the operation of your business. Indemnification covers

Type of Fee	Amount	Due Date	Remarks
			our members, officers, employees, and agents.
Royalty Fee	4% of Gross Sales.	Payable on the second day immediately following the end of the preceding Accounting Period.	“Gross Sales” is defined in Note 7 below; see Notes 8, 17 and 18.
Interest on Late Payments	2% per month.	Immediately.	The interest rate applies to any money you owe us or any of our affiliates after the due date.
Additional Expense Fee	5% of the amount past due.	Immediately.	Fee applies to any money you owe us after the due date.
Automatic Clearing House Agreement	All cost of establishing and maintaining the agreement and account.	As incurred.	See Note 8.
Maintenance Costs	100% reimbursement for expense incurred for maintenance.	As incurred.	See Note 9.
Remodeling/Construction Costs	\$25,000 - \$100,000.	As incurred.	---
Fees to Evaluate and Approve Alternate Suppliers	\$50 - \$500.	As incurred.	See Note 10.
Insurance	100% reimbursement for insurance cost incurred.	As incurred.	If you fail to obtain the required insurance coverage for the Franchised Business, we may obtain coverage at your expense.
Marketing Fund	1% of Gross Sales.	Payable on the second day immediately following the end of the preceding Accounting Period.	See Notes 7, 8, 11 and 17.
Point of Sale and Internal Accounting Software	\$196.	Payable monthly, on the first day of each month.	Sizzle is our proprietary software to be used by Franchisees beginning in 2021.
Local Advertising Funds	2% of Gross Sales.	As incurred.	See Notes 7, 8, 15, 16 and 17.
Cooperative Advertising Fees	Currently Not Assessed.	Currently Not Assessed.	Currently Not Assessed.
Audit	Cost of audit, including our expenses.	Completion of audit.	See Note 12.
Email Address Fee	\$50 per year.	As incurred.	We may charge you for each email address we

Type of Fee	Amount	Due Date	Remarks
			provide to you that is associated with a domain name that we own.
Transfer Fee	One-half of the then current initial franchise fee.	Upon sale or transfer.	See Note 13.
Renewal Fee	\$5,000.	Before renewal.	See Note 14.
Taxes	Actual cost.	As incurred.	You must reimburse us for taxes levied in connection with the Franchised Business.
Attorneys' Fees and Other Costs	100% of the cost incurred by attorney fees.	As incurred.	Payable if you fail to comply with the Franchise Agreement.
Additional Advertising and Promotional Materials	Currently Not Assessed.	Currently Not Assessed.	Currently Not Assessed.
Liquidated Damages	Greater of 1) \$100,000 or 2) an amount equal to 3 ½ times the continuing royalty fees payable to the Franchisor in respect to the last 12 months of the Franchised Business' active operations or the entire period the Franchise Business has been open for business, whichever is the shorter period.	Upon termination of franchise agreement prior to ending of term.	See Note 19 and Item 17

Note 1: Except as noted, all fees are payable to Scramblers or an affiliate and are nonrefundable and are uniformly imposed on all new franchisees.

Note 2: If you or any of your affiliates or owners own the premises, we may require that you or such person lease the Premises to us or one of our affiliates and that the premises be subleased to you upon the same terms. If you do not own the premises, we may require that you sublease the premises from us or one of our affiliates.

Note 3: If we visit or inspect the premises during the construction phase, for all visits, other than the first visit, the costs that we incur shall be at your expense.

Note 4: We may require that you purchase certain source-restricted goods from us, our affiliates, or suppliers approved by us, subject to their availability. But we are not obligated to supply any of these goods or materials. We may also sell to you, at your option, certain goods that are not source-restricted.

Note 5: You are responsible for all compensation and expenses incurred by you and your personnel in attending any training programs. We will not charge any fees for the initial training program conducted for 2 people. You will pay a fee for replacement personnel and all other people required to attend training programs.

Note 6: At your request, we may provide special assistance to you for which you will be required to pay the per diem fees and charges we may establish.

Note 7: The term “Gross Sales” means the aggregate amount of all sales of food, beverages and other products and merchandise sold and services rendered at the Premises or otherwise rendered in connection with your Scramblers restaurant or your use of the Marks, including, without limitation: (i) monies derived from sales at or away from your Scramblers restaurant, income related to takeout orders, catering operations, digital and online sales including through third-party online order and/or delivery aggregators; (iii) special events; and (iv) revenues, whether for cash or credit, but excluding: (a) all federal, state or municipal sales or service taxes collected from customers and paid to the appropriate taxing authority; and (b) all customer refunds and adjustments and promotional discounts.

Note 8: You agree to maintain, at our request, an automatic clearing house agreement authorizing us to automatically debit your bank account for amounts owing to us or our affiliates. All costs of establishing and maintaining the agreement and account shall be paid by you.

Note 9: If you fail or refuse to maintain your Scramblers restaurant as required, we have the right to do so on your behalf and at your expense.

Note 10: We may impose inspection and supervision fees at the rate of \$50/per man hour to cover our costs in evaluating the brands or suppliers that you propose.

Note 11: We may change the 1% annual rate on marketing fund contributions in the future by gaining an approval vote by either (a) 51% of all eligible franchised Scramblers restaurants or (b) 66% of all then existing Scramblers restaurants, in good standing.

Note 12: Payable only if you fail to furnish required information or if we find an understatement of Gross Sales greater than 2%.

Note 13: Except in the case of a transfer to an immediate family member or among your owners, you must pay us a transfer fee.

Note 14: You must pay a renewal fee as a condition to renewal of the Franchise Agreement and satisfy other renewal conditions which we impose.

Note 15: If we determine that you have spent less than 2% of Gross Sales on approved advertising and marketing expenditures for 3 consecutive Accounting Periods, we may collect Local Advertising Funds from you by automatic electronic withdrawal and reimburse you for qualifying local advertising expenditures.

Note 16: Except for any special regional promotion, the fees for which are established by us, the advertising cooperative will determine the amount of your monthly cooperative contribution, including any minimum or maximum contribution. Your cooperative contribution will be credited towards your required local advertising expenditure, but not towards your Marketing Fund contribution. Each member of an advertising cooperative will have one vote per franchise. Each franchise operated by us or an affiliate of ours in an area in which an advertising cooperative has been established will contribute to the cooperative and vote on the same basis as other members of that cooperative. See Item 11 for a more detailed explanation of advertising cooperatives.

Note 17: Each calendar year shall consist of 13 Accounting Periods, each of which shall extend for approximately 28 consecutive days. We reserve the right to (a) adjust accounting periods in order to conform to various accounting conventions (internal and external) and tax regulations and (b) increase or decrease the number of Accounting Periods in each calendar year and the number of days in the Accounting Periods.

Note 18: In some limited circumstances, Franchisor will grant a temporary royalty abatement to Franchise locations under certain specific circumstances in the Franchisor’s discretion.

Note 19: Repudiation of the Franchise Agreement prior to the termination of the timeframe provided therein will result in an obligation that the Franchisee pay to Franchisor the greater of 1) \$100,000 or 2) an amount equal to 3 ½ times the continuing royalty fees payable to the Franchisor in respect to the last 12 months of the Franchised Business' active operations or the entire period the Franchise Business has been open for business, whichever is the shorter period.

**Development Agreement**

If you sign a Development Agreement, you should review both the above table of fees applicable to Franchise Agreements as well as the following table of fees:

Type of Fee	Amount	Due Date	Remarks
Transfer fee	See Note 2.	Upon transferring the Development Agreement.	---
Attorneys' Fees and other Costs	100% of the cost incurred by us for attorney fees.	As incurred.	Payable if you fail to comply with the Development Agreement.
Indemnification	Actual Cost.	As incurred.	If you do not satisfy your obligations under the Development Agreement, we may perform your obligations for you. You must reimburse us for our costs in performing your obligations. You must reimburse us if we are held liable for claims involving the operation of your business. Indemnification covers our members, officers, employees, and agents.

Note 1: All fees are imposed by and payable to us and are nonrefundable.

Note 2: \$1,000 for each Scramblers restaurant that remains to be opened pursuant to the Development Agreement, plus the applicable then current transfer fee for each Scramblers restaurant for which you have signed a Franchise Agreement. This is in addition to any other transfer fee required under other agreements with us or our affiliates.

Note 3: Except as noted herein, all fees are uniformly applied to all new developers.

**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT (FRANCHISE AGREEMENT)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee (1)	\$40,000	Lump sum	Upon Signing of the Franchise Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Travel and Living Expense During Training	\$1,500 to \$2,500	As Incurred	Before Opening	Other Suppliers
Rent (2)	\$5,000 to \$12,000	As Incurred	Before Opening	Landlord
Security Deposits (3)	\$6,000 to \$9,000	Lump Sum	Before Opening	Landlord/Utility Companies
Architectural Fees (4)	\$19,000 to \$31,000	As Incurred	Before Opening	Architectural Firm
Leasehold Improvements (5)	\$285,000 to \$675,000	Negotiable	Before Opening	General Contractor or Landlord
Furniture, Fixtures and Equipment (6)	\$125,000 to \$210,000	As Incurred	Before Opening	Other Suppliers
Signage (7)	\$4,000 to \$12,000	As Incurred	Before Opening	Other Suppliers
Small Wares and Office Supplies	\$15,000 to \$21,000	As Incurred	Before Opening	Other Suppliers
Opening Inventory	\$9,000 to \$12,000	As Incurred	Before Opening	Other Suppliers
Professional and Legal and Business Fees/Permits/Licenses	\$5,000 to \$8,000	As Incurred	Before Opening	Accounting/Legal Firm. State, County and City Offices
Insurance	\$3,500 to \$4,000	As Incurred	Before Opening	Other Suppliers
Catering	\$500 to \$1,000	As Incurred	Before Opening	Other Suppliers
Printing (8)	\$1,500 to \$4,000	As Incurred	Before Opening	Other Suppliers
Uniforms (9)	\$1,000 to \$3,000	As Incurred	Before Opening	Other Suppliers
Grand Opening Expenses (10)	\$6,000 to \$12,000	As Incurred	Before Opening	Other Suppliers
Additional Funds for First 3 Months (11)	\$20,000 to \$40,000	As Incurred	As Incurred	Third Parties
<b>TOTAL: \$547,000 to \$1,096,500</b>				

Note 1: Subject to certain conditions, the Franchise Fee may be reduced from \$40,000 to \$30,000. Also, we will apply the portion of the Development Fee paid under a Development Agreement toward the initial franchise fee. See Item 5 for details.

Note 2: Scramblers restaurant sites are typically leased and are located in strip centers and free-standing locations. The cost of leasing and developing a site can vary considerably depending upon such factors as location, size, and the local real estate market. You will need to lease approximately 3,500 square feet of space and pay the cost of site work and leasehold improvements (see Note 5 below). In addition to base rent, the lease may require you to pay common area maintenance charges, your pro rata share of the real estate taxes, insurance and other charges. The actual amount you pay under the lease will vary depending upon the size of the small restaurant, the types of charges that are allocated to

tenants under the lease, your ability to negotiate with Landlord and the prevailing rental rates in the geographic region. We may require that the premises be leased to us and subleased to you.

Note 3: Includes lease security deposit (typically one month's rent) and utility security deposits.

Note 4: The cost of architectural fees will vary depending upon: (a) the site's initial condition; (b) local requirements concerning the complexity of the plans; (c) the extent of plan approval required; and (d) standard rates charged by architectural firms within different geographic areas.

Note 5: The cost of leasehold improvements will vary depending upon: (a) whether pre-construction, demolition or modifications to the existing facility are required; (b) the facility's type, size and configuration; and (c) material and labor costs within different geographic areas. The amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish out the restaurant and the cost of leasehold improvements. These figures are based upon the landlord providing you with a "vanilla box" with the proper amount of air conditioning and heating and are our best estimate based on remodeling/ finish-out lays and conditions in the Toledo and Columbus metropolitan areas. These amounts may vary substantially based on local conditions, including availability and prices of labor and materials, and whether certain of these costs will be incurred by the Landlord.

Note 6: This estimate includes the point of sale system which we currently require.

Note 7: The high range includes pole signs and window dressings above the minimum sign requirements.

Note 8: This estimate includes printing and set-up costs for menus.

Note 9: Amounts will vary depending upon: (a) the number of employees hired; and (b) whether you pay for employee's uniforms. This estimate does not include purchase of optional items such as sweatshirts, jackets, shoes, etc.

Note 10: This estimate covers grand opening advertising and promotional materials.

Note 11: This item estimates your initial startup expenses. These expenses do not include any draw or salary for you nor any repayment of debt obligations. We relied on our owner's restaurant experience since 1991 to compile these estimates.

If you acquire an existing company or affiliate owned Scramblers restaurant, you may have to make a greater or smaller investment, depending upon the circumstances, than the initial estimated initial investment shown above. The price and terms of payment for these Scramblers restaurants will be established by mutual agreement.

## **YOUR ESTIMATED INITIAL INVESTMENT (DEVELOPMENT AGREEMENT)**

If you sign a Development Agreement, you will be required to pay us a Development Fee (See Item 5), and also will need additional funds, in an estimated amount of \$4,000 to \$20,000, to pursue your development obligations. There is no other initial investment required upon execution of a Development Agreement. However, an initial investment will be required for each Scramblers restaurant that you open. Our current estimate for this investment if a Scramblers restaurant is opened now is described below, but please note that the investment or costs associated with developing additional Scramblers restaurants under the Development Agreement at a future date, may be impacted by a number of factors, including changes to our System and the prevailing market rates for goods and services.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee (1)	\$40,000	Lump sum	Upon Signing of the Franchise Agreement	Us
Development Fee	\$20,000	Lump Sum Per Store To Be Opened	Upon Signing of the Development Agreement	Us
Travel and Living Expense During Training	\$1,500 to \$2,500	As Incurred	Before Opening	Other Suppliers
Rent (2)	\$5,000 to \$12,000	As Incurred	Before Opening	Landlord
Security Deposits (3)	\$6,000 to \$9,000	Lump Sum	Before Opening	Landlord/Utility Companies
Architectural Fees (4)	\$19,000 to \$31,000	As Incurred	Before Opening	Architectural Firm
Leasehold Improvements (5)	\$285,000 to \$675,000	Negotiable	Before Opening	General Contractor or Landlord
Furniture, Fixtures and Equipment (6)	\$125,000 to \$210,000	As Incurred	Before Opening	Other Suppliers
Signage (7)	\$4,000 to \$12,000	As Incurred	Before Opening	Other Suppliers
Small Wares and Office Supplies	\$15,000 to \$21,000	As Incurred	Before Opening	Other Suppliers
Opening Inventory	\$9,000 to \$12,000	As Incurred	Before Opening	Other Suppliers
Professional and Legal and Business Fees/Permits/Licenses	\$5,000 to \$8,000	As Incurred	Before Opening	Accounting/Legal Firm. State, County and City Offices
Insurance	\$3,500 to \$4,000	As Incurred	Before Opening	Other Suppliers
Catering	\$500 to \$1,000	As Incurred	Before Opening	Other Suppliers
Printing (8)	\$1,500 to \$4,000	As Incurred	Before Opening	Other Suppliers
Uniforms (9)	\$1,000 to \$3,000	As Incurred	Before Opening	Other Suppliers
Grand Opening Expenses (10)	\$6,000 to \$12,000	As Incurred	Before Opening	Other Suppliers
Additional Funds for First 3 Months (11)	\$20,000 to \$40,000	As Incurred	As Incurred	Third Parties
Additional Funds for Development Obligations	\$4,000 to \$20,000	As Incurred	As Incurred	Third Parties
<b>TOTAL: \$571,000 to \$1,136,500</b>				

Note 1: Subject to certain conditions, the Franchise Fee may be reduced from \$40,000 to \$30,000. Also, we will apply the portion of the Development Fee paid under a Development Agreement toward the initial franchise fee. See Item 5 for details.

Note 2: Scramblers restaurant sites are typically leased and are located in strip centers and free-standing locations. The cost of leasing and developing a site can vary considerably depending upon such factors as location, size, and the local real estate market. You will need to lease approximately 3,500 square feet of space and pay the cost of site work and leasehold improvements (see Note 5 below). In addition to base rent, the lease may require you to pay common area maintenance charges, your pro rata share of the real estate taxes, insurance and other charges. The actual amount you pay under the lease will vary depending upon the size of the small restaurant, the types of charges that are allocated to tenants under the lease, your ability to negotiate with Landlord and the prevailing rental rates in the geographic region. We may require that the premises be leased to us and subleased to you.

Note 3: Includes lease security deposit (typically one month's rent) and utility security deposits.

Note 4: The cost of architectural fees will vary depending upon: (a) the site's initial condition; (b) local requirements concerning the complexity of the plans; (c) the extent of plan approval required; and (d) standard rates charged by architectural firms within different geographic areas.

Note 5: The cost of leasehold improvements will vary depending upon: (a) whether pre-construction, demolition or modifications to the existing facility are required; (b) the facility's type, size and configuration; and (c) material and labor costs within different geographic areas. The amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish out the restaurant and the cost of leasehold improvements. These figures are based upon the landlord providing you with a "vanilla box" with the proper amount of air conditioning and heating and are our best estimate based on remodeling/finish-out lays and conditions in the Toledo and Columbus metropolitan areas. These amounts may vary substantially based on local conditions, including availability and prices of labor and materials, and whether certain of these costs will be incurred by the Landlord.

Note 6: This estimate includes the point of sale system which we currently require.

Note 7: The high range includes pole signs and window dressings above the minimum sign requirements.

Note 8: This estimate includes printing and set-up costs for menus.

Note 9: Amounts will vary depending upon: (a) the number of employees hired; and (b) whether you pay for employee's uniforms. This estimate does not include purchase of optional items such as sweatshirts, jackets, shoes, etc.

Note 10: This estimate covers grand opening advertising and promotional materials.

Note 11: This item estimates your initial startup expenses. These expenses do not include any draw or salary for you nor any repayment of debt obligations. We relied on our owner's restaurant experience since 1991 to compile these estimates.

If you acquire an existing company or affiliate owned Scramblers restaurant, you may have to make a greater or smaller investment, depending upon the circumstances, than the initial estimated initial investment shown above. The price and terms of payment for these Scramblers restaurants will be established by mutual agreement. We do not have sufficient experience with Special Locations to be able to estimate the initial investments for those locations.

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

### **Required Purchases**

You are required to purchase and use certain electronic cash register systems, including the Sizzle point of sale software and accounting system, and other certain computer hardware and software that meet our specifications. (See Item 11 Below) You have no obligation to purchase or lease goods, services, supplies, fixtures, equipment, inventory, real estate, or comparable items related to establishing or operating the Franchised Business from us or any of our affiliates. In the future we may require you to make such purchases or leases.

**Required and Approved Suppliers**

You are required to purchase your coffee from Caruso. You are required to purchase and serve Pepsi soft drinks. You have no other obligation to purchase or lease goods, services, supplies, fixtures, equipment, inventory, computer hardware (other than as specified in Item 11), real estate, or comparable items related to establishing or operating the Franchised Business from required or approved suppliers, currently. In the future we may require you to make such purchases or leases from required or approved suppliers and use specific computer hardware or software. Currently, we are an approved supplier for our computer software system known as Scramblers Sizzle, however, this program is provided at no cost to the franchisee.

**Approval of Alternate Suppliers**

To have an alternate supplier approved, you must first notify us in writing, submit sufficient specifications, samples and information. There is no fee with this review process for approval of an ultranet supplier. Our criteria for approving suppliers is confidential and is not available to franchisees. You may contract only with suppliers whom we have approved. We will notify you of our approval or disapproval within a reasonable time normally within 90 days of our receiving all requested information. We may revoke our approval of a supplier at any time for any reason.

**Specifications**

We issue specifications to franchisees. We issue and modify the specifications by updating the confidential Operations Manual. We issue specifications regarding your purchase or lease of goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate and comparable items related to establishing or operating the Franchised Business. Our site location and lease requirements are provided in the Franchisor’s Assistance, Advertising, Computer Systems and Training part of this disclosure document.

**Revenue from Franchisee Purchases**

We may collect and retain for our sole benefit any manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, “Allowances”) offered to us by such approved brands or suppliers based upon purchases of System products and other goods and services by franchisees. These Allowances are or will be based on System-wide purchases of advertising, food, equipment, supplies, paper, goods, merchandise, and other products or services hereafter incorporated into the System, and we are not obligated to use the Allowances for your or the System’s benefit.

We currently receive Allowances based on your purchases from each of the following suppliers as indicated in Table 8-1 below.

<b>Table 8-1</b>			
<b>Supplier</b>	<b>Volume/Weight/Quantity (if applicable)</b>	<b>2024 Allowance</b>	<b>Percentage of Our Total Revenue of \$1,011,357</b>
<b>Caruso</b>	\$ .15 per pound	\$2,086.40	0.206%
<b>Entegra Food</b>		\$76,840.60	7.597%

<b>Gordon Food</b>		\$77,750.70	7.687%
<b>Great Lakes Hamco</b>		\$1,104.07	0.109%
<b>Hormel Foods</b>		\$6,626.45	.655%
<b>McCain Foods</b>		\$921.40	0.091%
<b>PepsiCo</b>	\$ .75 per gallon	\$2,177.25	0.215%

During 2024, we received in total \$167,506.74 of Allowances, which is approximately 16.56% of our total revenue of \$1,011,357, from the suppliers listed in Table 8-1.

There is no supplier in which an officer of ours owns an interest.

Other than as described above, we may but do not currently derive revenue or other material consideration from your required purchases or leases.

We estimate that your required purchases and leases in compliance with the above specifications of goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate and comparable items will represent 80 to 90% of your overall purchases and leases in establishing and operating the Franchised Business.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives.

### **Negotiated Prices**

We may negotiate purchase price arrangements with suppliers, including price terms, for the benefit of franchisees.

### **Material Benefits**

We do not provide any material benefits (for example, renewal or granting of additional franchises) based on your purchase of particular products or services or use of particular suppliers.

### **Third-Party Delivery Service**

You are permitted to use third-party delivery services, such as DoorDash, UberEats, and ezCater, according to the standards and specifications that we may periodically specify. You are prohibited from directly delivering products to customers. At our option, we may determine, and thereafter may periodically modify, the geographic area within which you may provide, or a third-party delivery service may provide delivery service, but you shall not receive any exclusive, protected or other territorial rights with respect to deliveries in that geographic area. Our agreements with DoorDash, UberEats and ezCater may result in another franchisee delivering products and/or services within your Protected Area due to the Franchised Store that the customer or the third-party service provider elects to use to fulfill and deliver a customer's online order. As such, you expressly agree that if franchisee fulfills an online order placed by a customer situated within your Protected Area then the fulfillment and delivery of that order by another franchisee will not be a violation of your territorial protections. You must ensure that customers receive at all times high quality food and beverage products prepared and maintained in accordance with our standards and specifications. We may temporarily or permanently suspend or terminate your right to utilize third-party delivery services. Any delivery fees and other revenue from third-party delivery services must be included in Gross Sales.

## Insurance

Pursuant to the terms and conditions of our franchise agreement, and before the opening of your Franchised Store, you must obtain, and then maintain in full force and effect during the term at your own expense, the following insurance policies to protect you and us, and your and our officers, directors, partners, members, and employees, against any loss, liability, personal injury, death, or property damage or expense or arising or occurring upon or in connection with the Franchised Store: (a) comprehensive, general and product liability insurance; (b) All Risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of the Franchised Store and its contents; and (c) such other insurance policies, such as business interruption insurance, automobile, insurance, unemployment insurance, and workers' compensation insurance as we may determine from time to time. All insurance policies must be issued by carriers meeting our current standards, must contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time, name us and our Affiliates as additional insureds, provide for thirty (30) days' prior written notice to us of any material modification, cancellation or expiration of such policy and include such other provisions as we may require from time to time. Currently, we require that your commercial liability insurance policy includes minimum limits of \$1,000,000 per occurrence and \$2,000,000 aggregate and be in force prior to your commencing construction of your Franchised Store. At our request, you must furnish us with such evidence of insurance coverage and payment of premiums as we require. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and immediately reimburse us for any costs and premiums we incur. Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under the franchise agreement.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

### FRANCHISEE'S OBLIGATIONS

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

Obligation		Sections of Agreement	Item in Disclosure Document
a.	Site selection and acquisition/lease	Section 3 of Franchise Agreement and Development Agreement	Items 7, 8 and 11
b.	Pre-opening purchase/lease	Section 3 of Franchise Agreement	Items 6, 7, 8 and 11
c.	Site development and other pre-opening requirements	Section 3 of Franchise Agreement	Items 6, 7, 8 and 11
d.	Initial and ongoing training	Sections 4 and 9 of Franchise Agreement; Section 4 of Development Agreement	Items 6, 7, and 11
e.	Opening	Section 3 of Franchise Agreement	Item 11
f.	Fees	Sections 6 and 10 of Franchise Agreement; Sections 2 and 3 of Development Agreement	Items 5, 6, 7, 11 and 17
g.	Compliance with standards and policies/Operations Manual	Sections 4 and 9 of Franchise Agreement; Section 3 of Development Agreement	Items 8 and 11
h.	Trademarks and proprietary information	Sections 5 and 7 of Franchise Agreement; Sections 5 and 6 of Development Agreement	Items 13 and 14

Obligation		Sections of Agreement	Item in Disclosure Document
i.	Restrictions on products/services offered	Section 9 of Franchise Agreement	Item 16
j.	Warranty and customer service requirements	N/A	N/A
k.	Territorial development and sales quotas	Section 2 of Development Agreement	Item 12
l.	Ongoing product/service purchases	Section 9 of Franchise Agreement	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 3, 9 and 15 of Franchise Agreement	Item 6
n.	Insurance	Section 9 of Franchise Agreement	Item 7
o.	Advertising	Section 10 of Franchise Agreement	Items 6, 7, 8 and 11
p.	Indemnification	Section 17 of Franchise Agreement; Section 5 of Development Agreement	Item 6
q.	Owner's participation, management and staffing	Sections 8 and 9 of Franchise Agreement; Section 4 of Development Agreement	Item 15
r.	Records and reports	Section 11 of Franchise Agreement	Item 7
s.	Inspections and audits	Section 12 of Franchise Agreement	Item 6
t.	Transfer	Section 13 of Franchise Agreement; Section 7 of Development Agreement	Items 6 and 17
u.	Renewal	Section 15 of Franchise Agreement	Items 6 and 17
v.	Post-termination obligations	Section 7 of Franchise Agreement; Section 9 of Development Agreement	Item 17
w.	Non-competition covenants; certain employee non-competition covenants	Sections 7, 8, 9, 13 and 16 of Franchise Agreement; Sections 4, 6, 7 and 9 of Development Agreement	Item 17
x.	Dispute resolution	Section 18 of Franchise Agreement; Section 10 of Development Agreement	Item 17
xi.	Liquidated Damages	Section 16 of Franchise Agreement	Item 6 and Item 17

**ITEM 10. FINANCING**

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

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

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

**Pre-Opening Assistance**

We will provide the following pre-opening assistance:

1. We will provide area developers general guidance in selecting sites. (Development Agreement, Section 3);
2. We will provide you general guidance in selecting a site for your Scramblers restaurant. (Franchise Agreement, Section 3).
3. We will an operational concept plan for your Scramblers restaurant. We will also provide guidance to you in developing your Franchised Business. (Franchise Agreement, Section 3);
4. We will provide training to you and/or your Operating Partner, managers and others we will designate. However, as described in Item 6, you will be responsible for all compensation and expenses (including travel, meals and lodging) incurred in connection with any training programs. This training is described in detail later in this item. (Franchise Agreement, Section 4);
5. We shall loan to you 1 copy of our operations manual (Operations Manual). The Operations Manual is confidential and shall remain our property. We shall modify the Operations Manual from time to time, however, no modification will alter your status and rights under the Franchise Agreement. The table of contents to the Operations Manual is attached to this disclosure document as Exhibit E. (Franchise Agreement, Section 4);
6. We will provide you with opening operational assistance. (Franchise Agreement, Section 3).
7. We shall deliver to you a list of the identity of approved suppliers and written specifications for approved supplies to assist you with acquiring all needed equipment, signs, fixtures, opening inventory, and supplies. We will not provide services related to the delivery or installation of any required equipment, signs, fixtures, or other supplies.

**Continuing Assistance**

We will provide the following assistance during the operation of the Franchised Business:

1. We will provide periodic guidance to you with regard to the System, including improvements and changes. (Franchise Agreement, Section 4);
2. We will periodically modify the Operations Manual to reflect changes in standards, specifications, operating procedures and other matters. (Franchise Agreement, Section 4);
3. We will periodically issue specifications, standards, methods and operating procedures for Scramblers restaurants. We may establish new product offerings and services or revise existing products and services. To the extent permissible by applicable law, we will assist with establishing and otherwise modifying prices for any goods and services provided to customers with regard to implementing reasonable pricing modifications, including adjusted minimum and/or maximum prices at which you may charge for goods and services provided to customers. (Franchise Agreement, Section 9);

4. We will review the capabilities of proposed suppliers of food products, equipment and supplies. (Franchise Agreement, Sections 3 and 9);

5. We will administer marketing and advertising funds for development of advertising and related programs and materials. (Franchise Agreement, Section 10);

6. We will provide periodic and on-going training programs for you and your Operating Partner (described in Item 15) and other personnel we may designate. However, as described in Item 6, you will be responsible for all compensation and expenses (including travel, meals and lodging) incurred in connection with any training programs. This training is described in detail later in this item. (Franchise Agreement, Section 4); and

7. We will provide advertising, promotion, and marketing materials by way of our social media team that will promote our brand. (Franchise Agreement, Section 10).

### **Site Selection**

We must approve your site for your Scramblers restaurant, but we do not locate the site, designate or approve any geographical areas for your Scramblers restaurant, nor do we negotiate your lease. You will be responsible for selecting and securing your Scramblers restaurant location. If, however, you enter into a Development Agreement with us, you must select sites within the agreed upon Development Area, and we will approve the location of any future or additional Scramblers restaurant sites based on our then-current standards and factors we may deem appropriate, prior to the time you sign a franchise agreement for that location. We will provide you with our current site selection criteria and/or on-site evaluations of sites, as we deem appropriate. We typically do not own or lease the site where your Scramblers restaurant is located.

Before you acquire, by lease or purchase, any site for a Scramblers restaurant, you must submit a complete site information form to us. We will review each site information form and determine whether to approve or disapprove the site after considering factors we deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, access, visibility, locations of other restaurants and food establishments, size, configuration, appearance and other physical characteristics. If we approve the site, we will deliver to you a signed site acceptance form. We will use reasonable efforts to provide a site approval or disapproval decision within 30 days after acknowledging receipt of a complete site form and any of the materials we have requested. (Franchise Agreement and Development Agreement, Section 3).

Neither our acceptance of the site nor any information communicated to you regarding our standard site selection criteria for Scramblers restaurants will constitute a warranty or representation of any kind, express or implied, as to the suitability of the site for a Scramblers restaurant. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise for a Scramblers restaurant at the site. Your Scramblers restaurant may not be relocated without first obtaining our written consent. (Franchise Agreement, Section 2; Development Agreement, Section 3). You must include in your lease the Addendum to Lease which is Schedule B to the Franchise Agreement and execute the Conditional Assignment of Lease which is Schedule G to the Franchise Agreement. We may require that you lease or sublease the site from us. You must lease, sublease or purchase an acceptable site within 60 days after signing the Franchise Agreement. You must start construction of your Scramblers restaurant within 30 days after leasing, subleasing or acquiring the site and complete construction and open for business within the following 90 days. Failure to comply with this time frame constitutes an event of default providing us with the right to terminate the Franchise Agreement and pursue other remedies. (Franchise Agreement, Section 3).

We estimate the time between the date you signed the Franchise Agreement to the day you open your Scramblers restaurant to be between 90 and 180 days. However, this estimate may vary depending on numerous factors including acquisition of necessary permits, licenses, variances, and approvals, completion of the training program, construction schedules, financing and availability of labor, construction materials, equipment and inventory. Your Franchised Business must conform to all applicable ordinances, codes, laws and other private and governmental requirements. We do not provide assistance with conforming your Franchised Business to local ordinances, building

codes, nor obtaining any required permits, or any construction, remodeling, decorating the Franchised Business, or hiring or training employees incidental to such efforts of conformity.

### **Advertising**

### **Marketing Fund**

We administer a marketing fund (“Marketing Fund”) for the creation and development of marketing, advertising, and related programs and materials, including electronic, print and internet media as well as the planning and purchasing of national and/or regional network advertising. You must contribute 1% of gross sales to the Marketing Fund. At our discretion, these funds may be electronically drafted from a designated account. Scramblers restaurants owned by us contribute to the Marketing Fund on the same basis. We may increase the 1% fee on Marketing Fund contributions in the future by gaining an approval vote of either (a) 51% of all then existing franchised Scramblers restaurants or (b) 66% of all then existing Scramblers restaurants. Voting is accomplished through a system of 1 vote for each eligible Scramblers restaurants, in good standing. All franchised and company-owned Scramblers restaurants will contribute the same percentage to the Marketing Fund. The Marketing Fund will not spend any money on advertising that is principally a solicitation for the sale of new franchises.

We will have sole discretion over all aspects of programs financed by the Marketing Fund, including national or regional media, creative concepts, materials, endorsements, and agency relationships. We cannot assure you that any particular Scramblers restaurant will benefit directly or pro-rata from the placement of any advertising. The Marketing Fund may be used to pay for the cost of preparing and producing materials and programs we select, including video, audio, electronic and written advertising materials; media planning and buying services; employee advertising agencies and market research activities; reimbursing us for services, salaries and other overhead expenses (based upon our calculations) directly related to marketing activities; and otherwise administering and directing advertising and promotional activities. We may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling and storage charges.

The Marketing Fund is accounted for separately from our other funds and segregated from any funds used for marketing of any other brands we offer. While our intent is to balance the Marketing Fund on an annual basis, the Marketing Fund may run at either a surplus or deficit. All disbursements from the Marketing Fund shall be made first from income and then from contributions. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Scramblers restaurants to the Marketing Fund in that year, and the Marketing Fund may borrow from us or other lenders to cover deficits in the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. We will prepare annually a statement of monies collected and costs incurred by the Marketing Fund, which may be audited, and furnish you a copy upon your written request. Monthly statements will be provided to the franchisee showing a detailed explanation of expenditures, franchisee’s contribution, proportionate marketing expenditure, and any outstanding balance or credit that has accumulated. At the end of the calendar year a reconciliation will be performed in which franchisees are invoiced for outstanding balances or offered reimbursement for unspent account credits. Except as otherwise expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation with respect to the maintenance, direction, or administration of the Marketing Fund. We shall not act as a trustee or in any other fiduciary capacity with respect to the Marketing Fund. We provide accounting and administrative services to the Marketing Fund, for which we receive an annual reimbursement from the Marketing Fund. We will seek the advice of owners of Scramblers restaurants by formal or informal means with respect to the creative concepts and media used for programs financed by the Marketing Fund. At our sole discretion, we may establish a marketing advisory council. We will appoint members to the marketing advisory council which will serve only in an advisory capacity. We will have the final authority for all respects of the marketing advisory council. We will have the right to change or dissolve the marketing advisory council.

For the year ending December 31, 2023, the Marketing Fund spent 34% on production, 33% on media placement and 33% on administration.

### **Local Advertising Fund**

We are not required to spend any specific amounts for advertising your Scramblers restaurant. You agree to spend 2% of gross sales for locally advertising your Scramblers restaurant. These funds will be spent by you at your discretion with the guidance of our inhouse marketing team. These amounts spent on local advertising and promotion will be designated as local advertising funds (“LAF”). If we determine, at some later date, that you have spent less than the required amount during the then most recently completed 3 consecutive Accounting Periods for locally advertising and promoting your Scramblers restaurant, we may collect LAF contributions directly. If we collect LAF contributions directly from you, LAF contributions will be payable on the second day following the immediately preceding Accounting Period together with the Royalty Fees. At our discretion, the funds may be electronically drafted. The LAF monies will be used to pay for the cost of implementing local marketing plans developed by you and approved by us. For these purposes, advertising expenditures include (a) amounts contributed to the LAF; and (b) amounts spent for advertising media, such as television, radio, newspaper, billboards, posters, direct mail, collateral and promotional items, advertising on public vehicles, (transient and aerial) and, if not provided by us, the cost of producing approved materials necessary to participate in these media. Advertising expenditures do not include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs and menu boards, lighting, menus, personal salaries or administrative costs, transportation vehicles (even though the vehicles may display the Mark), yellow pages advertising, discounts, free offers and employee incentive programs. You must submit to us for our prior approval, a marketing plan and samples of all advertising and promotion materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials. You may not use any advertising or promotional materials that we have not approved. The LAF will not be spent, nor allocate any money on advertising that is principally a solicitation for the sale of new franchises.

### **Advertising Cooperatives**

We have the right to establish local and/or regional advertising cooperatives for Scramblers restaurants in your local and/or regional area, covering the geographical areas we may designate from time to time. We have the right to form, change, dissolve or merge advertising cooperatives.

You must participate in the advertising cooperatives and their programs and abide by their by-laws. You must contribute the amounts to the advertising cooperative(s) as they determine from time to time in accordance with their by-laws. All Scramblers restaurants (including those that we or any of our affiliates own) located in the designated local or regional area(s) will contribute to the cooperative(s) on the same basis. Contributions to the local and regional advertising cooperatives are credited toward the LAF advertising expenditures required by the Franchise Agreement; however, if we provide you and your local and/or regional advertising cooperative ninety (90) days’ notice of a special regional promotion, you must participate in the promotion and pay us any regional advertising fees assessed in connection with the program, beginning on the effective date of the notice and continuing until the regional promotion is concluded. Any regional advertising fees will be an addition to, and not credited towards, the LAF advertising expenditure required by the Franchise Agreement.

The by-laws of your advertising cooperative will be made available for you to review. We will administer the advertising cooperatives with the assistance of an outside independent accounting firm. The financial statements of the advertising cooperatives may be audited and the reports will be made available to you. Each Scramblers restaurant located within the local or regional area of the advertising cooperative in good standing will be entitled to 1 vote. Advertising conducted by the cooperatives may be in various media including television, radio, internet, magazine, newspaper, billboards, transits and aerial advertising.

### **Computer Hardware and Software**

You must purchase and use certain electronic cash register systems, computer hardware and software that meet our specifications (hereinafter the “Computer System”) and that, at our election, are capable of electronically interfacing with our computer system. We have developed a custom Computer System for use in your Scramblers restaurant named the Scramblers Sizzle Proprietary POS. As a Franchisee, you are required to implement our specific

Computer Systems – including the Scramblers Sizzle Proprietary POS. The Computer System may be used by us to collect and monitor point of sales information, and may be expanded to collect and monitor inventory control and shrinkage, payroll and accounting information, credit card processing, and provide such other information that we may designate.

The Computer System may be designed to enable us to have immediate access to the information monitored by us, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain the equipment and a telecommunications line according to our specifications to permit us to access the electronic cash registers (or other computer hardware and software) at the Premises. This will permit us to inspect and monitor electronically information regarding your Franchised Business and other information that may be contained or stored in the equipment and software. We have the right to poll your Computer System at our discretion at any time for any information. It is your responsibility to ensure that we have access at the times and in the manner we specify, at your cost.

The cost for the Computer System will vary based upon the type of hardware purchases as well as the utilization of refurbished equipment. Currently, we estimate the cost of purchasing the Computer System to range between \$7,000 and \$10,000. We may revise our specifications for the Computer System as we determine necessary to meet the needs of the System. There is no contractual limitation on our ability to require the Computer System be improved or upgraded. You must pay the cost of programming and installing the equipment and any related training.

We may require that you obtain and maintain internet access or other means of electronic communication, as specified by us. You must pay the cost of this service. We estimate this cost to range from \$25 to \$75 per Scramblers restaurant per month (as shown in Item 7 – Small Wares and Office Supplies).

You are also required to pay the annual cost of any optional or required maintenance and support contracts, upgrades and updates, the cost of which we estimate to range from approximately \$1,900 to \$2,500 on an annual basis as of the date of this disclosure document. Neither we nor any of our affiliates is required to provide on-going maintenance, repairs, upgrades or updates to the Computer System. You must upgrade or replace financial and inventory data processing and communications systems whenever we require it, and we have no obligation to assist you in obtaining hardware, software or related services. There are no contractual limits on the frequency or cost of your obligation to obtain such upgrades (Franchise Agreement; Section 9).

### **Website**

We may establish, acquire, or host any website(s) to advertise, market, and promote Scramblers restaurants, the products and services that they offer and sell, and/or a Scramblers franchise opportunity (each a “Franchise System Website”). We may (but are not required to) provide you with a webpage on a Franchise System Website that references your Franchised Store for informational purposes only. If we provide you with a webpage on a Franchise System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and all information it contains (including the domain name, any associated URL or email address, any website analytical data, and any personal or business data that visitors supply).

We may use Marketing Fund assets to develop, maintain and update any Franchise System Website. We periodically may update and modify any Franchise System Website (including your webpage). You acknowledge that we have final approval rights over all information on any Franchise System Website (including your webpage). We may implement and periodically modify System standards relating to any Franchise System Website.

Even if we provide you a webpage on a Franchise System Website, we will only maintain this webpage while you are in full compliance with this Agreement and all system standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under this Agreement or our system standards,

then we may temporarily remove your webpage from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage from all Franchise System Websites upon this Agreement's expiration or termination.

We may require you to provide notice of any Franchise System Website in the advertising, marketing, and promotional materials that you develop for your Franchised Store in the manner we designate. We may sell the products sold by Scramblers restaurants on the internet through Franchise System Websites. You agree that you will not sell any Scramblers restaurant products or services to customers on a website through the internet or through any alternative channels of distribution.

We may require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions. We then may charge you a fee for each email address we provide you (as shown in Item 7 - Small Wares and Office Supplies). We estimate the fee for each email address will be \$50.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website, domain name, URL address, email address, other online presence or other electronic medium that mentions your Franchised Store, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through or on the internet, or any other similar proprietary or common carrier electronic delivery system. If we approve the use of any such websites, other online presences or electronic mediums, including social networking websites (such as LinkedIn®, Twitter®, Instagram®, Facebook®, or YouTube®) in the operation of your Franchised Store, or the posting of messages relating to your Franchised Store on other websites, you will do so only in accordance with our guidelines. Any and all advertising, promotion, and marketing that you conduct must be clear, factually accurate, not misleading, and must conform to applicable law and the highest standards of ethical marketing. To the extent the use of the foregoing social networking websites are approved, we may, but we are not required to, provide you with additional marketing resources in the form of our internal social media team to manage and promote your franchise on your behalf. We will: (i) require you to gain our approval of any message you compose for a social networking website or commentary for any other website before you post such message or commentary; (ii) require you to disclose to us any and all login credentials that you may use in connection with any approved social networking websites; and (iii) access your social networking websites via the provided login credentials and remove any content, that, in our sole discretion, is contrary to our guidelines or rights.

We or our affiliate is the lawful, rightful and sole owner of the Internet domain names [www.scramblersbrands.com](http://www.scramblersbrands.com), [www.scramblermaries.com](http://www.scramblermaries.com), [www.scramblersrestaurants.com](http://www.scramblersrestaurants.com), [www.scramblersfranchise.com](http://www.scramblersfranchise.com), and any other Internet domain names registered to us or our affiliate, and unconditionally disclaim any ownership interest in those or any similar Internet domain name. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliate or any abbreviation, acronym, phonetic variation or visual variation of those words.

### **Media Inquiries and Crisis Situations**

You shall immediately notify us upon the occurrence of any situation that may have material impact on you, us, other franchisees, or have a deleterious effect on Scramblers restaurants, the Marks, or the System. You shall also notify us when you receive any media inquiries concerning your franchise, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee and you shall direct all media inquiries to us. Neither you, your employees, nor anyone on your behalf may comment to any broadcast medium about the System, except as directed by us. You shall follow all of our policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by us or as specified in the Operations Manual, whether or not you have retained outside counsel or a public relations firm to assist with such matters.

## Training

Before opening your Scramblers restaurant, you and/or your Operating Partner (described in Item 15) and at least 1 manager or assistant manager must successfully complete our 14 day training program. The training program is conducted periodically and consists both of classroom and hands-on training covering all phases of operations, including food preparation, equipment operation and maintenance, cost to control, inventory control and basic techniques of management. Training programs shall only be available to you after you have signed your Franchise Agreement and must be completed not less than 60 days prior to opening your Scramblers restaurant for business. You must replace any individual who fails to successfully complete the appropriate training program or who otherwise is not qualified to manage or perform the required functions at a Scramblers restaurant. We will not charge any fees for the first 2 people attending the training program. However, as described in Item 6, you will be responsible for all compensation and expenses (including travel, meals and lodging) incurred in connection with any training programs. Neither you nor your employees will receive any compensation from us for services performed during training.

Instructional materials for the training programs include the Operations Manual and standard forms and training guides. The subjects covered and approximate hours of classroom and on-the-job training are described below.

### TRAINING PROGRAM

Subject	Hours of Classroom Training		Hours of On-the-Job Training	Location
Orientation	0		6	Northwestern or Central Ohio
Prep	0		35	Northwestern or Central Ohio
Menu Knowledge	0		105	Northwestern or Central Ohio
Recipe preparation/Cooking position and skills	0		80	Northwestern or Central Ohio
Chemical/General Safety	0		8	Northwestern or Central Ohio
Point of Sales	0		4	Northwestern or Central Ohio
Hostess Position and Skills	0		15	Northwestern or Central Ohio
Server's Position and Skills	0		22	Northwestern or Central Ohio
Busser Position and Skills	0		14	Northwestern or Central Ohio
Dish Room Training	0		8	Northwestern or Central Ohio
Marketing	3		6	Northwestern or Central Ohio
Manager Function/Poison Operation and Skills	0		2	Northwestern or Central Ohio
Food Ordering	0		2	Northwestern or Central Ohio
General Shift Management	0		40	Northwestern or Central Ohio
Labor Scheduling/Cost	0		4	Northwestern or Central Ohio
Weekly Costs Review P&L Recap	2		4	Northwestern or Central Ohio
Management Test	1		2	Northwestern or Central Ohio
Overall Review	2		2	Northwestern or Central Ohio

Instructors for programs will vary. Training is conducted at a Scramblers restaurant we operate and our corporate headquarters prior to the opening of each Scramblers restaurant operated by a franchisee. Instructional materials include handouts, tours, workbooks, computer training, classroom training, field training and hands-on

training. Instructors can be any corporate staff member who has successfully completed the applicable program and has been approved by the Training Coordinator as a Corporate Level Instructor with not less than 6 months experience in the field and 6 months with us.

In addition to the initial training program, we will require you and/your operating partner and other personnel to attend and successfully complete periodic or additional training programs. We may at our sole discretion, require, or allow, you to establish a training program for some or all of your personnel. If any of your personnel fail to perform their duties in accordance with the training program you establish under our standards, they must again complete the training program or be terminated.

We provide no assistance with hiring your employees. You must take commercially reasonable steps to ensure that all employees receive adequate training, are capable of performing the tasks for which they are hired, and comply with all governmental rules and regulations and insurance requirements applicable to the services they provide and the tasks that they perform. In addition to any other rights and remedies provided in the Franchise Agreement, we may require that you dismiss employees that have engaged in conduct detrimental to the System or fail to comply with applicable laws, rules, regulations and insurance requirements. However, we do not monitor your employees' activities or provide direct supervision for management of your Franchised Business. Management of your Franchised Business is solely your responsibility.

## **ITEM 12. TERRITORY**

### **Franchise Agreement**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control.

The Franchise Agreement grants to you the right to operate one (1) Scramblers restaurant at a specific location we have approved (See Item 11). If you have signed a Development Agreement, we will approve the location of any future or additional Scramblers restaurant sites based on our then current standards and factors we may deem appropriate, prior to the time you sign a franchise agreement for that location (See Item 11). You may not conduct the business of your Scramblers restaurant at any site other than the premises.

If you want to relocate the restaurant, you must notify us and obtain our prior written consent. We reserve the right to refuse to approve a proposed relocation if we believe that the proposed relocation is for any reason not acceptable to us. Our approval or disapproval of a relocation may be based on factors such as the proximity to existing or proposed locations for restaurants owned by other franchisees or us, the suitability of the proposed facilities, compliance with our then current franchise location requirements, the competitiveness within the marketplace or other factors.

The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises.

Except as noted below, we will not operate nor grant to another person the right to locate any Scramblers restaurant within the geographical area within 3 miles of the Premises approved by us and developed by you pursuant to Section 3 of the Franchise Agreement (the "Protected Area"). We reserve the right to restrict your solicitation or acceptance of orders from consumers outside of your Protected Area. You may not use alternate channels of distribution such as the internet, catalogs sales, telemarketing or other direct marketing (inside or outside of the Protected Area without our prior written consent). We are not required to compensate you for orders that are solicited or accepted from customers located inside your Protected Area by us or the operators of other Scramblers restaurants.

We have the right to operate and to grant to others the right to operate, within the Protected Area: (a) other channels of distribution (including wholesale distribution of products to restaurants, supermarkets, grocery stores,

caterers and other alternative outlets that may exist now or in the future), where such sales may or may not directly utilize all of the System and/or Marks, or under other tradenames, trademarks or service marks, and occur in part or in whole in your Protected Area and we shall have no obligation to share any revenues stemming from or related to these sales with you; (b) Scramblers restaurants or other stores using any part or all of the System and/or Marks at special locations within the Protected Area, such as college campuses, office buildings, hospitals, hotels, motels, casinos, resorts, turnpike or other limited access highway rest stops, airport facilities, inter-metropolitan train and/or bus stations, grocery stores, convenience stores, supermarkets, malls, department stores, sports venues, entertainment facilities or mobile units located temporarily at special events (collectively “Special Locations”); and (c) restaurants that we acquire (or as to which we acquire the rights as franchisors) regardless of whether the restaurants are converted to operate using any of the Marks and/or System or whether the restaurants operate under other trade names, trademarks, service marks, or trade dress and/or use other operating systems.

Except for rights expressly granted to you under the Franchise Agreement, we retain all of our rights and discretion with respect to the Marks, the System and Scramblers restaurants anywhere in the world, and to engage in any business including the right to: (a) operate, and grant to others the right to operate, Scramblers restaurants at locations and on terms and conditions as we deem appropriate; (b) sell any products or services under the Marks, or under other trade names, trademarks, service marks or trade dress, or through other channels of distribution (including Internet sales and wholesale distribution of food products to restaurants, grocery stores, food caterers and other outlets) and (c) operate, and grant to others the right to operate restaurants identified by trade names, trademarks, service marks or trade dress, other than the Marks, under terms and conditions we deem appropriate.

On renewal or transfer of a franchise, the territory may be modified. Depending on the then-current demographics of the territory, and on our then-current standards for territories, if the territory is larger than our then-current standard territory, we may require you or the transferee to accept a renewal territory or transfer territory smaller than the then-current territory.

### **Development Agreement**

If you enter into a Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control. The Development Agreement grants you the right to develop an agreed upon number of Scramblers restaurants within a geographical area described in the Development Agreement. The size of the Development Area will depend on the number of Scramblers restaurants suitable for the Development Area, as we and you determine in light of factors such as population density and the residential or commercial character of the Development Area. The number of Scramblers restaurants and dates they are to be opened and operating will be set out in the Development Agreement. The Development Agreement does not provide you with any options, rights of first refusal or similar rights to acquire or develop additional Scramblers restaurants in the Development Area or in any other area. The Development Agreement does not provide you with the right to adjust or relocate your Development Area.

During the term of the Development Agreement and provided you and your affiliates are in compliance with the Development Agreement and all other agreements with us for any of our affiliates (including Franchise Agreements signed under the Development Agreement), we will (a) grant to you in accordance with Sections 2 and 3 of the Development Agreement, that cumulative number of franchises for Scramblers restaurants specified in the Development Agreement, all of which are to be located within the Development Area; and (b) not locate (directly or through an affiliate), nor grant others the right to locate, any Scramblers restaurant located within the Development Area, except for: (1) franchises granted under the Development Agreement; (2) Scramblers restaurants or other stores using any part or all of the System and/or Marks at Special Locations; and (3) restaurants that we acquire (or as to which we acquire the rights as franchisors) that, at the time of the purchase by us, are operated under other trade names, trademarks, service marks or trade dress and/or use other operating systems.

Except as otherwise expressly provided in the Development Agreement, we retain all of our rights and discretion with respect to the Marks, the System, and Scramblers restaurants anywhere in the world, including the

right to: (a) operate and grant to others the right to operate, Scramblers restaurants at the locations and on the terms and conditions we deem appropriate; (b) sell any products or services under the Marks, or under other trade names, trademarks, service marks, or trade dress, or through other channels of distribution (including Internet sales and wholesale distribution of food products to restaurants, grocery stores, food caterers and other outlets); and (c) operate, and grant to others the right to operate, restaurants identified by trade names, trademarks, service marks, or trade dress, other than the Marks, pursuant to terms and conditions as we deem appropriate. We have the right to enter premises of the given site to make any modifications necessary to protect our proprietary rights or to cure any default under the subject lease or Franchise Agreement, at your expense.

### **Competing Businesses**

“Scramblers” is the name under which we and our franchisees have been operating restaurants; we and our franchisees have either already or are now changing over to operating under the Scramblers name.

Our affiliate has opened a restaurant that would feature pancakes, eggs and other menu items but operate under a different trademark, different brand image and different operation – namely City Egg. The restaurants started opening in 2017 and we expect continued expansion and operation throughout 2025 and beyond. Scramblers Brands Franchise Development, LLC will offer this franchise in the future, however, no franchises have been offered in 2025 or previous years. This restaurant may be located anywhere including soliciting sales or accepting orders from customers within your Protected Area. We shall be responsible for operating the Scramblers and City Egg franchise systems and resolving any conflicts regarding territory, customers and franchisor support. City Egg’s principal business address, offices and training facilities will, at the outset at least, be the same as ours at 2778 Centennial Road, Suite B, Toledo, OH 43617.

## **ITEM 13. TRADEMARKS**

### **Status of Principal Marks**

Under the Franchise Agreement, we grant to you the right to operate a Scramblers restaurant under the name “Scramblers” using the logo design shown on the Cover Page of this disclosure document and under any other trade names, trademarks, service marks, trade dress, and logos currently used or that may be used in the future for the operation of Scramblers restaurants (the “Marks”). Rights to the Principal Mark are owned by our affiliate, TSE, which licenses it to us for use by us, our other affiliates and our franchisees according to a royalty free, perpetual license agreement. An application to register the trademark with the United States Patent and Trademark Office (“USPTO”) was filed on November 18, 2016 with Serial Number 87241612. We were granted a Federal Registration for our principal trademark on January 30<sup>th</sup>, 2018.

The principal trademark appears as follows:



We have filed (or intend to file) all required affidavits when due and have renewed (or intend to renew) all trademark registrations for the trademarks that remain important to the Scramblers brand.

There are no other currently effective material determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There is no pending infringement, opposition or cancellation proceedings, or any pending material litigation, involving the Marks.

You must use all names and the Marks in full compliance with rules we establish from time to time. You may not use any name or the Marks as part of any corporate name or other business name or with any prefix, suffix, or other modifying words, terms, designs or symbols, other than logos we license to you. In addition, you may not use any name or the Marks in connection with the sale of unauthorized products or services or in any other manner that we have not explicitly authorized in writing.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks.

You must bear all costs and expenses applicable to your Scramblers restaurant should we decide to modify the Marks or adopt new Marks.

### **Franchise Agreement**

You must immediately notify us of any apparent infringement of or challenge to your use of the Marks, or claim by any person of any rights to the Marks, and you must not communicate with any person other than us and our counsel in connection with any infringement, challenge or claim. We will have sole discretion to take any action we deem appropriate and will have the right to control exclusively any litigation or USPTO or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to the Marks. You must sign all instruments and documents, provide assistance and do all acts and things as, in the opinion of our counsel, may be necessary or advisable to protect our interests in any litigation or USPTO or other administrative proceeding or otherwise to protect our interests in the Marks.

We will indemnify you against, and reimburse for, all damages for which you are held liable in any proceeding arising out of your authorized use of the Marks under the Franchise Agreement and, except as provided in the Franchise Agreement, for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named as a party, if you have timely notified us of the claim and you and your owners are in compliance with the Franchise Agreement and all other agreements entered into with us or our affiliates. At our discretion, we will be entitled to prosecute, defend, or settle any proceeding arising out of your use of the Marks, and, if we decide to prosecute, defend or settle any matter, we will have no obligation to indemnify or reimburse you for any fees or disbursements for counsel you retain.

### **Development Agreement**

The Development Agreement does not grant you the right to use any of the Marks. Your right to use the Marks is derived solely from the Franchise Agreements you enter into with us. You may not use any Mark as part of a corporate or legal business name or in any other manner not explicitly authorized in writing by us.

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

There are no patents or patent applications that are material to the franchise.

We claim copyright protection for our Operations Manual and printed advertising and promotional materials. We have not registered the materials to which we claim copyright protection, but may do so in the future.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. Nor are there any agreements currently in effect, which significantly limit our right to use or authorize you to use the copyrighted materials. There are no infringing users actually known to us that could materially affect your use of the copyrighted material in any state. You must immediately inform us if you learn of any unauthorized use or infringement of, or challenge to, the copyrighted materials or any of the trade secret,

proprietary of confidential information. We are not required by any agreement to protect or defend copyrights or confidential information, although we will do so when this action is in the best interest of the System. We will exclusively control any related litigation. We will indemnify you for losses (except for your own legal fees) brought by a third party relating to your use of this information, provided you are in compliance with the Franchise Agreement.

We also consider certain information relating to the development and operations of Scramblers restaurants to constitute trade secrets and proprietary information. This information includes:

- (a) Ingredients, recipes, and methods of preparation and presentation of authorized food products;
- (b) Site selection criteria for Scramblers restaurants and plans and specifications for the development of Scramblers restaurants;
- (c) Sales, distribution, marketing and advertising programs and techniques for Scramblers restaurants;
- (d) Identity of suppliers and customers and knowledge of specifications and pricing for authorized products, materials, supplies and equipment;
- (e) Knowledge of operating results and financial performance of Scramblers restaurants, other than Scramblers restaurants you own;
- (f) Methods of inventory control, storage, product handling, training and management relating to Scramblers restaurants;
- (g) Computer systems, software programs and point of sale systems utilized in the operation of Scramblers restaurants; and
- (h) All other information that we provide you that is labeled proprietary or confidential.

All recipes, processes, ideas, materials and techniques useful to a retail business similar to the business which you operate pursuant to the Franchise Agreement, whether or not constituting protectable intellectual property, that you and your owners create, or that are created on your behalf in connection with the development or operation of the Franchised Business must be properly disclosed to us and, if adopted as part of the System, will be considered our property and 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 recipes, processes, ideas, materials and techniques.

You and your owners may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to others. Restrictions on disclosure and use of confidential information do not apply to information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use. You shall not, directly or indirectly, sublicense, or attempt to sublicense, the Marks, intellectual property, trade secrets, the System or any other proprietary or confidential information belonging to us to any person or entity for any purpose. Any attempted or purported sublicense shall be null and void.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. Nor are there any agreements currently in effect, which significantly limit our right to use or authorize you to use the copyrighted materials. There are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. Except as noted above, we are not required by any agreement to protect or defend copyrights or confidential information, although we will do so when this action is in the best interest of the System.

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

If you are, or at any time become, a business corporation, partnership, limited liability or other legal entity, you must designate in an exhibit to the Franchise Agreement as the “Operating Partner” an individual approved by us who must: (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 20% interest in your equity and voting rights; (b) have the authority to bind you regarding all operational decisions with respect to the Franchised Business; and (c) have completed our training or certification programs to our satisfaction.

You (or your Operating Partner): (a) shall exert your full-time to the development and on premises operation of the Franchised Business; and (b) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under the Franchise Agreement. Your Scramblers restaurant must at all times be under the direct, on-site supervision of your Operating Partner, or a manager or management team who has completed our training or certification program to our satisfaction or is currently certified by us, and staffed by a sufficient number of competent and properly trained hourly employees. You (or your Operating Partner) at all times must remain active in overseeing the operations of the Franchised Business.

As more fully set forth in the Franchise Agreement and the Development Agreement, you must implement all reasonable procedures we designate from time to time to prevent unauthorized use or disclosure of confidential information. These procedures include the use of non-disclosure agreements with your owners, officers, directors, managers and assistant managers. You and your owners must deliver these agreements to us. At the end of the term of the Franchise Agreement or Development Agreement, you must deliver to us all confidential information.

If you are a partnership, corporation, limited liability company or other legal entity, your owners and spouses must undertake to be personally bound, jointly and severally, by your obligations under the Franchise Agreement and a Development Agreement, if any. Copies of the form of Guaranty are attached to the Franchise Agreement and Development Agreement included with this disclosure document.

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

**Franchise Agreement**

You must sell all food, beverage, other products, merchandise and services that we determine from time to time to be appropriate for your Franchised Business. We may, in our discretion, establish certain marketing programs, including limited time offers, with which you must participate. We will not refund or exchange any unused products shipped to you in connection with these marketing programs. You are not restricted as to the customers whom you may serve at your Scramblers restaurant.

Your Scramblers restaurant will not be permitted to offer any products or services (including promotional items) we have not authorized for Scramblers restaurants without our prior written consent, nor will you be permitted to sell mixes in bulk or make sales intended for resale to supermarkets, convenience stores, restaurants, institutional feeders, or other business establishments. You are authorized to operate Scramblers selling only approved products from 6:30 a.m. local time to 3:00 p.m. local time and after hours using Scramblers approved menus. We may limit or condition your right to market or deliver services outside of your Protected Area and otherwise prohibit your sale of any goods or services through other channels of distribution (including internet sales and wholesale distribution of food products to restaurants, grocery stores, food caterers and other outlets). We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes. You may not use your Scramblers restaurant for any purpose, including using the premises as a “ghost kitchen”, other than the operation of a Scramblers restaurant in compliance with the Franchise Agreement. You may not sell or otherwise provide products or services offsite without our prior written consent. Notwithstanding the foregoing, you may use or sublet your premises pursuant to a written agreement for ghost kitchen operations but only if the ghost kitchen operation is, in

no way, associated with or infringes upon the Scramblers Tradename or Mark and products being sold, including packaging, menu items and customer facing use of the premises. Any written agreement must include standard terms and conditions including an absolute indemnification of Scramblers from any and all losses or damages that may result from your use of the premises as a ghost kitchen.

You must at all times maintain an inventory of approved food products, beverage, ingredients and other products sufficient in quantity, quality and variety to realize your Franchised Business' full potential.

We may conduct market research to determine consumer trends and salability of new food products and services. You must participate in our market research programs by test marketing new food products and services in your Scramblers restaurant and providing us with timely reports and other relevant information regarding any market research. You must provide a reasonable quantity of test products and make a reasonable effort to sell them.

**Development Agreement**

The Development Agreement contains no provisions restricting the goods and services you may offer. However, with respect to each Scramblers restaurant developed under the Development Agreement, you will be subject to the restrictions on goods and services contained in our then-current standard franchise agreement. The restrictions in our current Franchise Agreement are set out above.

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

**THE FRANCHISE RELATIONSHIP**

These tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

FRANCHISE AGREEMENT		
Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	2	10 years
b. Renewal or extension	15	If you are in good standing, upon expiration of your original Franchise Agreement, you will have the right to renew by signing the then current form of franchise agreement.
c. Requirements for you to renew or extend	15	Within applicable time periods, provide written notice of intent to renew; sign new franchise agreement; pay renewal fee; remodel; sign general release; and that there is no adverse franchise legislation. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.

**FRANCHISE  
AGREEMENT**

Provision	Section in Franchise or Other Agreement	Summary
d. Termination by you	Not applicable.	Not applicable.
e. Termination by us without cause	Not applicable.	Not applicable.
f. Termination by us with cause	14	We can terminate only for specified causes.
g. "Cause" defined – curable defaults		You have 24 hours to cure health violations; 3 days to correct delinquent payments due us; 30 days to correct delinquent payments due suppliers; and 30 days to cure certain other breaches.
h. "Cause" defined – non-curable defaults	14	Includes: insolvency; unsatisfied judgment in excess of \$5,000; attachment of assets; failure to open; abandonment of business; foreclosure of lien; cancellation of lease; misrepresentations; conviction of felony; unauthorized transfer; unauthorized disclosure of confidential information; breach of other agreements with our affiliates; failure 3 or more times within a period of 12 months or 5 times within 36 months to submit reports and other data or pay amounts owing to us, our affiliates or suppliers, whether or not the failure is corrected.
i. Your obligations on termination / non-renewal	7 and 16	Discontinue use of Marks, confidential information, and any mode of Internet communications; transfer to us the social media sites and domain name for the Franchised Business; de-identify your business; return Operations Manual; notify telephone company to transfer telephone number to us; pay all moneys owed us; see (o) and (r) below; and provide evidence of your compliance within 30 days of termination.
j. Assignment of contract by us	19	No restriction on our right to transfer or assign.
k. "Transfer" by you – defined	1	Includes sale, transfer, assignment or other disposition of the agreement rights or assets or other ownership interests in franchisee.

**FRANCHISE  
AGREEMENT**

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
l. Our approval of transfer by you	13	We have the right to approve all transfers but will not unreasonably withhold approval if certain conditions are satisfied.
m. Conditions for our approval of transfer	13	Store must be in operation; you must be in compliance with Franchise Agreement; transferee must qualify, complete training and sign new or, if we choose, the existing Franchise Agreement; transferee may not be a public company; all your stores must be transferred, if you signed a Development Agreement; transfer fee must be paid; you must subordinate debts and sign a general release and non-compete agreement; we must approve price and payment terms; there must be no adverse franchise legislation; and you must do other things we request.
n. Our right of first refusal to acquire your business	13	We can match any bona fide offer for the franchise or business within 30 days from delivery of a complete and accurate copy of offer.
o. Our option to purchase your business	16	We may acquire some or all of the assets of the Franchised Business, by giving you notice within 10 days of termination/expiration, at fair market value.
p. Your death or disability	13	All rights in Franchise Agreement must be assigned to an approved buyer within a reasonable period not to exceed 6 months from death/disability.
q. Non-competition covenants during the term of the agreement	7 and 9	No involvement in any competing business, regardless of its location by you or your owners. Not franchise a competing business. Not divert any business or customer. Condition employment of district and general managers on the execution of a franchisor approved non-competition agreement precluding employment with any Scramblers restaurant operated by us, our Affiliates or another franchisee.

**FRANCHISE  
AGREEMENT**

Provision	Section in Franchise or Other Agreement	Summary
r. Non-competition covenants after the agreement is terminated or expires	7	You and your owners may not own or provide services/advice to any competing business or any entity which franchises or licenses a competing business for 3 years within your Protected Area or within 3 miles of any Scramblers restaurant.
s. Modification of agreement	10 and 19	Generally, no modification except by written agreement signed by both parties. However, the Operations Manual is subject to change by us. We may also increase Marketing Fund contributions with an affirmative vote by a supermajority of the then-existing company and franchised stores or a majority of then-existing franchised stores.
t. Integration/merger clause	19.05	Only the terms of the Franchise Agreement, including the Operations Manual, are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this disclosure document should not be relied upon and may not be enforceable. No claim made in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	18	Except for certain claims, you are required to arbitrate any dispute that you might have with us, in the city where we then currently have our principal place of business.
v. Choice of forum	18	City, county or federal court district (as applicable) in which our principal place of business is then located. (subject to state law).
w. Choice of law	18	Except for the Federal Arbitration Act and other federal law, Ohio law applies (subject to state law).

<b>FRANCHISE AGREEMENT</b>		
<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
x. Liquidated Damages	16	Repudiation of the Franchise Agreement prior to the termination of the timeframe provided therein will result in an obligation that the Franchisee pay to Franchisor the greater of 1) \$100,000 or 2) an amount equal to 3 ½ times the continuing royalty fees payable to the Franchisor in respect to the last 12 months of the Franchised Business' active operations or the entire period the Franchise Business has been open for business, whichever is the shorter period.

<b>DEVELOPMENT AGREEMENT</b>		
<b>Provision</b>	<b>Section in Development or Other Agreement</b>	<b>Summary</b>
a. Length of the Term	2	Date of agreement through date set forth on Schedule A (of the Development Agreement) or date upon which developer opens the cumulative number of stores set forth in Schedule A (of the Development Agreement).
b. Renewal or extension of the term	Not applicable.	Not applicable.
c. Requirements for you to renew or extend	Not applicable.	Not applicable.
d. Termination by you	Not applicable.	Not applicable.
e. Termination by us without cause	Not applicable.	Not applicable.
f. Termination by us with cause	8	We can terminate only for specified causes.
g. "Cause" defined – curable defaults	8	30 days to cure a breach of the Development Agreement.

**DEVELOPMENT AGREEMENT**

<b>Provision</b>	<b>Section in Development or Other Agreement</b>	<b>Summary</b>
h. "Cause" defined – non-curable defaults which cannot be cured	8	Insolvency; unsatisfied judgment in excess of \$5,000; attachment of assets; failure to meet development schedule; misrepresentations; conviction of a felony; unauthorized transfer; unauthorized disclosure of confidential information; breach of any Franchise Agreement or any other agreement between you and us or any of our affiliates; or adverse franchise legislation.
i. Your obligations on termination / non-renewal	9	Reversion of rights; comply with covenant not-to-compete (also see r, below).
j. Assignment of contract by us	11	No restriction on our right to transfer or assign.
k. "Transfer" by you – defined	1	Includes sale, transfer, assignment or other disposition of the agreement rights, or other ownership in developer.
l. Our approval of transfer by you	7	We have the right to approve all transfers but will not unreasonably withhold approval if certain conditions are satisfied.
m. Conditions for our approval of transfer	7	You must be in compliance with agreement; transferee must qualify, and agree to be bound by existing development agreement; all your stores must be transferred; transferee may not be a public company; transfer fee must be paid; you must subordinate debts and sign a general release and a non-compete agreement; there must be no adverse franchise legislation; and you must do other things we request.
n. Our right of first refusal to acquire your business	7	We can match any bona fide offer for your business within 30 days from delivery of a complete and accurate copy of offer.
o. Our option to purchase your business	Not applicable.	Not applicable.

## DEVELOPMENT AGREEMENT

Provision	Section in Development or Other Agreement	Summary
p. Your death or disability	7	All rights in Area of Development Agreement must be assigned to the approved buyer within a reasonable time period not to exceed 6 months of death/disability.
q. Non-competition covenants during the term of the Development Agreement	6	No involvement by you or your owners in any competing business, regardless of its location; may not divert or attempt to divert business or customers to competing business.
r. Non-competition covenants after the Development Agreement is terminated or expires	6, 9 and Schedule C	Neither you nor your owners may own or provide services/advice to any competing business or any entity which franchises or licenses a competing business for 3 years within your Development Area or within 3 miles of any Scramblers restaurant.
s. Modification of agreement	11	No modification except by written agreement signed by both parties.
t. Integration/merger clause	11.05	Only the terms of the Development Agreement are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this disclosure document should not be relied upon and may not be enforceable. No claim made in any franchise or development agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	10	Except for certain claims, you are required to arbitrate any dispute that you might have with us, in the city where we have our principal office.
v. Choice of Forum	10	City, county or federal court district (as applicable) in which our principal place of business is then located. (subject to state law).
w. Choice of Law	10	Except for the Federal Arbitration Act and other federal law, Ohio law applies (subject to state law).

### ITEM 18. PUBLIC FIGURES

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

## **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in 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.

### **BACKGROUND, DEFINITIONS, ASSUMPTIONS AND DIFFERENTIATING FACTORS:**

This financial performance representation discloses historical information regarding the average (mean), median, highest and lowest, of the actual annual Gross Sales (defined below) for the Corporate, and Franchised restaurants that were open and operated by the same owner, for at least the thirteen 4-week accounting periods as of the end of the fiscal years for 2024, 2023 and 2022 (the "Corporate Operating Restaurants" and "Franchised Operating Restaurants" respectively).

This financial performance representation also discloses historical information regarding the average (mean), median, highest and lowest Total Cost of Goods, Total Labor Cost, Total Controllable Expenses, Total Fixed Costs and EBITDA (all defined below) for the Corporate Operating Restaurants that were open and operated by us for at least the thirteen 4-week accounting periods as of the end of the fiscal years for 2024, 2023 and 2022.

The restaurants whose results appear in Table 19-2 below are Company-Owned, and although they paid a Marketing Fee payment of 1%, they paid no Royalty Fees. You must consider your restaurant's required Royalty Fee payment of 4% of Gross Sales as part of its expected operating expenses. See Table 19-3 for an estimate based upon the Average and Median Gross Sales in Table 19-2.

The 2024 fiscal year was the period from October 1, 2023 through September 30, 2024. The 2023 fiscal year was the period from October 1, 2022 through September 30, 2023. The 2022 fiscal year was the period from October 1, 2021 through September 29, 2022.

The term "Gross Sales" means the aggregate amount of all sales of food, beverages and other products and merchandise sold and services rendered at the Premises or otherwise rendered in connection with the restaurant or the use of the business name, including monies derived from sales at or away from the restaurant, whether for cash or credit, but excluding: (a) all federal, state or municipal sales or service taxes collected from customers and paid to the appropriate taxing authority; and (b) all customer refunds and adjustments and promotional discounts.

"Company-Owned restaurant" means a Corporate Operating Restaurant owned by our affiliates, including TSE.

"Franchisee-Owned restaurant" means a Franchised Operating Restaurant operated under a franchise agreement that is not a Company-Owned restaurant.

"Average" also known as the "mean," means the sum of all data points in a set, divided by the number of data points in that set.

"Marketing Fees" means 1% of Gross Sales that are or would be utilized in the System's Marketing Fund.

"Median" means the data point that is in the center of all data points used. That number is found by

examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.

“Total Cost of Goods” means the sum of food costs, cleaning and paper in Table 19-2.

“Total Labor Cost” means the sum of payroll-management, payroll-employee and payroll tax in Table 19-2.

“Total Controllable Expenses” means the sum of Marketing Fees, other advertising, bonus / 401K, contract services, misc., professional fees, repairs and maintenance, store supplies, taxes and utilities in Table 19-2.

“Total Fixed Costs” means the sum of rent, fire insurance, and miscellaneous travel costs in Table 19-2.

“EBITDA” means earnings before interest, taxes, depreciation and amortization in Table 19-2. It is the calculation of the amount of Gross Sales minus the amount which is the sum of the Total Cost of Goods, Total Labor Cost, Total Controllable Expenses and Total Fixed Costs.

“Royalty Fees” means the amount which you would be required to pay if your restaurant achieved the Average and Median Gross Sales levels reflected in Tables 19-2 and 19-3 below.

#### FRANCHISEE-OWNED OPERATING RESTAURANTS:

As of the end of the 2022 fiscal year, 13 out of 15 Franchisee-Owned restaurants were Franchised Operating Restaurants. (87%). The 2 excluded Franchisee-Owned restaurants were excluded as one of the restaurants’ Franchise Agreement terminated due to an expiration of the term, and the other restaurant closed as a result of market factors related to Covid-19.

As of the end of the 2023 fiscal year, 13 out of 13 Franchisee-Owned restaurants were Franchised Operating Restaurants. (100%).

As of the end of the 2024 fiscal year, 13 out of 14 Franchisee-Owned restaurants were Franchised Operating Restaurants. (93%). There is 1 Franchisee-Owned restaurant excluded as a Franchised Operating Restaurant due to the sale and conversion of a Company-Owned restaurant into a Franchisee-Owned restaurant and as a result was not in operation as a Franchisee-Owned restaurant for the entire 2024 fiscal year.

#### COMPANY-OWNED OPERATING RESTAURANTS:

The Company-Owned outlets identified below are operated by our affiliates, including TSE.

As of the end of the 2022 fiscal year, 12 out of 12 Company-Owned restaurants were Corporate Operating Restaurants. (100%).

As of the end of the 2023 fiscal year, 12 out of 14 Company-Owned restaurants were Corporate Operating Restaurants. (85%). The 2 excluded Company-Owned restaurants were excluded as Corporate Operating Restaurants due to being in operation for less than the full 2023 fiscal year.

As of the end of the 2024 fiscal year, 11 out of 13 Company-Owned restaurants were Corporate Operating Restaurants. (85%). There is one Company-Owned restaurant excluded as a Corporate Operating Restaurant due

to the sale and conversion of the Company-Owned restaurant into a Franchisee-Owned restaurant and as a result was not in operation as a Company-Owned restaurant for the entire 2024 fiscal year. There were 2 Company-Owned restaurants, each excluded as a Corporate Operating Restaurant due to incomplete submission of financial statements adequate to be utilized in Tables 19-1 and 19-2.

During the 2022 fiscal year no Franchisee-Owned or Company-Owned restaurant closed after being open less than twelve months.

During the 2023 fiscal year no Franchisee-Owned or Company-Owned restaurant closed after being open less than twelve months.

During the 2024 fiscal year no Franchisee-Owned or Company-Owned restaurant closed after being open less than twelve months.

The historical Gross Sales for each of the Franchised Operating Restaurants, the Corporate Operating Restaurants and the System as whole is provided in the following table:

<b>Table 19-1 Average Gross Sales For Fiscal Years 2022- 2024</b>					
	<b>Average Gross</b>	<b>Number and Percent</b>	<b>Median</b>	<b>Number and Percent</b>	<b>High/LOW Range</b>
<b>2024</b>					
<b>Corporate</b>	\$1,024,037.39	6/11 (55%)	\$1,029,093.55	6/11 (55%)	\$1,271,049.00 - \$797,276.14
<b>Franchised</b>	\$1,205,761.00	5/13 (38.46%)	\$1,158,878.50	7/13 (53.84%)	\$1,715,699.30 - \$720,727.13
<b>System</b>	\$1,122,471.01	11/24 (45.83%)	\$1,104,100.08	12/24 (50%)	\$1,715,699.30 - \$720,727.13
<b>2023</b>					
<b>Corporate</b>	\$1,019,768.42	6/12 (50%)	\$1,016,001.50	6/12 (50%)	\$1,347,440.00 - \$676,325.00
<b>Franchised</b>	\$1,099,062.56	4/13 (31%)	\$1,056,640.25	7/13 (53%)	\$1,539,117.25 - \$727,844.82
<b>System</b>	\$1,061,001.37	10/25 (40%)	\$1,042,322.60	13/25 (52%)	\$1,539,117.25 - \$676,325.00
<b>2022</b>					
<b>Corporate</b>	\$976,507.92	5/12 (42%)	\$959,911.00	6/12 (50%)	\$1,334,063.00 - \$758,871.00
<b>Franchised</b>	\$1,125,067.69	4/13 (31%)	\$1,079,956.02	7/13 (53%)	\$1,512,733.00 - \$767,686.30
<b>System</b>	\$1,023,404.16	10/25 (40%)	\$1,007,947.00	13/25 (52%)	\$1,512,733.00 - \$758,871.00

The historical average and median fiscal year-end results for the Corporate Operating Restaurants are provided in the following table:

	<b>Average</b>	<b>% of Net Sales</b>	<b># of Stores at Above Average</b>	<b>% of Stores at or Above Average</b>	<b>Median</b>	<b># of Stores at or Above Median</b>	<b>% of Stores at or Above Median</b>
<b>Gross Sales</b>	\$1,024,037.39	100.00%	6/11	55%	\$1,016,001.50	6/11	55%
<b>Total Cost of Goods</b>	\$260,228.29	25.41%	6/11	55%	\$261,799.50	6/11	55%
<b>Total Cost of Labor</b>	\$303,114.89	29.60%	5/11	45%	\$295,395.45	5/11	45%
<b>Total Controllable Expenses</b>	\$113,836.14	11.12%	6/11	55%	\$117,245.93	6/11	55%
<b>Total Fixed Costs</b>	\$124,914.08	12.20%	5/11	45%	\$126,767.06	6/11	55%
<b>EBITDA</b>	\$203,448.66	19.87%	7/11	64%	\$220,041.91	6/11	55%

Annual Franchise Expenses Not Included in Table Above  
(Assuming average Gross Sales for the Fiscal Year). (See definition above):

	<b>Average</b>	<b>Median</b>
<b>Royalty Fees</b>	\$40,961.50	\$40,640.06

**Some restaurants have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much or have similar results.**

All of the Scrambler restaurants (both Franchisee-Owned and Company-Owned) whose information is included in this Item 19 are both substantially similar to one another in terms of products and services offered and substantially similar to the Scramblers restaurants for which we are offering franchises in this disclosure document. There are no material differences between the operations of the Scramblers restaurants being franchised by us and the restaurants owned and operated by us. Both groups of Scramblers restaurants will operate under the same System, and with similar operating requirements. Actual and reasonably expected differences between the financial performance of Company-Owned Operating Restaurants and Franchisee-Owned Operating Restaurants cannot be attributed to any definitive differences between the two types of Scramblers restaurants, but rather are the result of a variety of geographical and market factors beyond our control that cannot be assessed in a numeric calculation.

Our management prepared this financial performance representation based on information provided by our franchisees and affiliate that we believe to be reliable. This financial performance representation was prepared without an audit. Prospective franchisees and sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Scramblers Brands Franchise Development, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Shain Buerk, Scramblers Brands Franchise Development, LLC, 2778 Centennial Road, Suite B, Toledo, OH 43617, (419) 868-9858, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide 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	15	13	-2
	2023	13	13	0
	2024	13	14	+1
Company-Owned	2022	12	12	0
	2023	12	14	+2
	2024	14	13	-1
Total Outlets	2022	27	25	-2
	2023	25	27	+2
	2024	27	27	0

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor or an Affiliate)  
For Years 2022 to 2024**

State	Year	Number of Transfers
Michigan	2022	0
	2023	0
	2024	0

State	Year	Number of Transfers
Ohio	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

**Table No. 3**

**Status of Franchised Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Michigan	2022	2	0	0	1	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio	2022	13	0	0	0	0	1	12
	2023	12	0	0	0	0	0	12
	2024	12	1	0	0	0	0	13
Totals	2022	15	0	0	1	0	1	13
	2023	13	0	0	0	0	0	13
	2024	13	1	0	0	0	0	14

**Table No. 4**

**Status of Company and Affiliate-Owned Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Ohio	2022	12	0	0	0	0	12
	2023	12	0	0	0	0	12
	2024	12	0	0	0	1	11
Florida	2022	0	0	0	0	0	0
	2023	0	2	0	0	0	2
	2024	2	0	0	0	0	2
Totals	2022	12	0	0	0	0	12
	2023	12	2	0	0	0	14
	2024	14	0	0	0	1	13

**Table No. 5**

**Projected Openings  
As of December 31, 2024**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Georgia	0	2	0
Illinois	1		0
Maryland	1		0
Kentucky	1		0
Ohio	1	3	0
Total	4	5	0

The sub-exhibits in Exhibit F provide franchisee information:

Exhibit F-1 lists the names of all of our operating franchisees and the addresses and telephone numbers of their Franchised Businesses as of December 31, 2024.

Exhibit F-2 lists the franchisees who have signed Franchise Agreements for Franchised Businesses which are not yet operational as of December 31, 2024.

Exhibit F-3 lists the franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within ten weeks of the issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There is no trademark-specific franchisee organization associated with the franchise system which the franchisor has created, sponsored or endorsed. There is no independent trademark-specific franchisee organization which has asked to be included in the disclosure document.

As of the end of 2024, there are no area developers or area representatives because there are no Development Agreements or Area Representative Agreements in place. We intend to offer and implement Area Representative Agreements in the near future under a separate Area Representative Franchise Disclosure Document.

**ITEM 21. FINANCIAL STATEMENTS**

Exhibit G-1 contains the audited financial statements for Scramblers Brands Franchise Development, LLC, for the fiscal years ending December 31, 2024, 2023, and 2022.

**ITEM 22. CONTRACTS**

Exhibit C contains the Franchise Agreement with State Law Addendum.  
Exhibit D contains the Development Agreement with State Law Addendum.  
Exhibit H contains the General Release.

**ITEM 23. RECEIPTS**

Exhibit I contains detachable documents acknowledging your receipt of the disclosure document. The receipt is signed by all prospective franchisees and their spouses.

**STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
Illinois	July 10, 2024
Maryland	Pending
Michigan	March 10, 2025

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of March 28, 2025.

EXHIBIT A

STATE ADMINISTRATORS

**California**

Department of Financial Protection &  
Innovation

Toll Free: 1 (866) 275-2677

Los Angeles

320 West Fourth Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500

Sacramento

2101 Arena Boulevard  
Sacramento, California 95834  
(866) 445-7205

San Diego

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 610-2093

San Francisco

One Sansome Street, Ste. 600  
San Francisco, California 94104-4428  
(415) 972-8559

**Hawaii**

Hawaii Commissioner of Securities  
Department of Commerce and Consumer Affairs  
Business Registration Division  
State of Hawaii  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

**Illinois**

Office of Attorney General  
Franchise Bureau  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**Indiana**

Franchise Section  
Indiana Securities Division  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

**Maryland**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202  
(410) 576-6360

**Michigan**

Michigan Attorney General's Office  
Consumer Protection Division  
Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48909  
(517) 373-7117

**Minnesota**

Minnesota Department of Commerce  
Market Assurance Division  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500  
(800) 657-3602

**New York**

Office of the New York State Attorney General  
Investor Protection Bureau  
Franchise Section  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236 Phone  
(212) 416-6042 Fax

**North Dakota**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, 5<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

**Oregon**

Department of Business Services Division of  
Financial Regulation  
350 Winter Street, NE, Room 410  
Salem, Oregon 97310-3881  
(503) 378-4387

Oregon Division of Financial Regulation  
P.O. Box 14480  
Salem, Oregon 97309-0405  
(503) 378-4387

**Rhode Island**

Department of Business Regulation  
Division of Securities  
John O. Pastore Complex Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9645

**South Dakota**

Division of Insurance  
Securities Regulation  
124 S. Euclid Avenue, Second Floor  
Pierre, South Dakota 57501  
(605) 773-3563

**Virginia**

State Corporation Commission  
Division of Securities  
and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

**Washington**

Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

**Wisconsin**

Securities and Franchise Registration  
Wisconsin Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-0448

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

**California**

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

**Hawaii**

Commissioner of Securities  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities and Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2744

**Illinois**

Office of Attorney General  
Franchise Bureau  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**Indiana**

Indiana Secretary of State  
Securities Division Franchise Section  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

**Maryland**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202  
(410) 576-6360

**Michigan**

Michigan Attorney General's Office  
Consumer Protection Division  
Franchise Section  
525 West Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, Michigan 48933  
(517) 373-7117

**Minnesota**

Commissioner of Commerce  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 296-6328

**New York**

Secretary of State Department of State  
Department of State  
Division of Corporation  
One Commerce Plaza, 6<sup>th</sup> Floor  
99 Washington Avenue  
Albany, New York 12231  
(518) 473-2492

**North Dakota**

North Dakota Securities Commissioner  
600 Boulevard Avenue  
State Capitol, 5<sup>th</sup> Floor  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

**Oregon**

Department of Consumer and Business Services  
Division of Finance and Corporate Securities  
Labor and Industries Building 350  
Winter Street, N.E.  
Salem, Oregon 97301  
(503) 378-4140

## **Rhode Island**

Department of Business Regulations  
Securities Division  
Bldg. 69, 1<sup>st</sup> Floor, John O. Pastore Center  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9527

## **South Dakota**

Department of Labor and Regulation  
Division of Securities  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-4823

## **Virginia**

Clerk of State Corporation Commission  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

## **Washington**

Director  
Department of Financial Institutions  
Securities Division, 3<sup>rd</sup> Floor  
150 Israel Road, S.W.  
Tumwater, Washington 98501  
(360) 902-8760

## **Wisconsin**

Commissioner of Securities  
201 West Washington Avenue  
Suite 300  
Madison, Wisconsin 53701  
(608) 266-1064

EXHIBIT C

**FRANCHISE AGREEMENT**

**BETWEEN**

**SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC**

**AND**

---

**DATE OF FRANCHISE AGREEMENT:**

\_\_\_\_\_, 2025

# FRANCHISE AGREEMENT

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## FRANCHISE AGREEMENT

This Franchise Agreement is made as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, between SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC, an Ohio limited liability company (“Franchisor”, “we” or “us”) with its principal place of business located at 2778 Centennial Road, Suite B, Toledo, Ohio 43617, and \_\_\_\_\_ (“Franchisee” or “you”), a(n) \_\_\_\_\_, whose principal address is \_\_\_\_\_.

### 1. INTRODUCTION.

**1.01 Scramblers Restaurants.** We and/or our Affiliates own, operate and franchise Scramblers restaurants featuring specific menu items that we may authorize from time to time. We have developed and own a comprehensive system for developing and operating Scramblers restaurants, which includes service marks, building designs and layouts, equipment, ingredients, specifications, and recipes for authorized food products, methods of inventory control and certain operations and business standards and policies, all of which we may improve, further develop or otherwise modify from time to time.

**1.02 Your Acknowledgments.** You and your Owners have read and understand this Agreement and our franchise disclosure document (“Disclosure Document”). You accept the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and to protect and enhance the reputation and goodwill of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that, like any other business, the business of operating a Scramblers restaurant may evolve and change over time, that an investment in the business contemplated by this Agreement involves risks, and that the success of the venture is largely dependent upon your business abilities, efforts and financial resources. You assume sole responsibility for the operation of the Franchised Store hereunder and acknowledge that, while we may furnish advice and assistance to you from time to time during the term of this Agreement, we have no legal or other obligation to do so except as specifically set forth herein. In addition, you acknowledge that we do not guarantee the success or profitability of the Franchised Store in any manner. You understand and acknowledge that the success and profitability of the Franchised Store depends on many factors outside the control of either you or us (such as interest rates, unemployment rates, demographic trends, and the general economic climate) and there are significant risks in any business venture, but principally depend on your efforts in the operation of the Franchised Store and the primary factor in your success or failure in the Franchised Store will be your own efforts.

**1.03 Your Representations.** You and your Owners, jointly and severally if applicable, represent and warrant to us that: (a) neither you nor any of your Owners has relied on any representations by us, or our members, managers, directors, officers, employees, or agents that are contrary to the disclosures made in the Disclosure Document; (b) neither you nor any of your Owners has made any untrue statement regarding any material fact or has omitted to state any material fact in obtaining the rights granted hereunder; (c) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in your Franchise Application; and (d) the execution and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have executed this Agreement in reliance on all of the

representations and disclosures you and your Owners have made in connection with this Agreement and the Franchise Application.

**1.04 Certain Definitions.** For the purposes of this Agreement, the terms listed below have the meanings ascribed to them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

**“Accounting Period”** – that period of time for which you shall report sales and certain other financial results. Each calendar year shall consist of 13 Accounting Periods, each of which shall extend for approximately twenty-eight (28) consecutive days; provided, however, that one (1) or more Accounting Periods may be adjusted by us in order to conform to various accounting conventions (internal and external) and tax regulations. We reserve the right, from time to time, to increase or decrease the number of Accounting Periods in each calendar year and the number of days in the Accounting Periods.

**“Affiliate”** – any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or an entity, whether through ownership of voting securities, by contract or otherwise.

**“Agreement”** – this franchise agreement and all schedules and guarantees annexed hereto or incorporated by reference herein.

**“Competitive Business”** – any business in which the sale of meals featuring beverages, pancakes, waffles, egg dishes, sandwiches, soups, and salads constitute, in the aggregate, 35% or more of the business’ Gross Sales, exclusive of (i) beverages and (ii) nonfood items. Restrictions in this Agreement on competitive activities do not apply to: (a) other Scramblers restaurants that are operated or franchised by us or any of our Affiliates; or (b) shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

**“Confidential Information”** – our proprietary and confidential information relating to the development and operation of the System, including: (a) ingredients, recipes, and methods of preparation and presentation of authorized food products; (b) site selection criteria for Scramblers restaurants and plans and specifications for the development of Scramblers restaurants; (c) sales, distribution, delivery, marketing and advertising programs and techniques for Scramblers restaurants; (d) identity of suppliers and customers and knowledge of, specifications and pricing for authorized products, materials, supplies and equipment; (e) knowledge of operating results and financial performance of Scramblers restaurants, other than the Scramblers restaurants you own; (f) methods of inventory control, storage, product handling, training and management relating to Scramblers restaurants and operations; (g) computer systems and software programs utilized or useful in the operation of Scramblers restaurants; and (h) any and all other information that we provide you that is labeled proprietary or confidential.

**“Franchise Application”** – the request for consideration application submitted to us by you and/or your Owners.

“Franchised Store” – the Scramblers restaurant operated by you at the Premises.

“Gross Sales” – the aggregate amount of all sales of food, beverages and other products and merchandise sold and services rendered at the Premises or otherwise rendered in connection with the Franchised Store or your use of the Marks (including, without limitation: (i) monies derived from sales at or away from the Franchised Store; (ii) income related to takeout orders, catering operations, digital and online sales including through third-party online order and/or delivery aggregators; and (iii) special events) whether for cash or credit, but excluding: (a) all federal, state or municipal sales or service taxes collected from customers and paid to the appropriate taxing authority; and (b) all customer refunds and adjustments and promotional discounts.

“Immediate Family” – spouse, parents, brothers, sisters, and children, whether natural or adopted.

“Internet” – all communications between computers and between computers and television, telephone (1), facsimile, and similar communication devices, including, but not limited to, the World Wide Web, proprietary online services, e-mail, news groups, social media, and electronic bulletin boards.

“Marks” – certain service marks, trademarks, tradenames, logos, trade dress, and other commercial symbols now or hereafter designated by us to identify the services and/or products offered by Scramblers restaurants and our distinctive building designs and color schemes.

“Operations Manual” – our confidential Operations Manual, as amended from time to time, which may consist of one (1) or more manuals containing our mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Scramblers restaurants and other information relating to your obligations under this Agreement. The term “Operations Manual” also includes alternative or supplemental means of communicating such information by other media (including online or web based access) which specifically reference that they are to be considered part of the Operations Manual, including bulletins, e-mail communications, videotapes, audio tapes, compact discs, computer diskettes and CD ROMS.

“Operating Partner” – the individual you so designate in Schedule C and any replacement thereof approved by us.

“Owner” – each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity.

“Premises” – the location identified in Section 2.01.

“Scramblers restaurant(s)” – Scramblers restaurant(s) which we or any of our Affiliates or franchisees own, operate or franchise and which use the Marks and System.

“System” – the business methods, designs and arrangements for developing and operating Scramblers restaurants which include, the Marks, store designs and layouts, equipment, ingredients, recipes and specifications for authorized food products and services, training, methods of inventory

and operations control and certain business practices and policies, all of which we may improve, further develop or otherwise modify from time to time.

“Transfer the Franchise” – or similar words – The voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of this Agreement, any interest in or right under this Agreement, or any form of ownership interest in you or the assets, revenues or income of the Franchised Store, including: (a) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, or a partnership or membership interest in, you or of any interest convertible to or exchangeable for capital stock of, or a partnership or membership interest in, Franchisee; (b) any merger or consolidation between you and another entity, whether you are the surviving entity; (c) any transfer in, or as a result of, a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (d) any transfer upon your death or any Owner by will, declaration of or transfer in trust or under the laws of intestate succession; or (e) any foreclosure upon the Franchised Store or the transfer, surrender or loss by you of possession, control or management of the Franchised Store.

## **2. GRANT OF RIGHTS.**

**2.01 Grant of Franchise.** Subject to the terms of this Agreement, we grant to you the right, and you assume the obligation, to operate a Scramblers restaurant at \_\_\_\_\_ and to use the System solely in connection therewith, for a term of 10 years, starting on the date of the opening of the Franchised Store (the “Term”). Immediately after such opening date, the parties hereto shall execute and deliver a Confirmation of Term Commencement Date in the form of Schedule A hereto. You may not conduct the business of the Franchised Store or use the System at any site other than the Premises, or relocate the Franchised Store, without our consent.

**2.02 Your Protected Area.** During the Term, we will not operate (directly or through an Affiliate), nor grant to another person the right to operate, any Scramblers restaurant(s) located within the geographical area within 3 miles of the Premises approved by us and developed by you pursuant to Section 3 (the “Protected Area”). Notwithstanding the foregoing, we have the right to operate (directly or through an Affiliate), and to grant to others the right to operate, within the Protected Area and elsewhere: (a) Scramblers restaurants or other retail food establishments using any part or all of the System and/or Marks that are located within retail outlets, restaurants, grocery stores, supermarkets and other channels of distribution (including wholesale distribution of products to restaurants, supermarkets, grocery stores, caterers and other outlets); (b) Scramblers restaurants or such other stores using any part or all of the System and/or Marks at special locations within the Protected Area, such as college campuses, office buildings, hospitals, hotels, motels, casinos, resorts, turnpike or other limited access highway rest stops, airport facilities, inter-metropolitan train and/or bus stations, grocery stores, convenience stores, supermarkets, malls, department stores, sports venues, entertainment facilities or mobile units located temporarily at special events (collectively “Special Locations”); and (c) restaurants that we acquire (or as to which we acquire the rights as franchisors) regardless of whether such restaurants are converted to operate using any of the Marks and/or any of the System or whether such restaurants operate under other tradenames, trademarks, service marks, or trade dress and/or use other operating systems.

**2.03 Our Reservation of Rights.** Except as otherwise expressly provided in this Agreement, we retain all of our rights and discretion with respect to the Marks, the System and Scramblers

restaurants anywhere in the world, and to engage in any business whatsoever, including the right to: (a) operate, and grant to others the right to operate, Scramblers restaurants at such locations and on such terms and conditions as we deem appropriate; (b) sell any products or services under the Marks, or under other tradenames, trademarks, service marks or trade dress, or through other channels of distribution (including Internet sales and wholesale distribution of food products to restaurants, grocery stores, food caterers and other alternative outlets that may exist now or in the future), where such sales may or may not directly or indirectly occur in part or in whole your Protected Area and we shall have no obligation to share any revenues stemming from or related to these sales with you; and (c) operate, and grant to others the right to operate, restaurants identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as we deem appropriate.

### **3. DEVELOPMENT OF THE FRANCHISED STORE.**

**3.01 Site Acceptance.** Your decision to develop and operate a Scramblers restaurant at the Premises is based solely on your own independent investigation of the suitability of the Premises for a Scramblers restaurant. Upon identification of a suitable Premises, the parties hereto shall execute and deliver the Accepted Location and Designated Territory in the form of Schedule H hereto. Neither our acceptance of the Premises nor any information communicated to you regarding our standard site selection criteria for Scramblers restaurants constitutes a warranty or representation of any kind, express or implied, as to the suitability of the Premises for a Scramblers restaurant or for any other purpose. Our acceptance of the Premises merely signifies that we are willing to grant a franchise for a Scramblers restaurant at that location. In consideration of our acceptance of the Premises, you and your Owners release us and our Affiliates, and our respective members, managers, officers, directors, employees and agents from any and all loss, damages and liability arising from or in connection with the selection and/or acceptance of the Premises for development as a Scramblers restaurant.

**3.02 Purchase or Lease of Premises.** You must lease, sublease or purchase the Premises within sixty (60) days after signing this Agreement. We do not negotiate the terms of your lease, nor do we provide any legal review of the lease. We have the right to approve the terms of any lease, sublease or purchase contract for the Premises, and you agree to deliver a copy to us for our approval before you sign it. You agree that any lease or sublease for the Premises must, in form and substance satisfactory to us, include the Addendum to Lease, which is Schedule B to this Agreement, and all of the provisions set forth therein, or, if the Premises are subleased to you by us, with a form prepared by us. You may not execute a lease, sublease or purchase contract or any modification thereof without our approval. Our approval of the lease, sublease or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. You must deliver a copy of the fully signed lease, sublease or purchase contract to us within 5 days after its execution. If you or one (1) of your Affiliates or Owners (or any of your/their respective Immediate Family members) at any time owns the Premises, you must immediately notify us and we may require that you or such person or entity enter into a lease with us at commercially reasonable rates for a term coterminous with the Term, and we will sublease the Premises to you on the same terms as the prime lease. Contemporaneously with the execution of the lease or sublease, and as additional consideration for our execution of this Agreement, you agree to execute and deliver to us, the conditional assignment of lease attached as Schedule G hereto, irrevocably assigning your estate in the Premises to us.

**3.03 Development of the Premises.** You are responsible for developing the Franchised Store and for all expenses associated with it and for compliance with the requirements of any applicable federal, state or local laws, codes or regulations, including those concerning the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. We will furnish you with an operational concept plan for the Franchised Store. The operational concept plan will not contain the requirements of such federal, state or local laws, codes or regulations. You may modify the operational concept plan to ensure that it and all specifications comply with all applicable ordinances, building codes, permit requirements and any lease requirements and restrictions. You acknowledge that design quality is important to us. You must employ an architect and/or engineer acceptable to us. You must submit all plans and specifications, including design specifications, to us for our approval before starting to develop the Premises. All final plans are subject to our approval. At our request, you must submit all revised or “as built” plans and specifications. Our review and approval of your plans is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is your sole responsibility. All development and any signage must be in accordance with the plans and specifications we have approved and must comply with all applicable laws, ordinances and local rules and regulations. We will furnish such guidance to you in developing the Premises as we deem appropriate. We do not, by approving your plans or specifications or inspecting the Premises, assume any liability or responsibility to you or to any third parties. All prototype and modified plans and specifications for the Franchised Store remain our sole and exclusive property, and you may claim no interest therein. You must start construction of the Franchised Store within thirty (30) days after you have leased, subleased or acquired the Premises. You must employ a general contractor acceptable to us and procure all applicable construction insurance in amounts and coverages acceptable to us. You must complete construction of the Franchised Store and open the Franchised Store within ninety (90) days after you commence construction. Any extensions of time are subject to our approval, which we may withhold at our discretion. You must provide us with weekly progress reports during construction in a format acceptable to us. We have the right to visit and inspect, at our sole discretion, the Premises during the construction phase. The first such visit or inspection shall be at our expense. Any subsequent visits shall be at your expense. We have the right to enter the Premises and Franchised Store to make any modifications necessary to protect our proprietary rights or to cure any default under the lease or this Agreement, at your expense. The requirement to complete construction of the Franchised Store includes obtaining all required construction and occupancy licenses and permits, all zoning classifications and clearances which may be required by state or local laws, developing the Premises (including all outdoor features and landscaping of the Premises), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have the Franchised Store ready to open for business. The Franchised Store may not be opened for business until we have notified you that the Franchised Store meets our requirements for opening.

**3.04 Fixtures, Furnishings, Equipment, Signs and Supplies.** You agree to purchase or lease all required fixtures, furnishings, equipment, signs and supplies for the Franchised Store. You agree to purchase or lease only such types, brands and models of fixtures, furniture, equipment, signs and supplies which we approve for Scramblers restaurants as meeting our standards and specifications, including standards and specifications for quality, design, warranties, appearance, function and performance. You may purchase or lease approved types, brands or models of fixtures, furnishings, equipment, signs and supplies only from suppliers approved by us (including us and any of our Affiliates). From time to time, we may modify the list of approved types, brands, models and/or suppliers, and you may not, after receipt of notice of such modification, reorder any type, brand or

model from any supplier, which is no longer approved. If you propose to purchase any fixtures, furnishings, equipment, signs or supplies of a type, brand or model, or propose to purchase from a supplier, that we have not previously approved, you must notify us and submit to us such information as we may request. We may impose reasonable inspection and supervision fees on approved suppliers to cover our costs.

**3.05 Opening Assistance.** We will provide you with such opening operational assistance as we deem appropriate to assist you in starting your operations, including on-site opening assistance for 7 days, as scheduled by us.

**3.06 Grand Opening Program.** You agree to conduct and complete a grand opening advertising and promotional program for the Franchised Store within thirty (30) days after its opening. You are required to spend at least \$5,000 on the program and use the types of advertising media that meet with our approval.

#### **4. TRAINING AND GUIDANCE.**

**4.01 Training Programs.** You (or your Operating Partner) and at least one (1) manager or assistant manager, as applicable, must attend and successfully complete an initial training program for the operation of a Scramblers restaurant conducted at such time(s) and place(s) as we designate prior to opening the Franchised Store. Thereafter, replacements of your Operating Partner, manager(s), and assistant manager(s) are subject to our approval and must successfully complete our initial training program before assuming the particular position. We will not charge any fees for the first two (2) people to register for the initial training program. You will pay a fee that we establish from time to time for all other people who attend the initial training program. You will be responsible for all compensation and expenses (including travel, meals and lodging) incurred by you and your personnel in attending any training programs. You must immediately replace any individual who fails to successfully complete any training program or who otherwise is not currently certified to manage a Scramblers restaurant, at your cost.

**4.02 On-Going Guidance.** We may furnish you periodic guidance with respect to the System, including improvements and changes to the System. Such guidance, at our discretion, may be furnished in the form of the Operations Manual, bulletins and other written materials, consultations by telephone (1) or in person at our offices or at the Franchised Store, virtual training, or by any other means of communications. At your request, we may provide special assistance for which you will be required to pay the per diem fees and charges we may establish from time to time.

**4.03 Operations Manual.** We will loan you one (1) copy of the Operations Manual. You agree to comply fully with all mandatory standards, specifications and operating procedures, equipment, services and other obligations contained in the Operations Manual. We may modify the Operations Manual from time to time to reflect changes in standards, specifications and operating procedures, provided no addition or modification may alter your fundamental status and rights under this Agreement. Mandatory specifications, standards and operating procedures and other obligations that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all such mandatory standards, specifications, operating procedures, equipment, services and other obligations. You must keep your copy of the Operations Manual current and at the Franchised Store at all times. If a dispute develops relating to the contents of the Operations Manual,

our master copy will be controlling. The Operations Manual contains Confidential Information, and you agree not to copy any part of the Operations Manual.

**4.04 Training of Your Personnel.** You agree to implement, at your expense, such periodic and on-going training programs for personnel of the Franchised Store as we may establish from time to time. All such personnel must attend and successfully complete such training programs.

**4.05 No Warranty of Success.** Our determination that you, your manager(s) and your employee(s) have successfully completed all training necessary shall not be a warranty or representation that the person can or will successfully operate the Franchised Store or any aspect thereof.

## **5. TRADEMARKS.**

**5.01 Ownership of the Marks.** You acknowledge that we own or license from Affiliates rights to each of the individual Marks. Your right to use the Marks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement. This Agreement does not confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to the exclusive benefit of Franchisor and its Affiliates. All provisions of this Agreement applicable to the Marks apply to any additional or substitute trademarks, service marks, tradenames, logos, trade dress or other commercial symbols we authorize you to use. You may not at any time during or after the Term contest, dispute, or impugn, or assist any other person or entity in contesting, disputing, or impugning the validity or ownership of any of the Marks.

**5.02 Use of the Marks.** You agree to use the Marks as the sole identification of the Franchised Store, provided you identify yourself as the independent operator thereof in the manner we prescribe. You may only use the Marks in the manner we prescribe and you may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including any Internet related use such as an electronic media identifier, for web sites, web pages or domain names) not expressly authorized by us in writing. Your unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of our rights to the Marks. You shall not, directly or indirectly sublicense or attempt to sublicense the Marks, intellectual property, trade secrets, the System, or any other proprietary or confidential information belonging to us to any person or entity for any purpose. Any attempted or purported sublicense shall be null and void

**5.03 Discontinuance of Use of Marks.** If it becomes advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use one (1) or more additional or substitute trademarks, service marks or trade dress, you agree to comply with our directions within 14 days after notice. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance of any Mark or the promotion of a substitute trademark, service mark or trade dress.

**5.04 Notification of Infringements and Claims.** You must notify us immediately of any apparent infringement of or challenge to your use of any Mark, or any claim by another person of any rights in any Mark. You may not communicate with any person, other than us and our counsel, in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and will have the right to control exclusively any litigation or U.S. Patent

and Trademark Office proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all documents, render such assistance and do such things as may be advisable in the opinion of our counsel to protect our interests in any litigation or other administrative proceeding or otherwise to protect our interests in the Marks.

**5.05 Indemnification of Franchisee.** Subject to the provisions of Section 5.03, we agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you and your Owners and Affiliates are in compliance with this Agreement and all other agreements entered into with us or any of our Affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement. If we undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

## **6. FEES.**

**6.01 Initial Franchise Fee.** At the time you sign this Agreement, you must pay us an initial franchise fee. The initial franchise fee is \$40,000. If you are operating 4 or more Scramblers restaurants at the time you sign this Agreement, and you and your Owners are then in compliance with all agreements with us or any of our Affiliates, the initial franchise fee is \$30,000. If you are currently an employee of us or a company that we own, then you would receive a \$10,000 discount off of the \$40,000 initial franchise fee for your first franchise (the “Employee discount”). We provide only one (1) applicable discount, not multiple discounts, to the initial franchise fee. The initial franchise fee shall be deemed fully earned and nonrefundable upon the execution of this Agreement. However, if you fail to complete to our satisfaction, all of the training as provided in Section 4.01 prior to the date that you are required to open the Franchised Store and start business, as provided in Section 3.03, we may terminate this Agreement and refund to you one (1)-half of the initial franchise fee. If the Franchised Store is developed pursuant to an area development agreement between you and us, you shall be entitled to any credit to which you may be entitled pursuant to the relevant provisions of the area development agreement.

**6.02 Royalty Fees.** You agree to pay us a continuing royalty fee of 4% of Gross Sales (the “Royalty Fee”) attributable to each Accounting Period. Royalty Fees shall be due and payable on and must be made available to us from your Designated Account no later than 12:00 noon of the second day immediately following the end of the preceding Accounting Period.

**6.03 Designated Account.** Prior to the opening of the Franchised Store, and as a condition thereof, you shall establish a designated bank account from which we shall be authorized to withdraw in the manner which we prescribe, which may include by wire transfer, any amounts due to us or our Affiliates from you under this Agreement or any other agreement with us or one (1) of our Affiliates, including Royalty Fees due (the “Designated Account”). We have the right to review your sales numbers on a daily basis. On the second day following each Accounting Period, we shall calculate the Royalty Fee due for that Accounting Period and withdraw such amount and any other amounts due under this Agreement including, but not limited to, any advertising and marketing fees set forth under Section 10 directly from the Designated Account. All costs and expenses of establishing and maintaining such Designated Account, including transaction fees and wire transfer fees, shall be paid

by you. You shall, upon execution of this Agreement or at any time thereafter at our request, execute such documents or forms as we determine are necessary for us to process electronic fund transfers from your Designated Account for the payments due hereunder, including Schedule E to this Agreement. You agree to maintain at all times sufficient funds in such designated bank accounts for such withdrawals on the first day following each Accounting Period.

**6.04 Interest and Additional Expense Fee on Late Payments.** All payments of Royalty Fees, Marketing Fund fees and Local Advertising Fund fees shall be due and payable, and must be received by us no later than 12:00 noon of the second day immediately following the end of each Accounting Period. Any payment or report not actually received by us on or before such date shall be deemed overdue. If any payment is overdue, you shall pay to us, in addition to the overdue amount, interest on such amount compounded monthly from the date it was due until paid, at the rate of two (2) percent per month or the maximum rate permitted by law. Entitlement to such interest shall be in addition to any other remedies we may have. Your failure to have sufficient funds available in the designated accounts in an amount equal to any amount then due or your failure to pay all amounts when due, constitutes grounds for termination of this Agreement, as provided in Section 14. In addition to interest as provided above, we may charge you an additional expense fee on late payments equal to 5% of the amount due for any amounts not paid as of the due date. You agree that such late fees are to compensate us for our additional expenses incurred due to such late payments.

**6.05 Application of Payments.** We may apply any payments by you to any of your past due indebtedness for Royalty Fees, Local Advertising fees and Marketing Fund fees or any other indebtedness to us or any of our Affiliates pursuant to this Agreement or any other agreement, notwithstanding any designation by you.

**6.06 Grant of Security Interest.** For valuable consideration, as security for the payment of all amounts owing by you to us or our Affiliates under this Agreement and any other agreements, and performance of all of the obligations to be performed by Franchisee, you hereby grant to us and to our Affiliates a security interest in all of your assets now owned or hereafter acquired and wherever located, together with all substitutions, replacements, additions and accessions thereto, all products thereof and all cash and non-cash proceeds thereof including, but not limited to, notes, checks, instruments, and insurance proceeds (the "Collateral"). You warrant and represent that the security interest granted is prior to all other security interests in the Collateral. You agree not to remove the Collateral or any portion thereof from the Premises without our prior written consent. Upon the occurrence of any event entitling us to terminate this Agreement or any other agreement with us or any of our Affiliates, we and our Affiliates shall have the rights and remedies of a secured party under the Uniform Commercial Code of the jurisdiction in which the Franchised Store is located, including, without limitation, the right to take possession of the Collateral. You agree to execute and deliver to us financing statements or such other documents as we reasonably deem necessary to perfect security interests in the Collateral within 5 days of receipt by you of such documents from us. You irrevocably and unconditionally appoint our chief financial officer as your true and lawful attorney-in-fact to act in your name and place to execute, deliver and file all financing statements or such other documents as we deem reasonably necessary to perfect our security interest in the Collateral. You irrevocably and unconditionally grant to us and our designees, as your attorney-in-fact, full power and authority to perform every act necessary to be done (1) in the exercise of the foregoing power as fully as you could if personally present or acting, with full power of substitution, hereby ratifying and confirming all that said attorney shall lawfully do or cause to be done (1) by virtue of this appointment. This power of

attorney is coupled with an interest and is irrevocable prior to the full performance of the obligations of you and your Owners and shall survive the termination of this Agreement.

## 7. RESTRICTIVE COVENANTS.

**7.01 Confidential Information.** We will disclose parts of our Confidential Information to you solely for your use in the operation of the Franchised Store. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter: (a) you and your Owners may not use the Confidential Information in any other business or capacity (you and your Owners acknowledge such use is an unfair method of competition); (b) you and your Owners must exert your best efforts to maintain the confidentiality of the Confidential Information; (c) you and your Owners may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) you and your Owners must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors, managers, and assistant managers, and you and your Owners must deliver such agreements to us. At the end of the Term, you and your Owners must deliver to us all such Confidential Information in your possession. These restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use.

**7.02 In-Term Covenants.** During the Term, neither you nor any of your Owners may, without our prior consent (which consent may be withheld at our discretion): (a) directly or indirectly (such as through a member of his or their Immediate Families) own any legal or beneficial interest in, or render services or give advice to: (i) any Competitive Business located anywhere; or (ii) any entity located anywhere which grants franchises, licenses or other interests to others to operate any Competitive Business; or (b) divert or attempt to divert any business or customer of Scramblers restaurants to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

**7.03 Information Exchange.** All plans, drawings, recipes, processes, ideas, materials and techniques useful to a retail business similar to the business which you operate pursuant to this Agreement, whether or not constituting protectable intellectual property, that you and your Owners create, or that are created on your behalf in connection with the development or operation of the Franchised Store must be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us. You and your Owners agree to sign whatever assignment or other documents we request during the Term and thereafter to evidence our ownership or to assist us in securing intellectual property rights in such plans, drawings, recipes, processes, ideas, materials or techniques.

**7.04 Post-Term Covenants.** For a period of 3 years, starting on the effective date of termination or expiration (without renewal) of this Agreement, neither you nor any of your Owners may, without our prior written consent (which consent may be withheld at our discretion) directly or indirectly (such as through his or their Immediate Families) own a legal or beneficial interest in, or render services or give advice to: (a) any Competitive Business operating in the Protected Area; (b) any Competitive Business operating within a radius of 3 miles of any Scramblers restaurant in operation or under construction on the effective date of termination or expiration; (c) any entity which grants franchises, licenses other interests to others to operate any Competitive Business; (d) solicit, take away,

divert, influence, or attempt to influence any customers, franchisees, vendors, suppliers or any other party with an existing business relationship with us to transfer or divert their business or patronage from us or any other franchisee to a Competitive Business. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting such skills in other ways, so that enforcement of the covenants contained in this Section will not deprive any of you of your personal goodwill or ability to earn a living. Furthermore, you and each of your Owners agree (i) that the 3-year period and geographic scope of the covenants contained in this Section are reasonable and (ii) not to contest the validity or reasonableness of the covenants. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending 3 years after the date such person commences compliance with the order enforcing the covenant.

## **8. YOUR ORGANIZATION AND MANAGEMENT.**

**8.01 Organizational Documents.** If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state in which the Franchised Store is located; (b) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder; (c) true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control have been delivered to us and all amendments thereto shall be promptly delivered to us; (d) the articles or certificates of incorporation, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; (e) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions; and (f) you will deliver to us a Secretary/Clerk's Certificate or other evidence satisfactory to us, that the execution, delivery and performance of this Agreement and all other agreements and ancillary documents have been duly authorized by all necessary action by your corporation, partnership, limited liability company or other legal entity, as applicable.

**8.02 Disclosure of Ownership Interests.** You and each of your Owners represent, warrant and agree that Schedule C is current, complete, and accurate. You agree that updated Schedules C will be furnished promptly to us, so that Schedule C (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes an Owner must execute an agreement in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement. Each Owner must be an individual acting in his individual capacity, unless we waive this requirement.

**8.03 Operating Partner/Management of Business.** If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Schedule C as the "Operating Partner" an individual approved by us who must: (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 20% interest in your equity and voting rights; (b) have the authority to bind you regarding all operational decisions with respect to the Franchised Store; and (c) have completed our training or certification programs to our satisfaction. You (or your Operating Partner): (i) shall exert your full-

time and best efforts to the development and operation of the Franchised Store; and (ii) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You agree to provide us with a copy of any proposed arrangement, agreement or contract, and all amendments thereto, with your Operating Partner for our prior review and approval (not to be unreasonably withheld or delayed), and upon approval thereof, executed copies thereof. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments thereto, on account of our approval thereof or otherwise, and you agree to release us (and our Affiliates and their respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns) and hold us (and our Affiliates and their respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns) harmless with respect thereto. The Franchised Store, at all times, must be managed by you (or your Operating Partner) or by an on-site manager or assistant manager who has completed the appropriate training or certification programs to our satisfaction.

## **9. SCRAMBLERS RESTAURANT OPERATING STANDARDS.**

**9.01 Condition of the Franchised Store.** You must maintain the Franchised Store's condition and appearance so that it is attractive, clean and efficiently operated in accordance with the Operations Manual. You agree to maintain the Franchised Store's condition and appearance, conduct periodic cleaning and redecorating, and make such modifications and additions to its layout, décor, and general theme as we require from time to time, including replacement of worn-out or obsolete fixtures, furnishings, equipment, signs and utensils, and repair the interior and exterior of the Store and appurtenant parking areas. If at any time you do not maintain the Franchised Store's condition and appearance, conduct periodic cleaning and redecorating, make such modifications and additions to its layout, décor, and general theme as we require from time to time, including replacement of worn-out or obsolete fixtures, furnishings, equipment, signs and utensils, or repair the interior and exterior of the Store and appurtenant parking areas, we may notify you and specify the action you must take to correct such deficiency. If, within ten (10) days after receiving such notice, you fail or refuse to initiate and thereafter continue in good faith and with due diligence a *bona fide* program to complete such required maintenance, we have the right (in addition to our rights under Section 14), but not the obligation, to enter the Premises and perform such maintenance on your behalf and at your expense. You must promptly reimburse us for such expenses.

You must periodically upgrade and/or remodel the Franchised Store pursuant to our plans and specifications; currently, we can require this every 5 years; and, currently, you are allowed 12 months to complete the upgrades and remodeling if the cost is under \$25,000 and you are allowed 24 months to complete the upgrades and remodeling if the cost is over \$25,000.

If the Franchised Store is damaged or destroyed by fire or other casualty, you must initiate within thirty (30) days (and diligently continue until completion no later than sixty (60) days following the date of casualty) all repairs or reconstruction to restore the Franchised Store to its original condition. If, in our reasonable judgment, the damage or destruction is of such a nature that it is feasible, without incurring substantial additional costs, to repair or reconstruct the Franchised Store in accordance with the then standard Scramblers restaurant layout and décor specifications, we may require you to repair or reconstruct the Franchised Store in accordance with those specifications.

You may not make any alternations to the Franchised Store, nor any replacements, relocations or alterations of fixtures, furnishings, equipment, signs, or utensils without our approval. We have the right, at your expense, to rectify any replacements, relocations or alterations not previously approved by us.

**9.02 Uniform Image.** You agree that the Franchised Store will offer for sale food, beverages and other products, services and merchandise related to the Scramblers restaurant concept that we determine from time to time to be appropriate for the Franchised Store. You further agree that the Franchised Store will not, without our approval, offer any products or services (including promotional items) not then authorized by us. The Franchised Store may not be used for any purpose other than the operation of a Scramblers restaurant in compliance with this Agreement. Notwithstanding the foregoing, you may use or sublet the Franchised Store pursuant to a written agreement for ghost kitchen operations but only if the ghost kitchen operation is, in no way, associated with or infringes upon the Tradename or Mark and products being sold, including packaging, menu items and customer facing use of the premises. Any written agreement must include standard terms and conditions including an absolute indemnification of Franchisor from any and all losses or damages that may result from your use of the premises as a ghost kitchen. You agree that the Franchised Store will offer courteous and efficient service and a pleasant ambiance.

**9.03 Food Products.** You acknowledge and agree that the reputation and goodwill of Scramblers restaurants are based on, and can be maintained only by, the sale of distinctive, high quality products and services. Therefore, you agree that the Franchised Store will use and/or offer for sale only food products, beverages, ingredients, merchandise, uniforms, packaging materials, menus, forms, labels and other supplies and other products and services that conform to our specifications and quality standards and/or are purchased from suppliers approved by us (which may include us and/or any of our Affiliates). We may modify the list of approved brands and/or suppliers from time to time in our sole discretion. After notice of such modification, you may not reorder any brand or reorder from any supplier which is no longer approved. If you propose to use any brand and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such brand and/or supplier so that we can decide whether such brand complies with our specifications and standards and/or such supplier meets our approved supplier criteria. We have the right to charge reasonable fees to cover our costs. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the foregoing items. You must maintain at all times an inventory of approved food products, beverages, ingredients, other products and merchandise related to the Scramblers restaurant concept sufficient in quantity, quality and variety to realize the Franchised Store's full potential. We may collect and retain for our sole benefit any manufacturing allowances, marketing allowances, rebates, credits, monies, payments, and benefits (collectively, "Allowances") offered to us by such approved brands or suppliers based upon purchases of System products and other goods and services by franchisees. These Allowances are or will be based on System-wide purchases of advertising, food, equipment, supplies, paper, goods, merchandise and other products or services hereafter incorporated not the System, and we are not obligated to use the Allowances for your or the System's benefit.

**9.04 Third-Party Delivery Services.** You are permitted to use third-party delivery services, such as DoorDash, UberEats and ezCater, only according to the standards and specifications that we may periodically specify. You are prohibited from directly delivering products to customers. At our

option, we may determine, and thereafter may periodically modify, the geographic area within which you may provide, or a third-party delivery service may provide, but you shall not receive any exclusive, protected or other territorial rights with respect to deliveries in that geographic area. You acknowledge and understand that our agreements with DoorDash, UberEats and ezCater may result in another franchisee delivering products and/or services within your Protected Area due to the Franchised Store that the customer or the third-party service provider elects to use to fulfill and deliver a customer's online order. As such, you expressly agree that if a franchisee fulfills an online order placed by a customer situated within your Protected Area, then the fulfillment and delivery of that order by another franchisee will not be a violation of your territorial protections granted herein. You must ensure that customers receive at all times high quality food and beverage products prepared and maintained in accordance with our standards and specifications. We may temporarily or permanently suspend or terminate your right to utilize third-party delivery services. Any delivery fees and other revenue from third-party delivery services must be included in Gross Sales.

**9.05 Specifications and Standards.** You acknowledge that each and every aspect of the interior and exterior appearance, layout, décor, services and operation of the Franchised Store is important to us and is subject to our specifications and standards. You agree to comply with all mandatory specifications standards and operating procedures, as modified from time to time (whether contained in the Operations Manual or any other written communication) relating to the appearance, function, cleanliness or operation of a Scramblers restaurant, including: (a) type, quality, taste, weight, dimensions, ingredients uniformity, and manner of preparation, packaging and sale of food products and beverages; (b) sale procedures and customer service; (c) advertising and promotional programs; (d) qualifications, appearance and dress of employees; (e) safety, maintenance, appearance, cleanliness, sanitation, standards of service and operation of the Franchised Store; (f) days and hours of operation; (g) bookkeeping, accounting and record keeping systems and forms; and (h) training systems for both management and hourly employees.

**9.06 Compliance With Laws.** You must maintain in force in your name all required license permits and certificates relating to the operation of the Franchised Store. You must operate the Franchised Store in full compliance with all applicable laws, ordinances and regulations. You must notify us in writing immediately upon: (a) the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality, which may adversely affect the development, occupancy or operation of the Franchised Store or your financial condition; or (b) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at the Franchised Store. All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. In all dealings with us, as well as your customers, suppliers, lessors and the public, you must 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, to the business of other Scramblers restaurants or to the goodwill associated with the Marks.

**9.07 Personnel.** The Franchised Store must at all times be under the direct, on-premises supervision of a manager who has completed our training or certification program to our satisfaction or is currently certified by us and staffed by a sufficient number of competent and properly trained hourly employees. You (or your Operating Partner) at all times must remain active in overseeing the operations of the Franchised Store. If the relationship with your Operating Partner terminates, you must promptly hire a successor Operating Partner. Any successor Operating Partner must meet our approval and must be then currently certified to our satisfaction or must successfully complete our

training program. You are solely responsible for all employment decisions with respect to employees of the Franchised Store, including hiring, firing, compensation, training, supervision, and discipline, and regardless of whether you receive advice from us on any of these subjects. You must establish at the Franchised Store an employee training program meeting our standards. If any of your employees fail to perform their duties in accordance with the training program established by you and meeting our standards, such employees must again complete the training program or be terminated. By signing this agreement, you hereby agree that you will condition employment of district and general managers on the execution of a franchisor approved non-competition agreement precluding employment with any Scramblers restaurant operated by us, our Affiliates or another franchisee.

**9.08 Insurance.** You must maintain in force: (a) comprehensive, general and product liability insurance; (b) All Risk property insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of the Franchised Store and its contents; and (c) such other insurance policies, such as business interruption insurance, automobile, insurance, unemployment insurance, and workers' compensation insurance as we may determine from time to time. All insurance policies must be issued by carriers meeting our current standards, must contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time, name us and our Affiliates as additional insureds, provide for thirty (30) days' prior written notice to us of any material modification, cancellation or expiration of such policy and include such other provisions as we may require from time to time. Currently, we require that your commercial liability insurance policy includes minimum limits of \$1,000,000 per occurrence and \$2,000,000 aggregate and be in force prior to your commencing construction of your Franchised Store. At our request, you must furnish us with such evidence of insurance coverage and payment of premiums as we require. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and immediately reimburse us for any costs and premiums we incur. Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under Section 17.02.

**9.09 Quality Control.** We may, in our sole discretion, establish "quality control" programs, such as "secret shopper" and "customer intercept" programs, to ensure the highest quality of service and food products in Scramblers restaurants. You shall participate in any such quality control programs, and bear your pro-rata share, as determined by us in our sole discretion, of the costs of any such program.

**9.10 Provisions Concerning Compliance with Anti-Terrorism Laws.**

(a) You, your Owners, and your Affiliates agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with anti-terrorism Laws (as defined below). In connection with such compliance, you, your Owners, and your Affiliates certify, represent, and warrant that none (1) of your property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you, your Owners and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

(b) For the purposes of this Section 9.09, "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.

(c) You, your Owners, and your Affiliates certify that none (1) of you, your Owners and your Affiliates, your employees, or anyone (1) associated with you is listed in the Annex to Executive Order 13224. (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.) You agree not to hire any individual who is listed in the Annex.

(d) You, your Owners, and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, your Owners and your Affiliates, your employees, or anyone (1) associated with you to be listed in the Annex to Executive Order 13224.

(e) You, your Owners, and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 17.02 of this Agreement pertain to your obligations under this Section 9.09.

(f) Any misrepresentation by you under this Section 9.09 or any violation of the Anti-Terrorism Laws by you, your Owners and your Affiliates, or your employees shall constitute grounds for immediate termination of this Agreement and any other Agreement you have entered with us or one (1) of our Affiliates, in accordance with the terms of Section 14.01 of this Agreement.

## 10. MARKETING AND ADVERTISING.

**10.01 Marketing Fund.** We administer a marketing fund (“Marketing Fund”) for the creation and development of marketing, advertising and related programs and materials, including, but not limited to electronic, print, and Internet media as well as the planning and purchasing of national and/or regional network advertising. You must contribute to the Marketing Fund amounts that we designate from time to time, up to 1% of Gross Sales attributable to each Accounting Period, payable on or before 12:00 noon of the second day following the end of the immediately preceding Accounting Period together with the Royalty Fees due hereunder. At our discretion, Marketing Fund contributions may be electronically drafted from the designated account referred to in Section 6.03 hereof. Scramblers restaurants owned by us and our Affiliates shall contribute to the Marketing Fund on the same basis. We reserve the right to increase the 1% annual maximum limit on Marketing Fund contributions (as well as the minimum threshold for Local Advertising Fund contributions) in the future by gaining an approval vote by either (a) 51% of all then existing franchised Scramblers restaurants or (b) 66% of all then existing Scramblers restaurants. Voting will be accomplished through a system of one (1) vote per eligible Scramblers restaurant, in good standing. Although the Marketing Fund is intended to maximize general recognition and patronage of the Marks for the benefit of all Scramblers restaurants, we cannot assure you that any particular Scramblers restaurant will benefit directly or pro-rata from the placement of advertising. Additionally, we reserve the right to define, at any time, the measurement terms for any media coverage. The Marketing Fund may be used to: pay

for the cost of preparing and producing materials and programs we select, including video, audio, electronic and written advertising materials, media planning and buying services; employ advertising agencies and supporting market research activities; reimburse us for services, salaries and other overhead expenses (based upon our reasonable calculations) directly related to marketing activities; and otherwise administer and direct advertising and promotional activities. We may furnish you with marketing, advertising, and promotional materials at cost, plus any related administrative, shipping, handling, and storage charges. The Marketing Fund will be accounted for separately from our other funds. All disbursements from the Marketing Fund shall be made first from income and then from contributions. While our intent is to balance the Marketing Fund on an annual basis, from time to time the Marketing Fund may run at either a surplus or deficit. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Scramblers restaurants to the Marketing Fund in that year, and the Marketing Fund may borrow from us or other lenders to cover deficits in the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. We will prepare annually a statement of monies collected and costs incurred by the Marketing Fund, which may be audited, and furnish a copy to you upon your written request. Except as otherwise expressly provided in this Section, we assume no direct or indirect liability or obligation with respect to the maintenance, direction, or administration of the Marketing Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Marketing Fund.

**10.02 Local Advertising Fund.** You agree to spend for local advertising and promotional expenditures not less than 2% of Gross Sales during any period consisting of three (3) consecutive Accounting Periods. These amounts spent on local advertising and promotion will be designated as Local Advertising Funds. If we determine, at some later date, that you have spent less than 2% of Gross Sales during the then most recently completed three (3) consecutive Accounting Periods for approved local advertising and promotional expenditures, we may collect Local Advertising Fund contributions directly from you. Local Advertising Fund contributions will be payable on or before 12:00 noon of the second day following the immediately preceding Accounting Period together with the Royalty Fees due hereunder. At our discretion, said funds may be electronically drafted from the Designated Account referred to in Section 6.03 hereof. The Local Advertising Fund will be used to pay for the cost of implementing local marketing plans developed by you and approved by us or, if we collect Local Advertising Fund contributions from you, to reimburse you (up to an amount not to exceed the Local Advertising Fund contributions so collected) for the costs incurred by you in implementing local marketing plans developed by you and approved by us. For these purposes, advertising expenditures include: (a) amounts contributed to the Local Advertising Fund and advertising cooperatives; and (b) amounts spent for advertising media, such as free standing insert distribution, newspapers, direct mail, collateral and promotional items, radio, television, website advertising and, if not provided by us, the cost of producing approved materials necessary to participate in these media. Advertising expenditures do not include amounts spent for items which we, in our reasonable judgment, deem inappropriate for meeting the minimum advertising requirement, including permanent on-premises signs and menu boards, lighting, menus, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Marks), Yellow Pages advertising, discounts, free offers and employee incentive programs. You must submit to us for our prior approval, a marketing plan and samples of all advertising and promotion materials not prepared or previously approved by us and which vary from our standard advertising and promotional materials. You may not use any advertising or promotional materials that we have not approved. At our request, you shall furnish us with copies of invoices and other appropriate documentation evidencing your compliance with this Section.

**10.03 Advertising Cooperatives.** We have the right, at our sole discretion, to establish or approve local and/or regional advertising cooperatives for Scramblers restaurants in your local or regional areas, covering such geographical areas as we may designate from time to time. You must participate in the cooperative and its programs and abide by its by-laws. If the Franchised Store is within the territory of an existing cooperative at the time the Franchised Store opens for business, you shall immediately become a member of the cooperative. If a cooperative applicable to your Franchised Store is established during the term of this Agreement, you shall become a member no later than thirty (30) days after the date approved by us for the cooperative to commence operation. The following provisions shall apply to each cooperative:

(a) Each cooperative shall utilize a voting system of one (1) vote per each eligible Scramblers restaurant, in good standing.

(b) Each cooperative shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. No changes in the by-laws or other governing documents of a cooperative shall be made without our prior written consent.

(c) Each cooperative shall be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in cooperative advertising.

(d) No advertising or promotional plans or materials may be used by a cooperative or furnished to its members without prior approval by us pursuant to Section 10.03(f) below.

(e) You and each other member of the cooperative shall contribute to the cooperative, using a collection structure selected and established by us, the amount determined by the membership in accordance with the cooperative's by-laws. Any Scramblers restaurants owned by us or any of our Affiliates located in such designated local or regional area(s) will contribute to the cooperative on the same basis. Contributions to such local and/or regional advertising cooperatives are credited towards the advertising expenditures required by Section 10.02; however, if we provide you and your cooperative ninety (90) days' notice of a special regional promotion, you must participate in such promotion and pay to us any regional advertising fees assessed in connection therewith, beginning on the effective date of such notice and continuing until such regional promotion is concluded. Any such regional advertising fees shall be in addition to, and not credited towards, the advertising expenditure required by Section 10.02.

(f) All advertising and promotion by you and the cooperative shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as we may specify. You or the cooperative shall submit written samples of all proposed advertising and promotional plans and materials to us for our approval (except with respect to prices to be charged) at least thirty (30) days before their intended use, unless such plans and materials were prepared by us or have been approved by us within the previous 12 months. Proposed advertising plans or materials shall be deemed to have been approved if they have not been disapproved by us within 15 days after their receipt by us.

**10.04 Websites.** We may establish, acquire, or host any website(s) to advertise, market, and promote Scramblers restaurants, the products and services that they offer and sell, and/or a Scramblers franchise opportunity (each a "Franchise System Website"). We may (but are not required to) provide

you with a webpage on a Franchise System Website that references your Franchised Store for informational purposes only. If we provide you with a webpage on a Franchise System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and all information it contains (including the domain name, any associated URL or email address, any website analytical data, and any personal or business data that visitors supply).

We may use Marketing Fund assets to develop, maintain and update any Franchise System Website. We periodically may update and modify any Franchise System Website (including your webpage). You acknowledge that we have final approval rights over all information on any Franchise System Website (including your webpage). We may implement and periodically modify System standards relating to any Franchise System Website.

Even if we provide you a webpage on a Franchise System Website, we will only maintain this webpage while you are in full compliance with this Agreement and all system standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under this Agreement or our system standards, then we may temporarily remove your webpage from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage from all Franchise System Websites upon this Agreement's expiration or termination.

We may require you to provide notice of any Franchise System Website in the advertising, marketing, and promotional materials that you develop for your Franchised Store in the manner we designate. We reserve the sole right to sell the products sold by Scramblers restaurants on the internet through Franchise System Websites. You agree that you will not sell any Scramblers restaurant products or services to customers on a website through the internet or through any alternative channels of distribution.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions. We reserve the right to charge you a fee for each email address we provide you.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website, domain name, URL address, email address, other online presence or other electronic medium that mentions your Franchised Store, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through or on the internet, or any other similar proprietary or common carrier electronic delivery system. If we approve the use of any such websites, other online presences or electronic mediums, including social networking websites (such as LinkedIn<sup>®</sup>, Twitter<sup>®</sup>, Instagram<sup>®</sup>, Facebook<sup>®</sup>, or YouTube<sup>®</sup> and any and all other similar outlets or platforms that may exist in the future) in the operation of your Franchised Store, or the posting of messages relating to your Franchised Store on other websites, you will do so only in accordance with our guidelines. Any and all advertising, promotion, and marketing that you conduct must be clear, factually accurate, not misleading, and must conform to applicable law and the highest standards of ethical marketing. To the extent the use of the foregoing social networking websites are approved, we may, but we are not required to, provide you

with additional marketing resources in the form of our internal social media team to manage and promote the Franchised Store on your behalf. We reserve the right to: (i) require our approval of any message you compose for a social networking website or commentary for any other website before you post such message or commentary; (ii) any and all login credentials that you may use in connection with any approved social networking websites; and (iii) access your social networking websites via the provided login credentials and remove any content that, in our sole discretion, is contrary to our guidelines or rights as described herein.

You acknowledge that we or our affiliate is the lawful, rightful and sole owner of the Internet domain name [www.scramblermaries.com](http://www.scramblermaries.com), [www.scramblersrestaurants.com](http://www.scramblersrestaurants.com) and [www.scramblersfranchise.com](http://www.scramblersfranchise.com) and any other Internet domain names registered to us or our affiliate, and unconditionally disclaim any ownership interest in those or any similar Internet domain name. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliate or any abbreviation, acronym, phonetic variation, or visual variation of those words.

**10.05 Media Inquiries and Crisis Situations.** You shall immediately notify us upon the occurrence of any situation that may have material impact on you, us, the Franchised Store, or have a deleterious effect on Scramblers restaurants, the Marks, or the System. You shall also notify us immediately when you receive any media inquiries concerning the Franchised Store, including, but not limited to, the business operation and incidents and occurrence related to a customer or employee and you shall direct all media inquiries to us. Neither you, your employees, nor anyone (1) on your behalf may comment to any broadcast medium about the System, except as directed by us. You shall follow all of our policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by us or as specified in the Operations Manual, whether or not you have retained outside counsel or a public relations firm to assist with such matters.

## **11. RECORDS AND REPORTS.**

**11.01 Records.** You agree to prepare and to maintain for 4 years complete and accurate books, records (including invoices and records relating to your advertising expenditures) and accounts (using our standard chart of accounts) for the Franchised Store, copies of your sales tax returns and such portions of your state and federal income tax returns as relate to the Franchised Store. All such books and records shall be kept at the Premises, unless we otherwise approve. You shall record and report, in a manner and at such times as we designate from time to time, all sales and expenditures. You must record all sales on a daily basis on point of sales systems which are fully compatible with our point of sales system, and which include an information interface capability to communicate electronically with our point of sales system. You agree to purchase or lease, at your expense, such equipment, computer hardware and software, required dedicated telephone (1) and power lines, modems, printers, and other computer-related accessories and peripheral equipment as we may specify, for the purpose of, among other functions, recording financial and customer data and communicating with us. We may require you to use proprietary software and any other point of sales systems which we may prescribe from time to time and you agree to execute such agreements as we may require in connection therewith. Currently we require Franchised Stores to use the Sizzle point-of-sale software and accounting system, and we will expect you to utilize the same. You must provide such assistance as may be required to connect your point of sales system with our point of sales system. We shall have the right from time to time to retrieve such data and information from your point of sales systems as we deem necessary

or desirable, and you agree to fully cooperate with such efforts. In view of the contemplated interconnection of point of sales systems and the necessity that such systems be comparable with each other, you agree that you will comply strictly with our standards and specifications for all items associated with your point of sales systems. To ensure full operational efficiency and optimum communication capability among point of sales systems installed for Scramblers restaurants, you agree, at your expense, to keep your point of sales systems in good maintenance and repair, and to promptly install such additions, changes, modifications, substitutions or replacements to hardware, software, telephone (1) and power lines, and other computer-related facilities, as we direct.

**11.02 Periodic Reports.** You must furnish us: (a) no later than 12:00 noon of the first day immediately following the end of each applicable Accounting Period, a report of Gross Sales for the preceding Accounting Period; (b) within thirty (30) days after the end of each month, a monthly balance sheet and income statement and statement of cash flow of the Franchised Store for such months, reflecting any adjustments and accruals, and including financial information related to food costs and inventory management; (c) within ninety (90) days after the end of each fiscal year, a year-end balance sheet and income statement and statement of cash flow of the Franchised Store for such year, reflecting all year-end adjustments and accruals; and (d) within thirty (30) days of our request, such other information as we may require from time to time, including food and labor cost reports and sales and income tax statements all such reports must use our then-current standard chart of accounts. You shall provide us with direct, continuous, and unimpeded access to all computers, software and point of sales systems utilized in connection with the operation of the Franchised Store, at your expense, and otherwise upon terms and conditions which we may require from time to time. You must verify that the information in each such report and financial statement is complete and accurate and sign it. We reserve the right to require that your annual financial statements be audited, at your expense, by an independent certified public accountant approved by us. We reserve the right to publish or disclose information that we obtain under this section in any data compilations, collections, or aggregations that we deem appropriate, in our sole discretion, so long as we do not disclose information relating to performance of your Franchised Store, unless such disclosure is required by law or order of a court. You shall execute and deliver to us contemporaneously with the execution of this Agreement, the Irrevocable Power of Attorney attached as Schedule F hereto which, among other things, authorizes us to obtain information or documentation in the possession of various taxing authorities, lenders, landlords, or vendors. This appointment does not create a fiduciary duty or relationship between the parties, and such inquiries will create no liability or obligation on our part, including any obligation: (i) for any of your obligations; (ii) to monitor or advise on your financial situation; or (iii) to report any of our findings to you or others. This right is provided to us to allow us to determine your financial condition, if we so choose to, and for our sole benefit. You agree to cooperate with us in this regard and agree to issue any documentation necessary to us in order to comply with the terms of this provision. Should you

## 12. INSPECTIONS AND AUDITS.

**12.01 Inspections.** You authorize us and our designated agents at any reasonable time and without prior notice to: (a) inspect the Franchised Store; (b) observe, photograph, audio-tape and/or video tape the operations of the Franchised Store; (c) remove samples of any food and beverage products, materials or supplies for testing and analysis; and (d) interview your accounts, suppliers and personnel and customers of the Franchised Store. You agree to cooperate fully with such activities. You shall furnish to us, immediately upon receipt by you, copies of all inspection reports, citations or warnings received from municipal or other authorities. If any such inspection indicates a deficiency or

unsatisfactory condition, you will promptly commence to correct or repair such deficiency or unsatisfactory condition and diligently pursue the same to completion, at your expense. If you do not correct or repair such deficiency or unsatisfactory condition, we shall have the right, but not the obligation, to make or cause to be made such correction or repair, where all expenses incurred will be reimbursed by you.

**12.02 Audits.** We have the right any time during business hours, and on ten (10) days' prior notice to you, to inspect, copy and audit the books, records, tax returns and documents relating to the development, ownership, lease, occupancy, or operation of the Franchised Store. You must cooperate fully with our representatives and independent accountants conducting such audits. If any inspection or audit discloses an understatement of Gross Sales, you must pay us, within 7 days after receipt of the audit report, the royalties, and any advertising contributions due on the amount of such understatement, plus interest (as provided in Section 6.04) from the date originally due until the date of payment. Further, if such inspection or audit is made necessary by your failure to furnish reports, records or information on a timely basis, or if we determine an understatement of Gross Sales for the period of any audit to be greater than 2%, you must reimburse us for the cost of such audit or inspection, including the charges of any attorneys and independent accountants and the travel expenses, room and board and compensation of our employees.

### **13. FRANCHISEE'S RIGHT TO TRANSFER.**

**13.01 Franchisor's Approval.** The rights and duties created by this Agreement are personal to you or, if you are a business corporation, partnership, limited liability company or other legal entity, your Owners. Accordingly, neither you nor any of your Owners may transfer the Franchise without our approval and without complying with all of the provisions of Section 13. Any transfer without such approval or compliance constitutes a breach of this Agreement and is void and of no force or effect.

**13.02 Conditions for Approval.** If we have not exercised our rights of first refusal under Section 13.06, we will not unreasonably withhold our approval of a Transfer of the Franchise that meets all of the reasonable restrictions, requirements, and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

(a) you have completed development of the Franchised Store and are operating the Franchised Store in accordance with this Agreement;

(b) you and your Owners and Affiliates must be in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates;

(c) the proposed transferee and its Owners (if the proposed transferee is a corporation, partnership, limited liability company or other legal entity), must provide us on a timely basis all information we request, must be individuals acting in their individual capacities who are of good character and reputation, having sufficient business experience, aptitude and financial resources to operate the Franchised Store, and who must otherwise meet our approval;

(d) the proposed transferee may not be an entity, or be affiliated with an entity, which is required to comply with reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(e) the transferee (or its Operating Partner) and its managers or assistant managers must have completed our initial training program or must be currently certified by us to operate and/or manage a Scramblers restaurant to our satisfaction;

(f) the transferee (and its Owners) must agree to be bound by all of the provisions of this Agreement (for the remainder of its Term) or, at our option, execute our then current standard form of franchise agreement and related documents used in the state in which the Franchised Store is located (which may provide for different royalties, advertising contributions and expenditures, and other rights and obligations than those provided in this Agreement);

(g) if you executed this Agreement pursuant to an area development agreement, then the transferee must acquire, in a concurrent transaction, all of your rights, and the rights of your Owners and Affiliates, under such area development agreement (or any successor area development agreement) and all franchise agreements for Scramblers restaurants that you or your Owners or Affiliates executed pursuant to such area development agreement (or any predecessor or successor area development agreement);

(h) you or the transferee must pay us a transfer fee in the amount of one (1) half of the then-current initial franchise fee;

(i) you and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us, our Affiliates, and our respective members, managers, stockholders, officers, directors, employees, agents, successors and assigns;

(j) we must not have disapproved the material terms and conditions of such transfer (including the price and terms of payment and the amount to be financed by the transferee in connection with such transfer, which shall not in any event exceed 50% of the purchase price for the assets or stock to be transferred) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of the Franchised Store or its compliance with its franchise agreement, any area development agreement and any other agreements being transferred;

(k) if you (or any of your Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement, or the new franchise agreement executed by the transferee;

(l) you and your Owners must execute a noncompetition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing that, for a period of 3 years, starting on the effective date of the transfer, you and your Owners, will not directly or indirectly (such as through members of his or their Immediate Families) own any legal or beneficial interest in, or render services or give advice to: (i) any Competitive Business that is located in the Protected Area; (ii) any Competitive Business that is located within a 3 mile radius of any other Scramblers restaurant in operation or under construction as of the effective date of such transfer; or (iii) any entity which grants franchises, licenses or other interests to others to operating any Competitive Business; and

(m) we do not determine that any applicable federal or state statute, regulation, rule, or law which is enacted, promulgated or amended after the date hereof, may have a material adverse effect on our rights, remedies or discretion with respect to our relationship with the proposed transferee; and

(n) you and your Owners and Affiliates must execute such other documents and do such other things as we may reasonably require to protect our rights under this Agreement and under any area development agreement.

**13.03 Effect of Approval.** Our approval of a Transfer of the Franchise does not constitute: (a) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of success of the Franchised Store by the transferee; or (b) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's compliance with this Agreement. Any approval shall apply only to the specific Transfer of the Franchise being proposed and shall not constitute an approval of, or have any bearing on, any other proposed transfer of the Franchise.

**13.04 Special Transfers.** Neither Section 13.06 nor Sections 13.02 (a), (f) or (h) shall apply to any Transfer of the Franchise among any of your then current Owners. Neither Section 13.06 nor Sections 13.02 (h) or (j) shall apply to any Transfer of the Franchise to any member of your Immediate Family or the Immediate Family of a then current Owner of Franchisee (if you are a corporation, partnership, limited liability company or other legal entity). On thirty (30) days' notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of the Franchised Store, by an agreement in form and substance approved by us, to a corporation or limited liability company which conducts no business other than the operation of the Franchised Store (and other Scramblers restaurants under franchise agreements granted by us), and of which you own and control the equity and voting power of all issued and outstanding capital stock. None (1) of the foregoing assignments shall relieve you or your Owners of your respective obligations hereunder, and you and your Owners remain jointly and severally liable for all obligations hereunder.

**13.05 Death or Disability.** Upon your death or permanent disability (if you are an individual as opposed to a legal entity), or the death or permanent disability of the Operating Partner or an Owner owning a controlling interest in you, the executor, administrator or other personal representative of such person shall transfer his interest in this Agreement or his interest in you to a third party approved by us in accordance with all of the applicable provisions of Section 13 within a reasonable period of time, not to exceed 6 months from the date of death or permanent disability.

**13.06 Franchisor's Right of First Refusal.** If you or any of your Owners desire to Transfer the Franchise for legal consideration, you or such Owner must obtain a *bona fide*, executed written offer from a responsible and fully disclosed purchaser and must deliver immediately to us a complete and accurate copy of such offer. If the offer proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under area development agreements or other franchise agreements for Scramblers restaurants) as part of the *bona fide* offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Franchise must reflect the *bona fide* price offered thereof and may not reflect any value for any other property or rights. We have the option, exercisable by notice delivered to you or your Owners within thirty (30) days from the date of delivery of a complete and accurate copy of such offer to us, to purchase such interest for

the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser; and (c) we will have not less than sixty (60) days from the option exercise date to consummate the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners must cooperate fully with us in connection therewith. If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, closing documents and indemnities as we reasonably may require. If we do not exercise our option to purchase, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Section 13.01 and Section 13.02, provided that if the sale to such offeror is not completed within ninety (90) days after delivery of such offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 90-day period or the material change to the terms of the offer.

**13.07 Securities Offering.** Neither you nor any of your Owners may issue or sell, or offer to issue or sell, any of your securities or any securities of any of your Affiliates, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior consent and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (a) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than 35 persons; or (b) after such issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended.

## **14. TERMINATION OF AGREEMENT.**

**14.01 Immediate Termination.** You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within thirty (30) days; if a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if final judgment against you in the amount of \$5,000 or more remains unsatisfied of record for thirty (30) days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within thirty (30) days; or if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within thirty (30) days.

**14.02 Termination Upon Notice.** In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, you are in material breach of this Agreement,

and we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Owners or Affiliates:

- (a) fail to open the Franchised Store and start business, as provided in Section 3.03;
- (b) fail to complete to our satisfaction, all of the training as provided in Section 4.01 prior to the date that you are required to open the Franchised Store and start business, as provided in Section 3.03;
- (c) abandon or fail to operate the Franchised Store on a full-time basis for any reason (other than for casualty loss not to exceed sixty (60) days) without our prior written consent;
- (d) surrender or transfer control of the operation of the Franchised Store without our prior written consent;
- (e) make any material misstatement or omission in the Franchise Application or in any other information provided to us;
- (f) suffer cancellation or termination of the lease or sublease for the Franchised Store;
- (g) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System or the goodwill associated with the Marks;
- (h) make or attempt to make an unauthorized Transfer of the Franchise or fail to Transfer the Franchise or the interest of a deceased or disabled Owner of Franchisee as herein required;
- (i) make any unauthorized use or disclosure of any Confidential Information or use, duplicate, or disclose any portion of the Operations Manual in violation of this Agreement;
- (j) fail or refuse to comply with any mandatory specification, standard or operating procedure prescribed by us relating to the organization, cleanliness or sanitation of the Franchised Store or violate any health, safety or sanitation law, ordinance or regulation, that we reasonably believe may pose harm to the public or to you or our reputation, and do not correct such failure, refusal or violation within 24 hours after written notice thereof is delivered to you;
- (k) fail to report accurately Gross Sales, to establish, maintain and/or have sufficient funds available in the designated account as required by Section 6.03 of this Agreement or to make payment of any amounts due us or any of our Affiliates, and do not correct such failure within 3 days after written notice of such failure is delivered to you;
- (l) fail to make a timely payment of any amount due to a supplier unaffiliated with us (other than payments which are subject to bona fide dispute), and do not correct such failure within thirty (30) days after we deliver to you notice of such failure to comply;
- (m) are in breach of any other agreement between you or any of your Affiliates and us or any of our Affiliates such that we or our Affiliate(s) have a right to terminate any such agreement, whether we or our Affiliate elect to exercise a right to terminate such agreement;

(n) fail to complete, to our satisfaction, all of the training, as provided in Section 4.01 prior to the date that you are required to open the Franchised Store and start business, as provided in Section 3.03;

(o) fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by us and do not correct such failure within thirty (30) days after notice of such failure to comply is delivered to you; or

(p) fail on 3 or more separate occasions within any 12 month period or 5 or more occasions within any 36 month period to submit when due reports or other data, information or supporting records or to pay when due royalties, advertising fund contributions or other payments due us, any of our Affiliates or any unaffiliated suppliers or otherwise fail to comply with this Agreement, whether or not such failure is corrected after notice is delivered to you.

## 15. RENEWAL RIGHTS.

**15.01 Your Right to Acquire a Successor Franchise.** You have the right, subject to all of the conditions contained in Section 15, to acquire a successor franchise for the Franchised Store on the terms and conditions of our then current form of franchise agreement for Scramblers restaurants, if upon expiration of the Term: (a) you and your Owners and Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates, and you and your Owners have been in substantial compliance with this Agreement throughout the Term; and (b) we have not notified you of our decision that any federal or applicable state legislation, regulation or rule, which is enacted, promulgated or amended after the date hereof, may have an adverse effect on our rights, remedies or discretion in franchising Scramblers restaurants; (c) the Premises meet our then current site criteria and you maintain the right to possession of the Premises for the term of the successor franchise agreement and enter into an agreement with us whereby you agree within a specified time period, starting on the signing of a successor franchise agreement, to remodel the Franchised Store, add or replace improvements, fixtures, furnishings, equipment and signs and otherwise modify the Franchised Store to meet the specifications and standards then applicable for new Scramblers restaurants; and (d) you pay a renewal fee of \$5,000.

**15.02 Notices.** You must give us written notice of your desire to acquire a successor franchise and tender the renewal fee not less than 180 days nor more than 365 days prior to the expiration of this Agreement. We will give you notice, not later than sixty (60) days after receipt of your notice, of our decision whether or not you have the right to acquire a successor franchise pursuant to Section 15.01. Notwithstanding any notice of our decision that you have the right to acquire a successor franchise for the Franchised Store, your right will be subject to your continued compliance with all the provisions of this Agreement up to the date of its expiration.

**15.03 Agreements.** If you have the right to acquire a successor franchise in accordance with Section 15.01 and state your desire to exercise that right in accordance with Section 15.02, we and you (and your Owners) will execute the form of renewal franchise agreement (which may contain provisions, including royalty fees, materially different from those contained herein) and all ancillary agreements (including, personal guarantees by your Owners and a remodeling agreement on such terms as we determine to be appropriate) which we then customarily use in granting renewal franchises for the operation of Scramblers restaurants, and you and your Owners must execute general releases, in

form and substance satisfactory to us, of any and all claims against us, and our Affiliates, and our respective members, managers, officers, directors, employees, agents, successors and assigns. Failure by you (and your Owners) to sign such agreements and releases within thirty (30) days after delivery to you shall be deemed an irrevocable election by you not to acquire a successor franchise for the Franchised Store. Upon expiration of the renewal franchise agreement, you will not have any further right to acquire additional successor franchises for the Franchised Store.

## **16. EFFECT OF TERMINATION OR EXPIRATION.**

**16.01 Payment of Amounts Owed to Us.** Within 2 days after the effective date of termination or expiration (without renewal) of this Agreement, you must pay us and our Affiliates all royalties, advertising fund contributions, amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

**16.02 Discontinue Use of Marks and Confidential Information.** Upon the termination or expiration (without renewal) of this Agreement, you will:

(a) not directly or indirectly at any time or in any manner use any Mark, any colorable imitation, or other indicia of a Scramblers' restaurant;

(b) take such action as may be required to cancel all fictitious or assumed name registrations relating to your use of any Mark;

(c) notify the telephone (1) company and all telephone (1) directory publishers of the termination or expiration of your right to use any telephone (1) number and any regular, classified, or other telephone (1) directory listings associated with any Mark and to authorize transfer of the number to us or at our direction;

(d) if we do not exercise our right to acquire the Franchised Store pursuant to Section 16.03, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, furniture, décor items, advertising materials, forms and other materials and supplies which display any of the Marks, or any distinctive features, images, or designs associated with Scramblers restaurants and, at your expense, make such alterations as may be necessary to distinguish the Premises so clearly from its former appearance as a Scramblers restaurant and from other Scramblers restaurants as to prevent any possibility of confusion by the public;

(e) immediately cease to use all Confidential Information and return to us all copies of the Operations Manual and any other confidential materials which have been loaned to you;

(f) immediately discontinue any mode of communications on the Internet directly or indirectly relating to the Franchised Store, including any Web sites or pages associated with the Franchised Store, and immediately take all steps required by us to transfer any social media sites and domain name associated with the Franchised Store to us (such as executing a Registrant Name Change Agreement located at the URL <http://rs.internic.net/reg-change/agreement.html>); and

(g) within thirty (30) days after the effective date of termination or expiration, furnish us evidence satisfactory to us of your compliance with the foregoing obligations.

Contemporaneously with the execution of this Agreement, you agree to execute the Irrevocable Power of Attorney attached hereto as Schedule F irrevocably appointing us and our representatives as your duly authorized agent and attorney-in-fact to execute all instruments and take all steps to transfer such social media sites and domain names and telephone (1) numbers.

**16.03 Our Option to Acquire the Franchised Store.** Upon termination or expiration (without renewal) of this Agreement, we have the right, exercisable by giving notice thereof (“Appraisal Notice”) within ten (10) days after the date of such termination or expiration, to require that a determination be made of the “Fair Market Value” (as defined below) of all or certain of the tangible assets of the Franchised Store which you own, including inventory of non-perishable products, materials, supplies, furnishings, equipment, signs, leasehold improvements, leasehold estates, fixtures, building and land, but excluding any cash and short-term investments and any items not meeting our specifications for Scramblers restaurants (the “Purchased Assets”). Notwithstanding the foregoing if you notify us not less than one hundred eighty (180) days nor more than 270 days prior to the expiration of this Agreement that you do not desire to enter into a successor Franchise Agreement on expiration, then we agree, if we desire to exercise our right to purchase, to give you the Appraisal Notice at least one hundred twenty (120) days prior to the date of expiration of this Agreement. Upon delivery of the Appraisal Notice, you may not sell or remove any of the assets of the Franchised Store from the Premises (other than in the ordinary course of business) and must give us, our designated agents and the “Appraiser” (as defined below) full access to the Franchised Store and all of your books and records at any times during customary business hours in order to conduct inventories and determine the purchase price for the Purchased Assets. The Fair Market Value shall be determined by consultation between you and us to establish the amount which an arm’s length purchaser would be willing to pay for the Purchased Assets. Under no circumstances will any value be attributed to any goodwill associated with the Marks or any value attributed to the System (all of which you acknowledge to be owned by us), provided, however, value may, if appropriate, be attributed to the going concern value of your Franchised Store. If you and we are unable to agree on the Fair Market Value of the Purchased Assets within 15 days after the Appraisal Notice, then Fair Market Value will be determined by a member of a nationally recognized accounting firm (other than a firm which conducts audits of our or your financial statements) mutually selected by you and us who has experience in the valuation of restaurant businesses (the “Appraiser”). If we are unable to agree on the Appraiser within 20 days after the Appraisal Notice, either party may demand the appointment of an Appraiser to be made by the director of the regional office of the American Arbitration Association located nearest to our headquarters, and such person shall be the Appraiser. The Appraiser will make his or her determination and submit a written report (“Appraisal Report”) to you and us as soon as practicable, but in no event more than thirty (30) days after his or her appointment. Each party may submit in writing to the Appraiser its judgment of Fair Market Value (together with its reasons therefor); however, the Appraiser shall not be limited to these submissions and may make such independent investigations as he or she reasonably determines to be necessary. The Appraiser’s fees and costs shall be borne equally by the parties. We have the option, exercisable by delivering notice thereof within thirty (30) days after submission of the Appraisal Report (or the date that an agreement is reached, if the parties agree to the Fair Market Value), to agree to acquire the Purchased Assets at the Fair Market Value. We shall have the unrestricted right to assign this option to acquire the Purchased Assets separate and apart from the remainder of this Agreement. If we exercise our option to acquire the Purchased Assets, 50% of the purchase price for the Purchased Assets will be paid in cash at the closing, which will occur at the place, time, and date we designate, but not later than sixty (60) days after the exercise of our option to purchase the Purchased Assets. At the closing, we will be entitled to all warranties, title insurance policies and other closing documents and post-closing indemnifications as we reasonably

require, including: (a) instruments transferring good and marketable title to the Purchased Assets, free and clear of all liens, encumbrances, and liabilities, to us or our designee, with all sales and other transfer taxes paid by you; and (b) an assignment of all leases of assets used in the operation of the Franchised Store, including land, building and/or equipment (or if an assignment is prohibited, a sublease to us or our designee for the full remaining term and on the same terms and conditions as your lease, including renewal and/or purchase options); provided, however, that if any of your Owners or Affiliates directly or indirectly owns the land, building and/or equipment of the Franchised Store, you will, at our option, cause such Owner or Affiliate to grant to us a lease at reasonable and customary rental rates and other terms prevailing in the community where the Franchised Store is located. Any dispute concerning the rental rates and terms of such lease shall be resolved by the Appraiser. 25% of the purchase price (plus accrued and unpaid interest on the unpaid balance, at the Prime Rate, as defined below, from and after the closing date) shall be payable on the first anniversary of the closing date, and the remaining 25% of the purchase price (plus accrued and unpaid interest on the unpaid balance, at the Prime Rate, from and after the closing date) shall be payable on the second anniversary of the closing date. The “Prime Rate” shall be the published Prime Rate of a national bank we select as of the date of closing. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the closing of the sale may, at our option, be accomplished through an escrow on such terms and conditions as we deem appropriate, including the making of payments, to be deducted from the purchase price, directly to third parties in order to obtain clear title to all of the Purchased Assets. Further, you and we shall comply with any applicable bulk sales provisions of the Uniform Commercial Code as enacted in the state where the Premises are located and all applicable state and local sales and income tax notification and/or escrow procedures. We have the right to set off against and reduce the purchase price by any and all amounts owed by you or any of your Owners or Affiliates to us or any of our Affiliates or other obligations which we are required to assume, as a matter of law, by purchasing the Purchased Assets. Upon delivery of the Appraisal Notice and pending: (i) determination of Fair Market Value, (ii) our option period, and (iii) the closing of the purchase, we may authorize continued temporary operations of the Franchised Store pursuant to the terms of this Agreement, subject to the supervision and control of one (1) or more of our appointed managers.

**16.04 Continuing Obligations.** All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

**16.05 Liquidated Damages.** It is understood that Franchisor is relying on the full and faithful performance by the Franchisee of all obligations for the entire term outlined in section 2.01 of the Franchise Agreement, and that any repudiation of this Agreement prior to the termination of the timeframe provided therein will result in serious losses to Franchisor. Franchisee and Franchisor specifically acknowledge that the amount of those losses is and will be difficult to determine. It is agreed, therefore, that upon any repudiation of the Franchise Agreement by Franchisee prior to the term outlined in section 2.01, Franchisee shall pay to Franchisor, as liquidated damages to compensate for such losses, as liquidated damages for the premature termination of this agreement and not as a penalty, the greater of 1) \$100,000 or 2) an amount equal to 3 ½ times the continuing royalty fees payable to the Franchisor in respect to the last 12 months of the Franchised Business’ active operations or the entire period the Franchise Business has been open for business, whichever is the shorter period. The damages here liquidated are confined to losses resulting from the Franchisee’s repudiation of this Agreement, and shall not affect such other rights and remedies that Franchisor may have under this Agreement and under applicable law.

## 17. RELATIONSHIP OF THE PARTIES.

**17.01 Independent Contractors.** Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties hereto. Franchisor and Franchisee, as between themselves, are and shall be independent contractors. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose whatsoever. Franchisor is not a joint employer of Franchisee's employees. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others as the Owner of the Franchised Store and must place such other notices of independent ownership on such forms, business cards, stationery, advertising, and other materials we may require from time to time. You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operations of your business hereunder. If applicable law shall imply a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such covenant, we and you acknowledge and agree that: (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with your explicit rights and obligations hereunder that may affect favorably or adversely your interests; (b) we will use our judgment in exercising such discretion based on our assessment of our own interests and balancing those interests against the interests of the Owners of Scramblers restaurants generally (including ourselves, and our Affiliates and other franchisees), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our discretion in this manner so long as such discretion is not exercised in bad faith toward you; and (d) in the absence of such bad faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for our judgment so exercised.

**17.02 Indemnification.** You and each of your Owners, jointly and severally, agree to indemnify us, our Affiliates and our respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns (collectively "indemnitees"), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party in connection with the development, ownership, operation or closing of the Franchised Store (collectively "event"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees; provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term "losses and expenses" includes compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and

all other costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification is required, and, at your expense and risk, we may elect to assume (but under no circumstance obligated to undertake) the defense and/or settlement thereof, provided that we will seek your advice and counsel. Our assumption of the defense does not modify your indemnification obligation. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be, in our reasonable discretion, necessary for the protection of the indemnitees or Scramblers restaurants generally. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**17.03 Taxes; Payment.** We will have no liability for any sales, use, service, occupation, exercise, gross receipts, income, payroll, property, or other taxes, whether levied upon the Franchised Store, your property or upon us, in connection with sales made or business conducted by you (except any taxes we are required by law to collect from you). Payment of all such taxes shall be your responsibility. In the event of a *bona fide* dispute as to your liability for taxes, you may contest your liability in accordance with applicable law. In no event, however, will you permit a tax sale, seizure, or attachment to occur against the Franchised Store or any of its assets. You agree to make all payments when due to third parties for obligations arising out of or in any way connected with the existence, operation or maintenance of the Franchised Store, including, but not limited to, rental and mortgage payments, and payments for utilities, services, products, equipment, supplies, goods, inventory, materials, taxes, labor and other matters. If you fail to make any such payment in accordance with the foregoing, we shall have the right, but not the obligation, to make such payment on your behalf, and such payment will be without prejudice and in addition to all other available rights and remedies. Any payment made by us pursuant to this Section will be due by you on the day the next Royalty Fee payment is made.

## **18. DISPUTE RESOLUTION.**

**18.01 ARBITRATION. EXCEPT AS PROVIDED IN SECTION 18.02, ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN, ON THE ONE (1) HAND, FRANCHISOR AND/OR ITS' AFFILIATES AND/OR THEIR RESPECTIVE MEMBERS, MANAGERS, OFFICERS, DIRECTORS, AND/OR EMPLOYEES, AND, ON THE OTHER HAND, FRANCHISEE AND/OR ANY OWNER(S) AND/OR THEIR RESPECTIVE AFFILIATES, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, AND/OR EMPLOYEES, INCLUDING ALLEGATIONS OF FRAUD, MISREPRESENTATION OR VIOLATION OF ANY STATE OR FEDERAL LAWS OR REGULATIONS, ARISING UNDER, AS A RESULT OF, OR IN CONNECTION WITH THIS AGREEMENT, THE FRANCHISED STORE OR THE OWNERS' GUARANTEES SHALL, ON DEMAND OF EITHER PARTY BE SUBMITTED FOR ARBITRATION TO THE AMERICAN ARBITRATION ASSOCIATION ("AAA"). THE ARBITRATION SHALL BE GOVERNED EXCLUSIVELY BY THE UNITED STATES ARBITRATION ACT (9 U.S.C. §1, ET SEQ.), WITHOUT REFERENCE TO ANY STATE ARBITRATION STATUTES. THE PARTIES AGREE THAT, IN CONNECTION WITH ANY SUCH ARBITRATION PROCEEDING, EACH SHALL SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY SUCH CLAIM WHICH**

IS NOT SUBMITTED OR FILED IN SUCH PROCEEDING SHALL BE BARRED. THE ARBITRATION PROCEEDINGS SHALL BE CONDUCTED IN THE CITY WHERE FRANCHISOR THEN HAS ITS PRINCIPAL PLACE OF BUSINESS IN ACCORDANCE WITH THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AAA. EXCEPT AS EXPRESSLY PROVIDED HEREIN, THE ARBITRATOR WILL HAVE NO AUTHORITY TO ADD TO, DELETE OR MODIFY THE TERMS OF THIS AGREEMENT. BOTH PARTIES WILL HAVE THE ABSOLUTE RIGHT TO CROSS-EXAMINE ANY PERSON WHO TESTIFIES AGAINST THEM OR IN FAVOR OF ANOTHER PARTY. THE ARBITRATION PROCEEDINGS SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT ON A MULTI-PLAINTIFF, CONSOLIDATED OR CLASS-WIDE BASIS. THE ARBITRATOR SHALL HAVE THE RIGHT TO AWARD THE RELIEF WHICH THEY DEEM PROPER, CONSISTENT WITH THE TERMS OF THIS AGREEMENT, INCLUDING COMPENSATORY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, LEGAL FEES AND COSTS. THE AWARD AND DECISION OF THE ARBITRATOR SHALL BE CONCLUSIVE AND BINDING ON ALL PARTIES, AND JUDGMENT UPON THE AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION. ANY RIGHT TO CONTEST THE VALIDITY OR ENFORCEABILITY OF THE AWARD SHALL BE GOVERNED EXCLUSIVELY BY THE UNITED STATES ARBITRATION ACT. NOTWITHSTANDING THE FOREGOING, SUCH ARBITRATION FINDINGS, CONCLUSIONS, ORDERS AND AWARDS MAY NOT BE USED TO COLLATERALLY ESTOP EITHER PARTY FROM RAISING ANY LIKE OR SIMILAR ISSUE IN ANY OTHER ARBITRATION, LITIGATION, COURT HEARING OR OTHER PROCEEDING INVOLVING THIRD PARTIES OR OTHER FRANCHISEES. IN ANY ARBITRATION BETWEEN THEM, NEITHER FRANCHISOR NOR FRANCHISEE NOR ANY OWNER MAY INTRODUCE AS EVIDENCE OR OTHERWISE USE TO ESTABLISH ANY FACT, ACTION, FINDING OR VIOLATION, ANY FINDINGS, CONCLUSIONS, ORDERS OR AWARDS RESULTING FROM ANY PRIOR ARBITRATION, LITIGATION, COURT HEARING OR OTHER PROCEEDING INVOLVING FRANCHISEE AND A THIRD PARTY OR FRANCHISOR AND A THIRD PARTY OR OTHER FRANCHISEE. NOTHING IN THIS SECTION 18.01 SHALL LIMIT OR OTHERWISE IMPAIR OUR ABILITY TO PURSUE ANY RELIEF REFERRED TO IN SECTION 18.02 BELOW. THE PROVISIONS OF THIS SECTION 18.01 SHALL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING EXPIRATION OR TERMINATION OF THIS AGREEMENT.

**18.02 INJUNCTIVE RELIEF.** NOTWITHSTANDING SECTION 18.01, WE MAY OBTAIN IN ANY COURT OF COMPETENT JURISDICTION ANY INJUNCTIVE RELIEF, INCLUDING TEMPORARY RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS, AGAINST CONDUCT OR THREATENED CONDUCT FOR WHICH NO ADEQUATE REMEDY AT LAW MAY BE AVAILABLE OR WHICH MAY CAUSE US IRREPARABLE HARM. WE MAY HAVE SUCH INJUNCTIVE RELIEF IN ADDITION TO SUCH FURTHER AND OTHER RELIEF AS MAY BE AVAILABLE AT EQUITY OR LAW, AND YOUR SOLE REMEDY IN THE EVENT OF THE ENTRY OF SUCH INJUNCTION, SHALL BE ITS DISSOLUTION, IF WARRANTED, UPON HEARING DULY HELD (ALL CLAIMS FOR DAMAGES BY REASON OF THE WRONGFUL ISSUANCE OF ANY SUCH INJUNCTION BEING EXPRESSLY WAIVED). YOU AND

EACH OF YOUR OWNERS ACKNOWLEDGE THAT ANY VIOLATION OF SECTIONS 7, 13, 16.02, OR 16.03 WOULD RESULT IN IRREPARABLE INJURY TO US FOR WHICH NO ADEQUATE REMEDY AT LAW MAY BE AVAILABLE. ACCORDINGLY, YOU AND EACH OF YOUR OWNERS CONSENT TO THE ISSUANCE OF AN INJUNCTION AT OUR REQUEST PROHIBITING ANY CONDUCT IN VIOLATION OF ANY OF THOSE SECTIONS AND AGREE THAT THE EXISTENCE OF ANY CLAIM YOU OR ANY OF YOUR OWNERS MAY HAVE AGAINST US, WHETHER OR NOT ARISING FROM THIS AGREEMENT, SHALL NOT CONSTITUTE A DEFENSE TO THE ENFORCEMENT OF ANY OF THOSE SECTIONS.

**18.03 VENUE.** YOU AND YOUR OWNERS IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL COURT AND THE STATE COURTS PRESIDING WHERE OUR PRINCIPAL OFFICE IS THEN LOCATED IN ANY SUIT, ACTION OR PROCEEDING, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ITS BREACH OR ANY OTHER DISPUTE BETWEEN YOU AND/OR ANY OF YOUR OWNERS AND US, AND YOU AND YOUR OWNERS IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING MUST BE BROUGHT AND/OR DEFENDED THEREIN. YOU AND YOUR OWNERS IRREVOCABLY WAIVE, TO THE FULLEST EXTENT YOU MAY LAWFULLY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT, ACTION OR PROCEEDING. NOTHING CONTAINED HEREIN SHALL AFFECT OUR RIGHTS AS FRANCHISOR TO BRING A SUIT, ACTION OR PROCEEDING IN ANY OTHER APPROPRIATE JURISDICTION, TO ENFORCE ANY JUDGMENT AGAINST YOU AND/OR ANY OF YOUR OWNERS ENTERED BY A STATE OR FEDERAL COURT.

**18.04 GOVERNING LAW.** EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (15 U.S.C. §1050 ET SEQ.) AS AMENDED, THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF OHIO. OTHERWISE, IN THE EVENT OF ANY CONFLICT OF LAW, OHIO LAW WILL PREVAIL, WITHOUT REGARD TO ITS CONFLICT OF LAW PRINCIPLES. HOWEVER, IF ANY PROVISION OF THIS AGREEMENT WOULD NOT BE ENFORCEABLE UNDER OHIO LAW, AND IF THE FRANCHISED STORE IS LOCATED OUTSIDE OF OHIO AND SUCH PROVISION WOULD BE ENFORCEABLE UNDER THE LAWS OF THE STATE IN WHICH THE FRANCHISED STORE IS LOCATED, THEN SUCH PROVISION SHALL BE CONSTRUED UNDER THE LAWS OF THAT STATE. NOTHING IN THIS SECTION IS INTENDED TO SUBJECT THIS AGREEMENT TO ANY FRANCHISE OR SIMILAR LAW, RULE OR REGULATION OF THE STATE OF OHIO OR ANY OTHER STATE OR POLITICAL SUBDIVISION TO WHICH IT OTHERWISE WOULD NOT BE SUBJECT.

**18.05 COSTS OF ENFORCEMENT.** IF WE FILE A CLAIM IN AN ARBITRATION PROCEEDING FOR AMOUNTS YOU OR ANY OF YOUR OWNERS OWE US OR ANY OF OUR AFFILIATES, OR IF WE ENFORCE THIS AGREEMENT IN A JUDICIAL OR ARBITRATION PROCEEDING, AND WE PREVAIL IN ANY SUCH PROCEEDING, YOU AGREE TO REIMBURSE US FOR ALL OUR COSTS AND EXPENSES, INCLUDING, BUT NOT LIMITED TO, REASONABLE ACCOUNTING, PARALEGAL, EXPERT WITNESS AND ATTORNEY FEES. IF WE ARE REQUIRED

TO ENGAGE LEGAL COUNSEL IN CONNECTION WITH YOUR FAILURE TO COMPLY WITH THIS AGREEMENT, YOU MUST REIMBURSE US FOR ANY ATTORNEY FEES WE INCUR.

**18.06 LIMITATIONS ON LEGAL ACTIONS.** EXCEPT WITH RESPECT TO YOUR OBLIGATIONS REGARDING USE OF THE MARKS AND THE CONFIDENTIAL INFORMATION IN SECTIONS 5, 7.01 AND 16.02, FRANCHISOR AND FRANCHISEE (AND ITS OWNERS) EACH WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AGREE THAT, FOR OUR FRANCHISE SYSTEM TO FUNCTION PROPERLY, WE SHOULD NOT BE BURDENED WITH THE COST OF LITIGATING SYSTEM-WIDE DISPUTES. ACCORDINGLY, ANY DISAGREEMENT BETWEEN YOU AND/OR ANY OF YOUR OWNERS AND US SHALL BE CONSIDERED UNIQUE AS TO ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS ACTION, AND YOU (AND EACH OF YOUR OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST US OR ANY OF OUR AFFILIATES, OR OUR RESPECTIVE MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS, AND ASSIGNS BY WAY OF CLASS ACTION. IN ANY LEGAL ACTION BETWEEN THE PARTIES, THE COURT OR ARBITRATOR SHALL NOT BE PRECLUDED FROM MAKING AN INDEPENDENT DETERMINATION OF THE ISSUES IN QUESTION, NOTWITHSTANDING THE SIMILARITY OF ISSUES IN ANY OTHER LEGAL ACTION INVOLVING US AND ANY OTHER FRANCHISEE, AND EACH PARTY WAIVES THE RIGHT TO CLAIM THAT A PRIOR DISPOSITION OF THE SAME OR SIMILAR ISSUES PRECLUDE SUCH INDEPENDENT DETERMINATION. FURTHERMORE, THE PARTIES AGREE THAT ANY ARBITRATION OR OTHER LEGAL PROCEEDING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED/ARBITRATED BY THE COURT/ARBITRATOR(S) WITHOUT A JURY, AND ALL PARTIES HERETO WAIVE ANY RIGHT TO HAVE ANY ACTION TRIED OR ARBITRATED WITH THE USE OR ASSISTANCE OF A JURY. FURTHER, ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES MUST BE MADE BY YOU BY WRITTEN NOTICE TO US WITHIN TWELVE (12) MONTHS FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM, EXCEPT TO THE EXTENT ANY APPLICABLE LAW OR STATUTE PROVIDES FOR A SHORTER PERIOD OF TIME TO BRING A CLAIM. YOUR FAILURE TO GIVE WRITTEN NOTICE WITHIN SUCH TIME WILL WAIVE ANY DEFAULT ARISING UNDER THIS AGREEMENT AND WILL PRECLUDE YOUR EXERCISE OR ENFORCEMENT OF ANY RIGHT OR REMEDY ARISING THEREFROM.

**19. MISCELLANEOUS.**

**19.01 Severability and Substitution of Provisions.** Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible

under applicable law and public policy. If any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable. If any applicable law requires a greater prior notice of the termination than is required hereunder, a different standard of “good cause” to terminate this Agreement or the taking of some other action not required hereunder, the prior notice, the “good cause” standard and/or the other action required by such law shall be substituted for the comparable provisions hereof.

**19.02 Waiver of Obligations.** We and you may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any such waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice. You and we shall not be deemed to have waived any right reserved by this Agreement by virtue of any custom or practice of the parties at variance with it; any failure, refusal or neglect by you or us to exercise any right under this Agreement (except as provided in Section 19.03) or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, whether of the same, similar or different nature, with respect to other Scramblers restaurants; or the acceptance by us of any payments due from you after any breach of this Agreement.

**19.03 Exercise of Rights.** Except as otherwise expressly provided herein, the rights of Franchisor and Franchisee hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled to enforce by applicable law. If you or any Owner commit any act or default for which Franchisor exercises its right to terminate this Agreement, you will pay to Franchisor the general and special damages Franchisor incurs as a result of the premature termination of this Agreement. Franchisee acknowledges and agrees that the proximate cause of such damages sustained by Franchisor is Franchisee’s act of default and not Franchisor’s exercise of its right to terminate. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement, shall constitute a waiver of such right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless the type of proceeding authorized by this Section 19 is commenced before the expiration of the earlier of: (a) the time period for bringing an action under any applicable state or federal statute of limitations; (b) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (c) 2 years after the first act or omission giving rise to the alleged claim. Claims of Franchisor attributable to the underreporting of sales, claims of the parties for indemnification, and claims of Franchisor related to its rights under any of the Marks shall be subject only to the applicable state or federal statute of limitations.

**19.04 Successors and Assigns.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interests herein.

**19.05 Construction.** The language of this Agreement shall be construed according to its fair meaning and not strictly against any party. The introduction, schedules, and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements between us and you relating to the subject matter of this Agreement, other than the Disclosure Document (which are not intended to be disclaimed in this Franchise Agreement or any related agreement with us), that either party may or does rely on or that will have any force or effect. You and your Owners agree that any of our Affiliates with rights in any Marks shall be entitled to enforce your obligations under this Agreement pertaining to the Marks. Otherwise, nothing in this Agreement is intended or shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties. The headings of the Sections are for convenience only and do not limit or construe their contents. The term “including” shall be construed to include the words “without limitation.” The term “Franchisee” or “you” is applicable to one (1) or more persons, a corporation, limited liability company or a partnership, as the case may be. If two (2) or more persons are at any time Franchisee hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several. References to a controlling interest in an entity shall mean more than 50% of the equity or voting control of such entity. This Agreement may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.

**19.06 Approvals and Consents.** Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefor, and such approval or consent must be obtained in writing in order to constitute a valid and binding approval or consent.

**19.07 Notices.** All notices, requests and reports permitted or required to be made by the provisions of this Agreement shall be in writing and shall be deemed delivered: (a) at the time delivered by hand to the recipient party (or to a member, manager, officer, director or partner of the recipient party); (b) on the same date of the transmission by facsimile, e-mail or other reasonably reliable electronic communication system; (c) 1 day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) 5 days after placement in the United States Mail by Certified Mail, Return Receipt Requested, postage prepaid. Such notices, requests and reports shall be sent to the addresses identified in this Agreement unless and until a different address has been designated by appropriate written notice to the other party.

To Franchisee, Operating Partners or Owners:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
E-mail address \_\_\_\_\_

To Franchisor:

Scramblers Brands Franchise Development, LLC  
2778 Centennial Road, Suite B  
Toledo, Ohio 43617  
E-mail address: franchise@scramblersbrands.com

A copy of any notice directed to Franchisor must be simultaneously forwarded to Daniel L. Silfani, Roetzel & Andress LPA, 222 S. Main Street, Suite 400, Akron, Ohio 44308. E-mail addresses: [dsilfani@ralaw.com](mailto:dsilfani@ralaw.com).

**19.08 Receipt of Disclosure Document and Agreement.** You acknowledge having received our Disclosure Document by the earliest of (a) the first personal meeting to discuss our franchise; or (b) 14 days before signing a binding agreement; or (c) 14 days before making any payment to us relating to this Agreement. You acknowledge having received this Agreement, with all blanks completed, at least 7 days before you sign it.

**19.09 State Law Addendum.** The terms and conditions of an applicable state law addendum executed and delivered with this Agreement are incorporated herein.

**19.10 Force Majeure.** Franchisor shall not be liable for any failure or delay in performing any obligation, in whole or in part, under this Agreement if such failure or delay results directly or indirectly from compliance with any laws; acts of God; pandemic or epidemic; unavailability of any essential equipment, materials, or service including interruptions in telephone (1) or internet service; lockout, other industrial disturbance or labor difficulty; war, civil unrest, act of public enemy, terrorist act, blockade, revolution, riot, insurgency or insurrection; lightning, storm, flood, fire, earthquake, other natural disaster; explosion; embargo; or unavoidable accident which are not the fault of Franchisor. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part, as may be reasonable. Franchisor shall provide written notice to Franchisee as soon as reasonably practical after learning the basis for invoking this clause.

[SEE NEXT PAGE FOR SIGNATURES]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first above written.

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH  
MAY BE ENFORCED BY THE PARTIES.**

FRANCHISOR

FRANCHISEE

SCRAMBLERS BRANDS FRANCHISE  
DEVELOPMENT, LLC  
an Ohio limited liability company

If a corporation, partnership, limited  
liability company or other legal entity:

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

\_\_\_\_\_  
(Name of corporation, partnership, limited  
liability company or other legal entity)

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

If individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

## **MICHIGAN STATE LAW ADDENDUM TO FRANCHISE AGREEMENT**

The following modifications may supersede, to the extent required by valid applicable Michigan law, certain portions of the Franchise Agreement.

### MICHIGAN NOTICE

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

**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 Michigan Franchise Investment 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 thirty (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:

(h) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

(k) 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.

(l) 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).

(m) 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 Franchisor shall, at the request of a Franchisee, arrange for the escrow of initial investment and other funds paid by the Franchisee or Subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the Franchise Offering are fulfilled. At the option of the Franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa Street Lansing, Michigan, 48933  
Telephone (1) Number: (517) 373-7117

Note: Notwithstanding paragraph (f) above, franchisor intends to, and franchisee agrees that franchisor and franchisee will, enforce fully the provisions of the arbitration section of our

agreements. Franchisor and franchisee believe that paragraph (f) above is unconstitutional and cannot preclude franchisor and franchisee from enforcing the arbitration provisions.

**SCHEDULE A**

**CONFIRMATION OF TERM COMMENCEMENT DATE**

Reference is hereby made to a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (“Agreement”) by and between SCRAMBLER BRANDS FRANCHISE DEVELOPMENT, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”). Pursuant to Section 2.01 of the Agreement, the undersigned hereby agree that the Term (as defined in the Agreement) commenced on \_\_\_\_\_, 20\_\_\_\_.

WITNESS the execution hereunder seal as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISOR:

FRANCHISEE:

Scrambler Brands Franchise Development, LLC

\_\_\_\_\_

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

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

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

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

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

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

## SCHEDULE B

### ADDENDUM TO LEASE

This addenda is executed as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Landlord”) as an addendum to the lease (as amended, renewed and/or extended from time to time, the “Lease”) for the premises located at \_\_\_\_\_, state of \_\_\_\_\_ (the “Premises”) dated as of \_\_\_\_\_.

WHEREAS, Franchisee has executed or intends to execute a Franchise Agreement with Scramblers Brands Franchise Development, LLC (“Franchisor”) for the operation of a Scramblers restaurant at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease;

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor at 2778 Centennial Road, Suite B, Toledo, Ohio 43617 a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.

2. Franchisee hereby assigns to Franchisor, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interest to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease, within ninety (90) days following termination or expiration of the Franchise Agreement.

3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so, stated in the notice, to also succeed to Franchisee’s rights, title, and interests thereunder.

4. The Lease may not be modified, amended, renewed, extended or assigned by Franchisee without Franchisor’s prior written consent.

5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or 3 above.

6. If Franchisor assumes the Lease, as above provided, Franchisor may further assign the

Lease to another person or entity to operate the Scramblers restaurant at the Premises, subject to Landlord's consent, which consent will not be unreasonably withheld or delayed. Landlord agrees to execute such further documents to confirm its consent to the assignments permitted under this Addendum as Franchisor may reasonably request.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the location as a Scramblers restaurant. Landlord agrees to permit Franchisor, its employees or agents, to enter the Premises and remove signs, décor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

8. Landlord and Franchisee agree that if Landlord is an Owner or an Affiliate of the Franchisee, as defined in the Franchise Agreement, and the Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Scramblers restaurant is located.

9. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 2778 Centennial Road, Suite B, Toledo, Ohio 43617 or such other address as Franchisor shall specify by written notice to Landlord.

10. Under the Franchise Agreement, any lease for the location of a Scramblers restaurant is subject to Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

11. Landlord and Franchisee acknowledge that Franchisor is an intended third-party beneficiary of the Lease and shall be entitled to enforce any provisions set forth herein benefiting Franchisor, subject to the conditions set forth in this Addendum.

12. Landlord, upon request of Franchisor, agrees to disclose and provide to Franchisor true and complete copies of all reports and data in Landlord's possession relating to sales and other information of Franchisee furnished to Landlord by Franchisee. Franchisee irrevocably consents to and directs Landlord to provide all of the foregoing information to Franchisor upon Landlord's receipt of a request for such information from Franchisor.

[Signatures on Following Page]

LANDLORD:

FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_.

Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

My commission expires \_\_\_\_\_



Name of Each General Partner

Name of Each Limited Partner

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3. Owners. Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Franchisee, including the full name, mailing address and social security number of each Owner, and fully describes the nature and extent of each Owner’s interest in Franchisee. Franchisee and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial Owner of his ownership interest in Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner’s Name, Address and Social Security Number

Percentage and Nature of Ownership Interest

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Submitted by Franchisee  
on \_\_\_\_\_, \_\_\_\_\_.

Accepted by Franchisor and made a part of the  
Franchise Agreement as of \_\_\_\_\_

\_\_\_\_\_.

\_\_\_\_\_  
(Name of corporation, limited liability  
company or partnership)

Scramblers Brands Franchise Development,  
LLC

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

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

Owners:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

## SCHEDULE D

### OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement dated as of \_\_\_\_\_, 20\_\_ (the "Agreement") by and between SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC ("Franchisor"), and \_\_\_\_\_ "Franchisee"), each of the undersigned Owners having an interest in Franchisee hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every acknowledgment and representation of Franchisee made in connection with the Agreement (and any amendments) on behalf of Franchisee or any Owner is true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by each and every provision in the Agreement (and any amendments) pertaining to the Franchisee and any Owner (as defined therein).

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the Agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none (1) of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by each of the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of Franchisor. All controversies, disputes, or claims between, on the one (1) hand, Franchisor and/or its Affiliates and/or their respective members, managers, officers, directors, and/or employees ("us"), and, on the other hand, Franchisee and/or any Owner(s) and/or their respective Affiliates, members, managers, officers, directors, and/or employees, including allegations of fraud, misrepresentation or violation of any state or federal laws or regulations, arising under, as a result of, or in connection with the Agreement, the Franchised Store or the Owners' guarantees shall, on demand of either party be submitted for arbitration to the American Arbitration Association ("AAA"). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. The parties agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as

defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitration proceedings shall be conducted in the city where Franchisor's principal office is then located and in accordance with the then-current commercial arbitration rules of the AAA. Except as expressly provided herein, the arbitrator will have no authority to add to, delete or modify the terms of the Agreement. The parties will have the absolute right to cross-examine any person who testifies against them or in favor of another party. The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated or class-wide basis. The arbitrator shall have the right to award the relief which they deem proper, consistent with the terms of the Agreement, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees, and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act.

Each Owner irrevocably submits to the exclusive jurisdiction of the Federal Court and the state court where Franchisor's principal office is then located in any suit, action or proceeding, arising out of or relating to the Agreement or its breach or any other dispute between any Owner and us, and you and your Owners irrevocably agree that all claims and respect any such suit, action or proceeding must be brought and/or defended therein. Each Owner irrevocably waives, to the fullest extent lawfully permissible, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding. Nothing contained herein shall affect Franchisor's rights to bring a suit, action or proceeding in any other appropriate jurisdiction, to enforce any judgment against any Owner entered by a state or federal court.

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

PERCENTAGE OF OWNERSHIP  
INTERESTS IN FRANCHISEE

GUARANTOR(S)

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

(Print Name)

\_\_\_\_\_

(Signature)

(Print Name)

\_\_\_\_\_

(Signature)

(Print Name)

Subscribed and sworn to before me  
this \_\_ day of \_\_\_\_\_, 20\_\_.

SEAL

Notary Public

My Commission expires:\_\_\_\_\_

**SCHEDULE E**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

Authorization To Honor Charges Drawn by And  
Payable to Scramblers Brands Franchise Development, LLC (“Franchisor”)

Depositor hereby authorizes and requests \_\_\_\_\_ (the “Depository”) to initiate debit and credit entries to Depositor’s checking account/savings account (select one (1)) indicated below drawn by and payable to the order of Franchisor by Electronic Fund Transfer.

Depositor agrees that the Depository’s rights with respect to each such charge shall be the same as if it were a check drawn on the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name:

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_ Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until Franchisor and Depository have received at least thirty (30) days written notification from Depositor of its termination to afford Franchisor and Depository a reasonable opportunity to act on such request.

Depositor: (Please Print)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date Signed

\_\_\_\_\_

Signature(s) of Depositor, as Printed Above

Please attach a voided blank check for purposes of setting up Bank and Transit Numbers

**SCHEDULE F**

**IRREVOCABLE POWER OF ATTORNEY**

STATE OF \_\_\_\_\_

KNOWN ALL MEN BY THESE PRESENTS

COUNTY OF \_\_\_\_\_

That \_\_\_\_\_ (“Franchisee”) does hereby irrevocably constitute and appoint Scramblers Brands Franchise Development, LLC, an Ohio limited liability company and its subsidiaries and affiliates and the employees or agents of any of them (herein collectively “Franchisor”), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee’s name, place and stead to do or cause to be done (1) all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of: (1) assigning to Franchisor all of Franchisee’s right, title and interest in and to any and all email addresses URL’s, social media sites, domain names, Internet listings, and Internet accounts; (2) obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including but not limited to the execution and delivery of any and all formal requests and other documentation as may be required by the applicable state and/or federal taxing authority; (3) contacting Franchisee’s lenders, landlords, and vendors from time to time to inquire as to the status of Franchisee’s payment obligations; and (4) assigning to Franchisor all of Franchisee’s right, title and interest in and to any telephone (1) numbers of Franchisee’s business and all related yellow pages, white pages and other business listings, including but not limited to, the execution and delivery of any transfer of service agreement and any other transfer documentation required by the applicable phone (1) service company providing telephone (1) services to Franchisee, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done (1) as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor or may lawfully do or cause to be done (1) by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney, and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no governmental agency, person, firm, corporation or other entity dealing with Franchisor, shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of documents delivered or funds or property paid or delivered to Franchisor. Any governmental agency, person, form or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate is in full force and effect, and Franchisee shall not take any action against any governmental agency, person, firm, corporation or other entity acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) (2) years following the expiration of that certain Franchise Agreement dated as of \_\_\_\_\_, 20\_\_\_\_, by and between Franchisor and

Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of Ohio and the laws of the State of Ohio shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

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

## SCHEDULE G

### CONDITIONAL ASSIGNMENT OF LEASE

**THIS CONDITIONAL ASSIGNMENT OF LEASE** (the “Assignment”), made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC., an Ohio limited liability company with headquarters located at 2778 Centennial Road, Suite B, Toledo, Ohio 43617 (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

#### WITNESSETH:

**WHEREAS**, Franchisor and Franchisee entered into a certain franchise agreement dated as of \_\_\_\_\_, 20\_\_\_\_, (the “Franchise Agreement”) pursuant to which Franchisor granted Franchisee a franchise to operate a SCRAMBLERS restaurant located at \_\_\_\_\_ (the “Premises”);

**WHEREAS**, Franchisee has entered into a certain lease or sublease agreement dated \_\_\_\_\_ (the “Lease”) with \_\_\_\_\_, for the Premises, a true and correct copy of which is attached hereto as Exhibit A;

**WHEREAS**, the Franchise Agreement imposes certain restrictions on Franchisee with respect to operating a competing business, which restrictions are a material term of the Franchise Agreement;

**WHEREAS**, Franchisor requires, as a condition to entering into or not terminating the Franchise Agreement, the execution and delivery of this Assignment in order to secure the observance and performance of all of the terms, covenants and conditions of the Franchise Agreement on the part of Franchisee to be observed and performed, including, without limitation, the observance of the non-competition restrictions; and

**NOW THEREFORE**, in consideration of, and as an inducement to Franchisor’s entering into or not terminating the Franchise Agreement, Franchisee, intending to be legally bound, hereby agrees as follows:

#### **Section 1 Conditional Assignment.**

**1.1 Franchisor’s Option Upon Termination or Expiration of Franchise Agreement.** If the Franchise Agreement expires without renewal or is terminated following the occurrence of a default under the Franchise Agreement, then, in addition to any other remedies which Franchisor may have at law, in equity or under the Franchise Agreement, Franchisee hereby irrevocably agrees to assign to Franchisor, and Franchisor, at its option, may elect to accept the assignment of, all of Franchisee’s right, title and interest in and to the Lease pursuant to the terms of this Assignment.

**1.2 Notice of Election; Assignment Effective Date.** Franchisor’s option to accept an assignment of the Lease pursuant to Section 1.1 shall be exercised by Franchisor giving written

notice of the exercise thereof (the “Assignment Notice”) either (a) in case of expiration of the term of the Franchise Agreement without renewal, at any time within sixty (60) days after such expiration, or (b) in case of termination, at the time that Franchisor gives Franchisee notice of default of the Franchise Agreement or at any time within sixty (60) days after the later of the date of such notice or the date of termination of the term of the Franchise Agreement. The Assignment Notice shall state the effective date of the assignment (the “Assignment Effective Date”), which date shall not be less than ten (10) days nor more than sixty (60) days following the date of the Assignment Notice. Upon Franchisor giving Franchisee the Assignment Notice, all of Franchisee’s right, title, and interest in and to the Lease shall, as of the Assignment Effective Date, be assigned to Franchisor without the necessity of any further action by either party. The provisions of this Section 1 are self-operative, and no further instrument of assignment is required to transfer Franchisee’s right, title, and interest in and to the Lease to Franchisor.

**1.3 Possession of Premises.** Prior to the Assignment Effective Date, Franchisee shall vacate the Premises and leave the same in the condition required under the Lease. Franchisee expressly agrees that Franchisor, upon the Assignment Effective Date, without further notice, with or without bringing any action or proceeding, may enter upon and take possession of the Premises.

**1.4 Lease.** Franchisee represents and warrants to Franchisor that a true and correct copy of the Lease is attached hereto as Exhibit A. Franchisee shall provide Franchisor with a copy of any proposed amendment or modification of the Lease at least 10 days prior to execution thereof for Franchisor’s prior approval. Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Franchisor’s prior written consent. Throughout the term of the Franchise Agreement, Franchisee agrees that it will exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised, unless Franchisor agrees otherwise in writing. Upon Franchisor’s failure to agree otherwise in writing and upon Franchisee’s failure to elect to extend or renew the Lease as required, Franchisee appoints Franchisor as its true and lawful attorney-in-fact with the authority to execute the extension or renewal options in the name, place, and stead of Franchisee for the sole purpose of effectuating the extension or renewal.

**Section 2 Disclaimer of Obligations; Indemnity.** Franchisor shall not be responsible for the control, care or management of the Premises nor shall Franchisor be obligated to perform or discharge any obligation under the Lease prior to such time as Franchisor obtains possession of the Premises pursuant to Section 1.3, and Franchisee and each of your Owners, jointly and severally, hereby agree to indemnify and hold harmless Franchisor and its Affiliates and their respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns from and against any and all claims, liabilities, losses, damages and expenses, including attorneys’ fees, arising in connection with the Lease or the Premises relating to any period prior to the later of the Assignment Effective Date or the date upon which Franchisor obtains possession of the Premises pursuant to Section 1.3.

**Section 3 Notices.** Any notice, request or demand permitted or required to be given hereunder shall be in writing and shall be sent by United States certified mail, return receipt requested, or by any national overnight delivery service utilizing a return receipt, addressed to Franchisee at the notice address as provided in the Franchise Agreement and to Franchisor at 2778 Centennial Road, Suite B, Toledo, Ohio 43617, or at such other address as Franchisee or Franchisor may from time to time designate by written notice given in the manner herein provided. All such notices, requests and

demands shall be deemed given upon receipt or upon refusal of the addressee to receive same as evidenced on any return receipt.

**Section 4 Successors.** Each and all of the provisions of this Assignment shall be binding upon and inure to the benefit of Franchisee and Franchisor, and their respective heirs, legal representatives, successors and assigns; provided, however, that nothing herein shall be deemed to permit any transfer of Franchisee's interest in the Franchise Agreement except pursuant to the express terms thereof.

**Section 5 Partial Invalidity.** If any term or provision of this Assignment or the application thereof to any person, firm, corporation or circumstance, shall be invalid or unenforceable, the remainder of this Assignment, or the application of such term or provision to persons, firms, corporations or circumstances other than those as to which it is held invalid, shall be unaffected thereby and each term or provision of this Assignment shall be valid and be enforceable to the fullest extent permitted by law.

**Section 6 Captions.** The captions and section numbers appearing in this Assignment are inserted only as a matter of convenience. They do not define, limit, construe or describe the scope or intent of the provisions of this Assignment.

**Section 7 Governing Law; Consent to Jurisdiction; Waiver of Jury Trial; Arbitration.**

**7.1 Applicable Law and Forum.** The validity, terms, performance and enforcement of this Assignment shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to Agreements that are negotiated, executed, delivered and performed solely in the State of Ohio, except that the laws of the state in which the Premises are located will control as to an action for recovery of possession by Franchisor of the Premises. Subject to the provisions of Section 7.3 hereof, Franchisor and Franchisee each consent to the exclusive jurisdiction and venue of the courts of the State of Ohio and the Federal District Courts located in Franklin County, Ohio for all purposes in connection with this Assignment and the transactions contemplated hereby.

**7.2 Waiver.** Each of Franchisee and Franchisor hereby waives the right to demand a trial by jury in any action or proceeding arising out of or related to the negotiation, execution, delivery, performance and breach of this Assignment or any relationship or transaction between the parties hereto, regardless of the framing of any cause of action as lying in contract or tort or arising out of a statute.

**7.3 Arbitration.** All controversies, disputes, or claims between the parties, including their respective Affiliates, members, managers, owners, officers, directors, agents, and employees, arising from or relating to this Agreement shall, on demand by either party, be submitted for arbitration to the American Arbitration Association ("AAA"). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. The parties agree that, in connection with any such arbitration proceeding, each shall submit or file any claim that would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim that is not submitted or filed in such proceedings shall be barred. The arbitration proceedings shall be conducted in the city where Franchisor then has its principal place of business in accordance with the the-current commercial arbitration rules of the AAA, except the parties shall be entitled to limited discovery at the discretion of the arbitrator (s) who may, but are not required to, allow depositions. The parties acknowledge that the

arbitrators' subpoena power is not subject to geographic limitation. The arbitration proceeding shall be conducted on an individual basis and not on a multi-plaintiff, consolidated, collective or class-wide basis. The arbitrator(s) shall have the right to award the relief that he or she deems proper, consistent with the terms of this Agreement, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees, and costs. The award and decision of the arbitrator(s) shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act.

No arbitration findings, conclusions, orders or awards may be used to collaterally estop either party from raising any like or similar issue in any other arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees. Franchisor and Franchisee each waives, to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other. Notwithstanding the foregoing, Franchisor, in its discretion, as an alternative or supplement to negotiation or arbitration, shall be entitled to obtain, in any court of competent jurisdiction, any injunctive relief or action to gain possession of the premises, including eviction, temporary restraining orders and preliminary injunctions to compel conduct or to prohibit conduct or threatened conduct for which no adequate remedy at law may be available or which may cause Franchisor irreparable harm. Pursuant to the preceding sentence, Franchisor is entitled to bring an action seeking temporary or preliminary injunctive relief to compel specific performance of this Agreement.

The provisions of this Section 7.3 shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement.

**Section 8 Costs and Expenses of Enforcement.** Franchisee shall pay to Franchisor, upon demand, the reasonable costs and expenses, including attorneys' fees, incurred by Franchisor and/or its Affiliates in connection with the enforcement of any provision of this Assignment.

**Section 9 Assurances.** On or after the date hereof, Franchisee shall execute and deliver to Franchisor all such further assignments, endorsements and other documents as Franchisor may reasonably request in order to consummate the assignment contemplated hereby.

**IN WITNESS WHEREOF**, the parties hereto have caused this Assignment to be executed as of the day and year first above written.

SCRAMBLERS BRANDS FRANCHISE  
DEVELOPMENT, LLC

FRANCHISEE

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss  
COUNTY OF \_\_\_\_\_ )

BEFORE ME, the undersigned authority, on this date personally appeared \_\_\_\_\_, in his/her capacity as the \_\_\_\_\_ of \_\_\_\_\_, known to me to be the person and officer whose name is subscribed to the foregoing instrument and being by me first duly sworn acknowledged to me that he/she executed the same as the act and deed of such company for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss  
COUNTY OF \_\_\_\_\_ )

BEFORE ME, the undersigned authority, on this date personally appeared \_\_\_\_\_, in his/her capacity as the \_\_\_\_\_ of SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC, a limited liability company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and being by me first duly sworn acknowledged to me that he executed the same as the act and deed of such limited liability company for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

**EXHIBIT A**

**[Attach Lease]**

**SCHEDULE H**

**ACCEPTED LOCATION AND DESIGNATED TERRITORY  
ATTACHMENT**

Effective Date: \_\_\_\_\_ \*\*ACCEPTED LOCATION AND ADDRESS TO BE DETERMINED AND INSERTED AFTER PREMISES IS IDENTIFIED BY FRANCHISEE AND APPROVED BY FRANCHISOR FOR THE SCRAMBLERS RESTAURANT, IN THE SITE SEARCH AREA OF \_\_\_\_\_.

**ACCEPTED LOCATION:**

Pursuant of the Franchise Agreement, the Scramblers Restaurant shall be located at the following Accepted Location:

\_\_\_\_\_

Accepted Location - Site selection acceptance by SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC shall in no way be deemed a representation, warranty or guaranty of the success of the restaurant at the Accepted Location.

**APPROVED BY:**

**FRANCHISOR**

**FRANCHISEE**

SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT, LLC  
an Ohio limited liability company

[ \_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

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

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

If individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**RECEIPT OF FRANCHISE-RELATED DOCUMENTS**

**SCRAMBLERS FRANCHISE SYSTEM**

The undersigned does hereby acknowledge receipt of the following documents, in form for execution, relating to the SCRAMBLERS franchise of Scramblers Brands Franchise Development, LLC.

THE PROPOSED FRANCHISEE MUST INITIAL ON THE LINE NEXT TO THE FOLLOWING APPLICABLE DOCUMENT(S):

\_\_\_\_\_ [\_\_\_] Franchise Agreement with State Law Addendum

\_\_\_\_\_ [\_\_\_] Other, Specify \_\_\_\_\_.

I further acknowledge that it is my responsibility to review all such documents personally or to have my attorney review such documents so that I am fully familiar with the transaction contemplated by these documents prior to the execution of any document.

A FEDERAL TRADE COMMISSION RULE REQUIRES THAT WE PROVIDE FRANCHISEE WITH THE FRANCHISE-RELATED DOCUMENTS NOTED ABOVE AT LEAST SEVEN DAYS PRIOR TO THE DATE THEY ARE TO BE EXECUTED. PLEASE DO NOT SIGN OR RETURN THESE DOCUMENTS UNTIL SEVEN DAYS HAVE ELAPSED FROM THE DATE OF THIS RECEIPT.

Signed \_\_\_\_\_

Signed \_\_\_\_\_

Print Name \_\_\_\_\_

Print Name \_\_\_\_\_

Date Received \_\_\_\_\_

Date Received \_\_\_\_\_

EXHIBIT D

DEVELOPMENT AGREEMENT

BETWEEN

SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT LLC

AND

---

DATE OF DEVELOPMENT AGREEMENT:

\_\_\_\_\_, 20\_\_\_\_

SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT LLC  
DEVELOPMENT AGREEMENT

**DEVELOPMENT AGREEMENT**

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## DEVELOPMENT AGREEMENT

This Development Agreement (this “Agreement”) is made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT LLC, an Ohio limited liability company (“Franchisor” or “we”) with its principal place of business located at 2778 Centennial Road, Toledo, OH 43617, and \_\_\_\_\_ (“Developer” or “you”), a(n) \_\_\_\_\_, whose principal address is \_\_\_\_\_.

### 1. INTRODUCTION.

**1.01 Scramblers Restaurants.** We and/or our Affiliates own, operate and franchise Scramblers restaurants (“Scramblers restaurants”) featuring specific menu items that we may authorize from time to time. We have developed and own a comprehensive system for developing and operating Scramblers restaurants, which includes trademarks, building designs and layouts, equipment, ingredients, recipes, and specifications for authorized food products, methods of inventory control and certain operations and business standards and policies, all of which we may improve, further develop, or otherwise modify from time to time.

**1.02 Your Acknowledgments.** You and your Owners have read and understand this Agreement and our franchise disclosure document (“Disclosure Document”). You accept the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and to protect and enhance the reputation and goodwill of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that, like any other business, the business of operating a Scramblers restaurant may evolve and change over time, that an investment in the business contemplated by this Agreement involves risks, and that the success of the venture is largely dependent upon your business abilities, efforts and financial resources. You assume sole responsibility for the operation of the Franchised Store hereunder and acknowledge that, while we may furnish advice and assistance to you from time to time during the term of this Agreement, we have no legal or other obligation to do so except as specifically set forth herein. In addition, you acknowledge that we do not guarantee the success or profitability of the Franchised Store in any manner. You understand and acknowledge that the success and profitability of the Franchised Store depends on many factors outside the control of either you or us (such as interest rates, unemployment rates, demographic trends, and the general economic climate) and there are significant risks in any business venture, but principally depend on your efforts in the operation of the Franchised Store and the primary factor in your success or failure in the Franchised Store will be your own efforts.

**1.03 Your Representations.** You and your Owners, jointly and severally if applicable, represent and warrant to us that: (a) neither you nor any of your Owners has relied on any representations by us, or our directors, officers, employees, or agents that are contrary to the disclosures made in the Disclosure Document; (b) neither you nor any of your Owners has made any untrue statement regarding any material fact or has omitted to state any material fact in obtaining the rights granted hereunder; (c) neither you nor any of your Owners has any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in your Application; and (d) the execution and performance of this Agreement will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have executed this Agreement in reliance on all of the representations and disclosures you and your Owners have made in connection with this Agreement and the Application.

**1.04 Certain Definitions.** For the purposes of this Agreement, the terms listed below have the meanings ascribed to them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

“Affiliate” - any person or entity that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or an entity, whether through ownership of voting securities, by contract or otherwise.

“Agreement” – this development agreement and all schedules and guaranties annexed hereto or incorporated by reference herein.

“Application” – the development agreement application submitted to us by you and/or your

“Competitive Business” – any business in which the sale of meals featuring beverages, pancakes, waffles, egg dishes, sandwiches, soups, and salads constitute, in the aggregate, 35% or more of the business’ Gross Sales, exclusive of (i) beverages and (ii) non-food items. Restrictions in this Agreement on competitive activities do not apply to: (a) other Scramblers restaurants that are operated or franchised by us or any of our Affiliates; or (b) shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

“Confidential Information” – our proprietary and confidential information relating to the development and operation of the System, including: (a) ingredients, recipes, and methods of preparation and presentation of authorized food products; (b) site selection criteria for Scramblers restaurants and plans and specifications for the development of Scramblers restaurants; (c) sales, distribution, delivery, marketing and advertising programs and techniques for Scramblers restaurants; (d) identity of suppliers, customers, specifications and pricing for authorized products, materials, supplies and equipment; (e) knowledge of operating results and financial performance of Scramblers restaurants, other than the Scramblers restaurants you own; (f) methods of inventory control, storage, product handling, training and management relating to Scramblers restaurants; (g) computer systems and software programs utilized in the operation of Scramblers restaurants; and (h) any and all other information that we provide to you that is labeled proprietary or confidential.

“Immediate Family” - spouse, parents, brothers, sisters, and children, whether natural or adopted.

“Internet” – all communications between computers and between computers and television, telephone, facsimile, and similar communication devices, including the World Wide Web, proprietary online services, e-mail, news groups, social media sites and electronic bulletin boards.

“Marks” – certain service marks, trademarks, tradenames, logos, trade dress, and other commercial symbols now or hereafter designated by us to identify the services and/or products offered by Scramblers restaurants and our distinctive building designs and color schemes.

“Operating Partner” - the individual you so designate in Schedule B and any replacement thereof approved by us.

“Owner” - each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity.

“Scramblers restaurant(s)” – Scramblers restaurant(s) which we or any of our Affiliates own, operate or franchise and which use the Marks and System.

“System” - the business methods, designs and arrangements for developing and operating Scramblers restaurants which include the Marks, store designs and layouts, equipment, ingredients, recipes and specifications for authorized food products and services, methods of inventory and operations control and certain business practices and policies, all of which we may improve, further develop or otherwise modify from time to time.

“Transfer the Development Rights” - or similar words - The voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of this Agreement, any interest in or right under this Agreement, or any form of ownership interest in Developer, including: (a) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, or a partnership interest in, Developer or of any interest convertible to or exchangeable for capital stock of, or a partnership interest in, Developer; (b) any merger or consolidation of Developer, whether Developer is the surviving corporation; (c) any transfer in, or as a result of, a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or (d) any transfer upon the death of Developer or any Owner by will, declaration of or transfer in trust or under the laws of intestate succession.

## 2. DEVELOPMENT RIGHTS.

**2.01 Term and Development Fee.** Unless sooner terminated in accordance with Section 8, the term of this Agreement (the “Term”) starts on the date hereof and expires on the earlier of the expiration date set forth in Schedule A or the date upon which Developer opens for operation the cumulative number of Scramblers restaurants in the Development Area (as such term is defined in Section 2.02) set forth in Schedule A. You have no right to renew or extend your rights under this Agreement. At the time you sign this Agreement, you must pay us the amount of the nonrefundable development fee set forth in Schedule A (the “Development Fee”). Any deposit you have paid us in connection with the Application for the rights granted hereunder will be credited against the Development Fee.

**2.02 Development Rights.** During the Term and provided you and your Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates (including Franchise Agreements signed pursuant to this Agreement), we will: (a) grant to you, in accordance with Section 3, that cumulative number of franchises for Scramblers restaurants set forth in Schedule A, all of which are to be located within the geographical area described in Schedule A (the “Development Area”); and (b) not operate (directly or through an Affiliate), nor grant the right to operate, any Scramblers restaurants within the Development Area, except for: (1) franchises granted pursuant to this Agreement; (2) Scramblers restaurants or other retail food establishments using any part or all of the System and/or Marks that are (i) located within retail outlets, restaurants, grocery stores, supermarkets and other channels of distribution (including wholesale distribution of products to restaurants, supermarkets, grocery stores, caterers and other outlets); or (ii) located at special locations within the Development Area, such as college campuses, office buildings, hospitals, hotels, motels, casinos, resorts, turnpike or other limited access highway rest stops, airport facilities, inter-metropolitan train and/or bus stations, grocery stores, convenience stores, super markets, malls, department stores, sports venues, entertainment facilities or mobile units located temporarily at special events (collectively “Special Locations”); and (3) restaurants that we acquire (or as to which we acquire the rights as franchisors) that, as of the time of acquisition by us, are operated under other tradenames, trademarks, service marks or trade dress and/or use other operating systems. You will not be entitled to franchise, subfranchise, license or sublicense other persons or entities under this Agreement and you may open, own and operate Scramblers restaurants only in the Development Area. The rights, privileges and franchise granted and conveyed to you in this Agreement will be exclusively for the Development Area and may not be assigned, sold or transferred by you, except as specifically provided for in this Agreement.

**2.03 Development Obligations.** You must have open and operating in the Development Area in accordance with and pursuant to Franchise Agreements, that cumulative number of Scramblers restaurants set forth in Schedule A by the corresponding date set forth therein (the “Development Schedule”). Time is of the essence in this Agreement, and we have no obligation under any circumstance to extend the Development Schedule. Your failure to develop and operate Scramblers restaurants in accordance with the Development Schedule is a material breach of this Agreement. If your right to develop Scramblers restaurants expires or is terminated, we shall have the right thereafter to develop and operate, or to allow others to develop and operate,

Scramblers restaurants, and to use, and to allow othersto use, the Marks and the System in the Development Area, subject to such territorial rights as may be granted pursuant to Franchise Agreements entered into pursuant to this Agreement. You and your Owners represent that you have conducted your own independent investigation and analysis of the prospects for the establishment of Scramblers restaurants within the Development Area, approve of the foregoing Development Schedule as being reasonable and viable, and recognize that failure to achieve theresults described in the Development Schedule will constitute a material breach of this Agreement.

**2.04 Our Reservation of Rights.** Except as otherwise expressly provided in this Agreement, we retain all of our rights and discretion with respect to the Marks, the System and Scramblers restaurantsanywhere in the world, and to engage in any business whatsoever, including the right to: (a) operate, and grant to others the right to operate, Scramblers restaurants at such locations and on such terms and conditions as we deem appropriate; (b) or through other channels of distribution (including Internet sales and wholesale distribution of food products to restaurants, grocery stores, food caterers and other alternative outlets that may exist now or in the future), where such sales may or may not directly or indirectly occur in part or in whole your Protected Area (as defined in the Franchise Agreement) and we shall have no obligation to share any revenues stemming from or related to these sales with you; and (c) operate, and grant to others the right to operate, restaurants identified by tradenames, trademarks, service marks or trade dress, other than the Marks, pursuant to such terms and conditions as we deem appropriate.

### **3. GRANT OF FRANCHISES.**

**3.01 Site Selection Assistance.** We will furnish you with our standard site selection criteria and assistance for Scramblers restaurants, as we may establish from time to time. We also will provide such on-site evaluation of sites proposed pursuant hereto as we deem necessary or appropriate.

**3.02 Application for Franchises.** We will grant franchises to you for the operation of that cumulative number of Scramblers restaurants set forth in Schedule A and located within the DevelopmentArea, subject to the following conditions:

(a) You must submit to us, in accordance with procedures we establish from time to time, acomplete site information form, as we may establish from time to time (the “Site Information Form”), containing all information that we reasonably require for each site for a Scramblers restaurant that you propose to develop and operate and that you, in good faith, believe to conform to our then current standard site selection criteria for Scramblers restaurants;

(b) We will accept or reject each site for which you submit to us a complete Site InformationForm in accordance with Section 3.02(a) and, if we accept such site, we will do so by delivering our standard site acceptance form (the “Site Acceptance Form”). Our Site Acceptance Form, duly executed by us, is the exclusive means by which we accept a proposed site, and no other direct or indirect representation, approval or acceptance, whether in writing or verbally, by any of our officers, employees or agents, shall be effective or bind us. We will use all reasonable efforts to make a site acceptance decisionand, if the site is accepted, deliver a Site Acceptance Form to you within 30 days after we provide you withwritten acknowledgement of our receipt of the completed Site Information Form and any other materialswe have requested. In deciding whether to accept or reject a site you propose, we may consider such factors as we, in our sole discretion, reasonably deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, access, visibility, zoning, location of other competitive establishments (including other Scramblers restaurants) and the size, condition, configuration,appearance and other physical characteristics of the site. Neither our acceptance of a proposed site, or any information communicated to you regarding our standard site selection criteria, or the proposed site constitutes a warranty or representation of any kind, express or implied, as to the suitability of the proposed site for a Scramblers restaurant or for any other purpose. Our acceptance of a proposed site merely signifies that we are willing to grant a franchise for a Scramblers restaurant at that location.

Your decision to develop and operate a Scramblers restaurant at any site is based solely on your own independent investigation of the suitability of the site for a Scramblers restaurant. In consideration of our acceptance of a proposed site, you and your Owners release us, our Affiliates, and our respective members, managers, officers, directors, employees and agents from any and all loss, damages and liability arising from or in connection with the selection and/or acceptance of such site for the development of a Scramblers restaurant.

(c) We also may require that you and your Owners furnish us financial statements (historical and pro forma), statements of the sources and uses of capital funds, budgets and other information regarding yourself, your Owners and each legal entity, if any, involved in the ownership or operation of existing Scramblers restaurants you or your Affiliates own, and the development and operation of any Scramblers restaurant you propose, as well as any then existing Scramblers restaurant you and your Affiliates own. All such information shall be verified by you and your Owners as being complete and accurate in all material respects, shall be submitted to us in accordance with our requirements and will be relied on by us in determining whether to grant a franchise for the proposed Scramblers restaurant. We may refuse to grant you a franchise for a Scramblers restaurant if you fail to demonstrate sufficient financial and management capabilities to properly develop and operate the proposed Scramblers restaurant and the then existing Scramblers restaurants you and your Affiliates own. We will evaluate such financial and management capabilities in accordance with the then-current standards we use to establish Scramblers restaurants in other comparable market areas.

(d) Upon our acceptance of a proposed site, and provided you have demonstrated the requisite financial and management capabilities, all as above required, we will offer you a franchise to operate a Scramblers restaurant at the proposed site by delivering to you our then-current form of standard franchise agreement, together with all standard ancillary documents (including schedules, riders, collateral assignments of leases, Owner's guarantees, and other related documents) that we then customarily use in granting franchises for the operation of Scramblers restaurants in the state in which the Scramblers restaurant is to be located, modified as necessary to reflect the provisions of Section 3.02(e) ("the Franchise Agreement"). The Franchise Agreement must be executed by you and your Owners and returned to us not earlier than 7 days and not later than 21 days after we deliver it to you, but in any event at least 30 days prior to the opening date of the Scramblers restaurant, with payment of the initial franchise fee required thereunder. If we do not receive the fully executed Franchise Agreement and payment of the initial franchise fee as required hereunder, we may revoke our offer to grant you a franchise to operate a Scramblers restaurant at the proposed site and may revoke our acceptance of the proposed site. Concurrently with your execution and delivery to us of each Franchise Agreement, you and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute and deliver to us a general release in form and substance satisfactory to us, of any and all claims against us, our Affiliates and our respective members, managers, stockholders, officers, directors, employees, agents, successors and assigns.

(e) A pro rata portion of the development fee payable pursuant to Section 2.01 (determined by dividing the development fee by the number of Scramblers restaurants that you have the right to develop pursuant to Section 2.03) will be applied against the initial franchise fee provided for in each Franchise Agreement entered into pursuant to the terms of this Agreement. No portion of the development fee shall be refundable if you fail to develop the cumulative number of Scramblers restaurants which may be developed in accordance with the terms of this Agreement.

#### **4. YOUR ORGANIZATION AND MANAGEMENT.**

**4.01 Organizational Documents.** If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, you are duly qualified to transact business in the state(s) in which the Development Area is located; (b) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder; (c) true and complete copies of the articles of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements,

voting trust agreements and all other material documents relating to your ownership, organization, capitalization, management and control have been delivered to us and all amendments thereto shall be promptly delivered to us; (d) the articles of incorporation, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions; and you will deliver to us a Secretary's Certificate or other documentation reasonably satisfactory to us evidencing that the execution, delivery and performance of this Agreement, each Franchise Agreement and all other agreements and ancillary documents contemplated hereby or thereby have been duly authorized by all necessary action by your corporation, partnership, limited liability company or other legal entity, as applicable.

**4.02 Disclosure of Ownership Interests.** You and each of your Owners represent, warrant and agree that Schedule B is current, complete, and accurate. You agree that updated Schedules B will be furnished promptly to us, so that Schedule B (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes an Owner must execute an agreement in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement. Each Owner must be an individual acting in his individual capacity, unless we waive this requirement.

**4.03 Operating Partner/Management of Business.** If you are, or at any time become, a business corporation, partnership, limited liability company or other legal entity, you must designate in Schedule B as the "Operating Partner" an individual approved by us who must: (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to us), not less than a 20% interest in your equity and voting rights; (b) have the authority to bind you regarding all operational decisions with respect to your Scramblers restaurants; and (c) have completed our training or certification programs to our satisfaction. You (or your Operating Partner): (i) shall exert your full-time and best efforts to the development and operation of all Scramblers restaurants you own; and (ii) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You agree to provide us with a copy of any proposed arrangement, agreement or contract, and all amendments thereto, with your Operating Partner for our prior review and approval (not to be unreasonably withheld or delayed), and upon approval thereof, executed copies thereof. We shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or contract, or any amendments thereto, on account of our approval thereof or otherwise, and you agree to release us (and our Affiliates and their respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns) and hold us (and our Affiliates and their respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns) harmless with respect thereto. Each of your Scramblers restaurants at all times must be managed by you (or your Operating Partner) or by an on-site manager or assistant manager who has completed our training or certification programs to our satisfaction. Prior to opening your first Scramblers restaurant, you, your Operating Partner, and at least one manager or assistant manager must complete our training program to our satisfaction. Thereafter, your managers and assistant managers must complete our certification programs to our satisfaction.

## 5. RELATIONSHIP OF THE PARTIES.

**5.01 Independent Contractors.** Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship. Franchisor and Developer, as between themselves, are and shall be independent contractors. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. Franchisor is not a joint employer of Developer's employees. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the Owner of development rights granted hereunder and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may

require from time to time. You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder. If applicable law shall imply a covenant of good faith and fair dealing in this Agreement, the parties agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such covenant, we, you and each of your Owners acknowledge and agree that: (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with your explicit rights and obligations hereunder that may affect favorably or adversely your interests; (b) we will prudently use our business judgment in exercising such discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of Scramblers restaurants generally (including ourselves and other developers); (c) we will have no liability to you for the exercise of our discretion in this manner so long as such discretion is prudently exercised in good faith toward you; and (d) if exercised prudently and in good faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for our business judgment so exercised.

**5.02 Indemnification.** You and each of your Owners, jointly and severally, agree to indemnify us, our Affiliates and our respective members, managers, directors, officers, employees, shareholders, agents, successors and assigns (collectively “indemnitees”), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly, or as a result of, a claim of a third party in connection with this Agreement or your relationship with us, and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees; provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the Indemnitees or the gross negligence or willful acts of the Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to you). The term “losses and expenses” includes compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all of the costs associated with any of the foregoing losses and expenses. We agree to give you reasonable notice of any event of which we become aware for which indemnification is required, and, at your expense and risk, we may elect to assume (but under no circumstance are we obligated to undertake) the defense and/or settlement thereof, provided that we will seek your advice and counsel. Our assumption of the defense does not modify your indemnification obligation. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereto as may be, in our reasonable discretion, necessary for the protection of the indemnitees or Scramblers restaurants generally. This Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**5.03 Ownership of the Marks.** You acknowledge that we own or license from our Affiliates each of the Marks and that you are not granted the right under this Agreement to use the Marks. Your right to use the Marks arises solely from, and is limited to, Franchise Agreements entered into between you and us. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including any Internet related use such as an electronic media identifier, for web pages, web sites, or domain names) not explicitly authorized in writing by us. You may not at any time during or after the Term contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks. You shall not, directly or indirectly sublicense or attempt to sublicense the Marks, intellectual property, trade secrets, the System, or any other proprietary or confidential information belonging to us to any person or entity for any purpose. Any attempted or purported sublicense shall be null and void.

## 6. RESTRICTIVE COVENANTS.

**6.01 Confidential Information.** We will disclose parts of our Confidential Information to you solely for your use in connection with this Agreement. The Confidential Information is proprietary and includes our trade secrets. During the Term and thereafter you and your Owners: (a) may not use the Confidential Information in any other business or capacity (you acknowledge such use is an unfair method of competition); (b) must exert reasonable efforts to maintain the confidentiality of the Confidential Information; (c) may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) must implement all procedures we reasonably prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your Owners, officers, directors, managers, and assistant managers, and you and your Owners must deliver such agreements to us. At the end of the Term, you and your Owners must deliver to us all such Confidential Information in your possession. These restrictions on disclosure and use of Confidential Information do not apply to information or techniques which are or become generally known in the restaurant industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use.

**6.02 In-Term Covenants.** During the Term, neither you nor any of your Owners may, without our consent (which consent may be withheld at our discretion):

(a) directly or indirectly (such as through a member of his or their Immediate Families) own any legal or beneficial interest in or render services or give advice to: (i) any Competitive Business located anywhere; or (ii) any entity located anywhere which grants franchises, licenses or other interests to others to operate any Competitive Business; or

(b) divert or attempt to divert any business or customer of Scramblers restaurants to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

**6.03 Information Exchange.** All plans, drawings, recipes, processes, ideas, materials and techniques useful to a retail business similar to the business which you operate pursuant to this Agreement, whether or not constituting protectable intellectual property, that you and your Owners create, or that are created on your behalf in connection with the development or operation of the Franchised Store must be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us. You and your Owners agree to sign whatever assignment or other documents we request during the Term and thereafter to evidence our ownership or to assist us in securing intellectual property rights in such plans, drawings, recipes, processes, ideas, materials or techniques.

**6.04 Post-Term Covenants.** For a period of 3 years, starting on the effective date of termination or expiration of this Agreement, neither you nor any of your Owners shall, without our prior written consent (which consent may be withheld at our discretion), directly or indirectly (such as through a member of his or their Immediate Families) own a legal or beneficial interest in or render services or give advice to: (a) any Competitive Business operating within the Development Area; (b) any Competitive Business operating within a radius of 3 miles of any Scramblers restaurants in operation or under construction on the effective date of termination or expiration; (c) any entity which grants franchises, licenses other interests to others to operate any Competitive Business; (d) solicit, take away, divert, influence, or attempt to influence any customers, franchisees, vendors, suppliers or any other party with an existing business relationship with us to transfer or divert their business or patronage from us or any other franchisee to a Competitive Business. You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and other opportunities for exploiting such skills in other ways, so that enforcement of the covenants contained in Sections 6, 7 and 9 will not deprive any of you of your personal goodwill or ability to earn a living. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants and we obtain enforcement in a judicial or

arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending 3 years after the date such person starts compliance with the order enforcing the covenant.

## 7. DEVELOPER'S RIGHT TO TRANSFER.

**7.01 Franchisor's Approval.** Your rights and duties under this Agreement are personal to you, and if you are a business corporation, partnership, limited liability company or any other legal entity, your Owners. Accordingly, neither you nor any of your Owners may Transfer the Development Rights without our prior approval and without complying with the terms and conditions of Section 7. Any transfer without such approval or compliance constitutes a breach of this Agreement and is void and of no force or effect.

**7.02 Conditions for Approval.** If we have not exercised our right of first refusal under Section 7.06, we will not unreasonably withhold our approval of a Transfer of the Development Rights that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including, but not limited to, the following:

(a) you and your Owners and Affiliates must be in compliance with the provisions of this Agreement, all Franchise Agreements executed pursuant hereto, and all other agreements with us or any of our Affiliates;

(b) the proposed transferee and its Owners (if the proposed transferee is a corporation, partnership, limited liability company or other legal entity) must provide us on a timely basis all material information we request, and must be individuals acting in their individual capacities who are of good character and reputation, who must have sufficient business experience, aptitude and financial resources to develop Scramblers restaurants pursuant to this Agreement, and who must otherwise meet our then current standards for approval;

(c) the proposed transferee may not be an entity, or be affiliated with an entity, that is required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended;

(d) the transferee (and its Owners) must agree to be bound by all of the provisions of this Agreement for the remainder of the Term;

(e) the transferee must acquire, in a concurrent transaction, all of your rights and the rights of your Owners and Affiliates under all agreements between you or your Affiliates and us or our Affiliates, including without limitation, all Franchise Agreements for Scramblers restaurants executed by you or your Owners or Affiliates pursuant to this Agreement or pursuant to any other development or similar agreement with us;

(f) you or the transferee must pay us a transfer fee in an amount equal to the sum of (i) \$1,000 multiplied by the number of Scramblers restaurants that remain to be opened pursuant to this Agreement plus (ii) any transfer fee(s) required by any other agreements (including Franchise Agreements) between you and/or your Affiliates and us and/or our Affiliates;

(g) you and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us, our Affiliates and our respective members, managers, stockholders, officers, directors, employees, agents, successors and assigns;

(h) we must not have disapproved the material terms and conditions of such transfer (including the price and terms of payment and the amount to be financed by the transferee in connection with such transfer, which shall not in any event exceed 50% of the purchase price for the assets or stock to be transferred) on the basis that they are so burdensome as to be likely, in our reasonable judgment, to adversely affect the transferee's operation of the Scramblers restaurants or its compliance with its franchise agreements, any development agreements and any other agreements being transferred;

(i) if you (or any of your Owners or Affiliates) finance any part of the sale price of the transferred interest, you and/or your Owners of Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due us and our Affiliates and to otherwise comply with this Agreement, any Franchise Agreement being transferred or any franchise agreement to be executed by the transferee;

(j) you and your Owners must execute a noncompetition covenant, in form and substance reasonably satisfactory to us, in favor of us and the transferee agreeing that, for a period of 3 years, starting on the effective date of the transfer, you and your Owners will not directly or indirectly (such as through a member of his or their Immediate Families) own any legal or beneficial interest in or render services or give advice to: (i) any Competitive Business that is operating within the Development Area; (ii) any Competitive Business that is operating within a 3-mile radius of any Scramblers restaurants in operation or under construction as of the effective date of such transfer; or (iii) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business;

(k) we do not determine that any applicable federal or state statute, regulation, rule or law which is enacted, promulgated or amended after the date hereof, may have a material adverse effect on our rights, remedies or discretion with respect to our relationship with the proposed transferee; and

(l) you and your Owners and Affiliates must execute such other documents and do such other things as we reasonably require to protect our rights under this Agreement, any Franchise Agreements and any other agreements being transferred.

**7.03 Effect of Approval.** Our approval of a Transfer of the Development Rights does not constitute: (a) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects for success by the transferee; or (b) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's exact compliance with this Agreement. Any approval shall apply only to the specific Transfer of the Development Rights being proposed and shall not constitute our approval of, or have any bearing on, any other proposed Transfer of the Development Rights.

**7.04 Special Transfers.** Neither Section 7.06 nor Section 7.02(f) shall apply to any Transfer of the Development Rights among any of your then current Owners or to any Transfer of the Development Rights to any member of your Immediate Family or the Immediate Family of a then current Owner of Developer (if you are a corporation, partnership, limited liability company or other legal entity). On 30 days' notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the Franchise Agreements executed pursuant hereto and all of the assets of the Scramblers restaurants operated pursuant thereto, by an agreement in form and substance approved by us, to a business corporation or limited liability company which conducts no business other than the development and operation of Scramblers restaurants and of which you own and control all of the equity and voting power of all issued and outstanding capital stock. None of the foregoing assignments shall relieve you or your Owners of your obligations hereunder, and you and your Owners shall remain jointly and severally liable for all obligations hereunder.

**7.05 Death or Disability of Developer.** Upon your death or permanent disability (if you are an individual as opposed to a legal entity), or the death or permanent disability of your Operating Partner or an Owner owning a controlling interest in Developer, the executor, administrator, or other personal representative of such person shall transfer his interest in this Agreement or his interest in Developer to a third party approved by us in accordance with all of the applicable provisions of Section 7 within a reasonable period of time, not to exceed 6 months from the date of death or permanent disability.

**7.06 Franchisor's Right of First Refusal.** If you or any of your Owner's desire to Transfer the Development Rights for legal consideration, you or such Owner(s) must obtain a *bona fide*, executed written offer from a responsible and fully disclosed purchaser and must deliver immediately to us a complete and accurate copy of such offer. If the offer proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under development and franchise agreements for Scramblers restaurants) as part of the *bona fide* offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Development Rights must reflect the *bona fide* price offered therefor and not reflect any value for any other property or rights. We have the option, exercisable by notice delivered to you or your Owners within 30 days from the date of delivery of a complete and accurate copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; (b) our credit shall be deemed equal to the credit of any proposed purchaser; and (c) we shall have not more than 60 days from the option exercise date to consummate the transaction. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of the right of first refusal. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners must cooperate fully with us in connection therewith. If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, closing documents and indemnities as set forth in the *bona fide* offer. If we do not exercise our option to purchase, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 7.01 and 7.02, provided that if the sale to such offeror is not completed within 90 days after delivery of such offer to us, or if there is a material change in the terms of the offer, you must promptly notify us and we have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 90-day period or the material change to the terms of the offer.

**7.07 Securities Offerings.** Neither you nor any of your Owners shall issue or sell, or offer to issue or sell, any of your securities or any securities of any of your Affiliates, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior consent, not to be unreasonably withheld or delayed, and complying with all of our requirements and restrictions concerning use of information about us and our Affiliates. Neither you nor any of your Owners may issue or sell your securities or any securities of any of your Affiliates if: (a) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than 35 persons; or (b) after such issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended.

## 8. TERMINATION OF THE AGREEMENT.

**8.01 Immediate Termination.** You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within 30 days; if a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if a final judgment against you in the amount of \$5,000 or more remains unsatisfied of record for 30 days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or mortgage against any of your assets and such suit is not dismissed within 30 days; or if you voluntarily dissolve or liquidate or have a petition filed for corporate or partnership dissolution and such petition is not dismissed within 30 days.

**8.02 Termination Upon Notice.** In addition to our right to terminate pursuant to other provisions of this Agreement or under applicable law, you are in material breach of this Agreement and we may terminate this Agreement, effective upon delivery of notice of termination to you if you or any of your Owners or Affiliates:

- (a) fail to meet the Development Schedule;
- (b) make or attempt to make an unauthorized Transfer of the Development Rights or fail to Transfer the Development Rights or the interest of a deceased or disabled Owner as required hereby;
- (c) make any material misstatement or omission in the Application or in any other information or document provided to us in connection with the Agreement;
- (d) are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the System or the goodwill associated with the Marks;
- (e) make any unauthorized use or disclosure of the Confidential Information;
- (f) fail to comply with any other provision of this Agreement or related document and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you;
- (g) are in breach of any Franchise Agreement such that we have the right to terminate the Franchise Agreement, whether we elect to exercise our right to terminate the Franchise Agreement;
- (h) are in breach of any other agreement between you or any of your Affiliates and us or any of our Affiliates such that we have a right to terminate any such agreement, whether we elect to exercise our right to terminate such agreement; or
- (i) if we determine that any applicable federal or state statute, regulation, rule or law which is enacted, promulgated or amended after the date hereof, may have an adverse effect on our rights, remedies or discretion in franchising Scramblers restaurants.

The development fee shall be fully earned by us upon execution of this Agreement for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. We have no obligation whatsoever to refund any portion of the development fee upon any termination.

## **9. EFFECT OF TERMINATION AND EXPIRATION.**

**9.01 Reversion of Rights; Continuing Obligations.** Upon the expiration or termination of this Agreement for any reason, all rights to enter into additional Franchise Agreements to open and operate additional Scramblers restaurants in the Development Area and all other rights granted to you pursuant to this Agreement will automatically revert to us, and we will have the right to develop the Development Area or to contract with another party for the future development of the Development Area. All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

**9.02 Franchise Agreements Not Affected.** You will continue to operate the Scramblers restaurants owned and operated by you in the Development Area pursuant to the terms of the applicable Franchise Agreements signed by you and us prior to the termination of this Agreement, and our respective rights and obligations with respect to the Scramblers restaurants operated by you within the Development Area will be governed by the terms of the applicable Franchise Agreements.

## 10. DISPUTE RESOLUTION.

**10.01 ARBITRATION.** EXCEPT AS PROVIDED IN SECTION 10.02, ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN, ON THE ONE HAND, FRANCHISOR AND/OR ITS' AFFILIATES AND/OR THEIR RESPECTIVE MEMBERS, MANAGERS, OFFICERS, DIRECTORS, AND/OR EMPLOYEES, AND, ON THE OTHER HAND, DEVELOPER AND/OR ANY OWNER(S) AND/OR THEIR RESPECTIVE AFFILIATES, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, AND/OR EMPLOYEES, INCLUDING ALLEGATIONS OF FRAUD, MISREPRESENTATION OR VIOLATION OF ANY STATE OR FEDERAL LAWS OR REGULATIONS, ARISING UNDER, AS A RESULT OF, OR IN CONNECTION WITH THIS AGREEMENT, THE SCRAMBLERS RESTAURANTS OR THE OWNERS' GUARANTEES SHALL, ON DEMAND OF EITHER PARTY BE SUBMITTED FOR ARBITRATION TO THE AMERICAN ARBITRATION ASSOCIATION ("AAA"). THE ARBITRATION SHALL BE GOVERNED EXCLUSIVELY BY THE UNITED STATES ARBITRATION ACT (9 U.S.C. §1, ET SEQ.), WITHOUT REFERENCE TO ANY STATE ARBITRATION STATUTES. THE PARTIES AGREE THAT, IN CONNECTION WITH ANY SUCH ARBITRATION PROCEEDING, EACH SHALL SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY SUCH CLAIM WHICH IS NOT SUBMITTED OR FILED IN SUCH PROCEEDING SHALL BE BARRED. THE ARBITRATION PROCEEDINGS SHALL BE CONDUCTED IN THE CITY IN WHICH FRANCHISOR THEN HAS ITS PRINCIPAL OFFICE IN ACCORDANCE WITH THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AAA. EXCEPT AS EXPRESSLY PROVIDED HEREIN, THE ARBITRATORS WILL HAVE NO AUTHORITY TO ADD TO, DELETE OR MODIFY THE TERMS OF THIS AGREEMENT. BOTH PARTIES WILL HAVE THE ABSOLUTE RIGHT TO CROSS-EXAMINE ANY PERSON WHO TESTIFIED AGAINST THEM OR IN FAVOR OF ANOTHER PARTY. THE ARBITRATION PROCEEDINGS SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT ON A MULTI-PLAINTIFF, CONSOLIDATED OR CLASS-WIDE BASIS. THE ARBITRATORS SHALL HAVE THE RIGHT TO AWARD THE RELIEF WHICH THEY DEEM PROPER, CONSISTENT WITH THE TERMS OF THIS AGREEMENT, INCLUDING COMPENSATORY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, LEGAL FEES AND COSTS. THE AWARD AND DECISION OF THE ARBITRATORS SHALL BE CONCLUSIVE AND BINDING ON ALL PARTIES, AND JUDGMENT UPON THE AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION. ANY RIGHT TO CONTEST THE VALIDITY OR ENFORCEABILITY OF THE AWARD SHALL BE GOVERNED EXCLUSIVELY BY THE UNITED STATES ARBITRATION ACT. NOTWITHSTANDING THE FOREGOING, SUCH ARBITRATION FINDINGS, CONCLUSIONS, ORDERS AND AWARDS MAY NOT BE USED TO COLLATERALLY ESTOP EITHER PARTY FROM RAISING ANY LIKE OR SIMILAR ISSUE IN ANY OTHER ARBITRATION, LITIGATION, COURT HEARING OR OTHER PROCEEDING INVOLVING THIRD PARTIES OR OTHER FRANCHISEES. IN ANY ARBITRATION BETWEEN THEM, NEITHER FRANCHISOR NOR DEVELOPER NOR ANY OWNER MAY INTRODUCE AS EVIDENCE, OR OTHERWISE USE TO ESTABLISH ANY FACT, ACTION, FINDING OR VIOLATION, ANY FINDINGS, CONCLUSIONS, ORDERS OR AWARDS RESULTING FROM ANY PRIOR ARBITRATION, LITIGATION, COURT HEARING OR OTHER PROCEEDING INVOLVING DEVELOPER AND A THIRD PARTY OR FRANCHISOR AND A THIRD PARTY OR OTHER FRANCHISEE. NOTHING IN THIS SECTION 10.01 SHALL LIMIT OR OTHERWISE IMPAIR OUR ABILITY TO PURSUE ANY RELIEF REFERRED TO IN SECTION 10.02 BELOW. THE PROVISIONS OF THIS

SECTION 10.01 SHALL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING EXPIRATION OR TERMINATION OF THIS AGREEMENT.

10.02 INJUNCTIVE RELIEF. NOTWITHSTANDING SECTION 10.01, WE MAY OBTAIN IN ANY COURT OF COMPETENT JURISDICTION ANY INJUNCTIVE RELIEF, INCLUDING TEMPORARY RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS, AGAINST CONDUCT OR THREATENED CONDUCT FOR WHICH NO ADEQUATE REMEDY AT LAW MAY BE AVAILABLE OR WHICH MAY CAUSE US IRREPARABLE HARM. WE MAY HAVE SUCH INJUNCTIVE RELIEF IN ADDITION TO SUCH FURTHER AND OTHER RELIEF AS MAY BE AVAILABLE AT EQUITY OR LAW, AND YOUR SOLE REMEDY IN THE EVENT OF THE ENTRY OF SUCH INJUNCTION, SHALL BE ITS DISSOLUTION, IF WARRANTED, UPON HEARING DULY HELD (ALL CLAIMS FOR DAMAGES BY REASON OF THE WRONGFUL ISSUANCE OF ANY SUCH INJUNCTION BEING EXPRESSLY WAIVED). YOU AND EACH OF YOUR OWNERS ACKNOWLEDGES THAT ANY VIOLATION OF SECTIONS 5.03, 6, 7 OR 9.03 WOULD RESULT IN IRREPARABLE INJURY TO US FOR WHICH NO ADEQUATE REMEDY AT LAW MAY BE AVAILABLE. ACCORDINGLY, YOU AND EACH OF YOUR OWNERS CONSENT TO THE ISSUANCE OF AN INJUNCTION AT OUR REQUEST PROHIBITING ANY CONDUCT IN VIOLATION OF ANY OF THOSE SECTIONS AND AGREE THAT THE EXISTENCE OF ANY CLAIM YOU OR ANY OF YOUR OWNERS MAY HAVE AGAINST US, WHETHER OR NOT ARISING FROM THIS AGREEMENT, SHALL NOT CONSTITUTE A DEFENSE TO THE ENFORCEMENT OF ANY OF THOSE SECTIONS.

10.03 VENUE. SUBJECT TO THE PROVISIONS OF SECTION 10.01, YOU AND YOUR OWNERS IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL COURT AND THE STATE COURTS PRESIDING WHERE OUR PRINCIPAL OFFICE IS THEN LOCATED IN ANY SUIT, ACTION OR PROCEEDING, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ITS BREACH OR ANY OTHER DISPUTE BETWEEN YOU AND/OR ANY OF YOUR OWNERS AND US, AND YOU AND YOUR OWNERS IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING MUST BE BROUGHT AND/OR DEFENDED THEREIN. YOU AND YOUR OWNERS IRREVOCABLY WAIVE, TO THE FULLEST EXTENT YOU MAY LAWFULLY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT, ACTION OR PROCEEDING. NOTHING CONTAINED HEREIN SHALL AFFECT OUR RIGHTS AS FRANCHISOR TO BRING A SUIT, ACTION OR PROCEEDING IN ANY OTHER APPROPRIATE JURISDICTION, TO ENFORCE ANY JUDGMENT AGAINST YOU AND/OR ANY OF YOUR OWNERS ENTERED BY A STATE OR FEDERAL COURT.

10.04 GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (15 U.S.C. §1050 ET SEQ.) AS AMENDED, THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF OHIO. OTHERWISE, IN THE EVENT OF ANY CONFLICT OF LAW, OHIO LAW WILL PREVAIL, WITHOUT REGARD TO ITS CONFLICT OF LAW PRINCIPLES. HOWEVER, IF ANY PROVISION OF THIS AGREEMENT WOULD NOT BE ENFORCEABLE UNDER OHIO LAW, AND IF THE DEVELOPMENT AREA IS PREDOMINANTLY LOCATED OUTSIDE OF OHIO AND SUCH PROVISION WOULD BE ENFORCEABLE UNDER THE LAWS OF THE STATE IN WHICH THE DEVELOPMENT AREA IS PREDOMINANTLY LOCATED, THEN SUCH PROVISION SHALL BE CONSTRUED UNDER THE LAWS OF THAT STATE. NOTHING IN THIS SECTION IS INTENDED TO SUBJECT THIS AGREEMENT TO ANY FRANCHISE OR SIMILAR LAW, RULE OR REGULATION OF THE STATE OF OHIO OR ANY OTHER STATE OR POLITICAL SUBDIVISION TO WHICH IT OTHERWISE WOULD NOT BE SUBJECT.

**10.05 COSTS OF ENFORCEMENT.** IF WE FILE A CLAIM IN AN ARBITRATION PROCEEDING FOR AMOUNTS YOU OR ANY OF YOUR OWNERS OWE US OR ANY OF OUR AFFILIATES, OR IF WE ENFORCE THIS AGREEMENT IN A JUDICIAL OR ARBITRATION PROCEEDING, AND WE PREVAIL IN ANY SUCH PROCEEDING, YOU AGREE TO REIMBURSE US FOR ALL OUR COSTS AND EXPENSES, INCLUDING, BUT NOT LIMITED TO, REASONABLE ACCOUNTING, PARALEGAL, EXPERT WITNESS AND ATTORNEY FEES. IF WE ARE REQUIRED TO ENGAGE LEGAL COUNSEL IN CONNECTION WITH YOUR FAILURE TO COMPLY WITH THIS AGREEMENT, YOU MUST REIMBURSE US FOR ANY ATTORNEY FEES WE INCUR.

**10.06 LIMITATIONS ON LEGAL ACTIONS.** EXCEPT WITH RESPECT TO YOUR OBLIGATIONS REGARDING USE OF THE MARKS IN SECTION 5 AND THE CONFIDENTIAL INFORMATION IN SECTION 6.01, FRANCHISOR AND DEVELOPER (AND ITS OWNERS) EACH WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AGREE THAT, FOR OUR FRANCHISE SYSTEM TO FUNCTION PROPERLY, WE SHOULD NOT BE BURDENED WITH THE COST OF LITIGATING SYSTEM-WIDE DISPUTES. ACCORDINGLY, ANY DISAGREEMENT BETWEEN YOU AND/OR ANY OF YOUR OWNERS AND US SHALL BE CONSIDERED UNIQUE AS TO ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS ACTION, AND YOU (AND EACH OF YOUR OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST US OR ANY OF OUR AFFILIATES, OR OUR RESPECTIVE MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS, AND ASSIGNS BY WAY OF CLASS ACTION. IN ANY LEGAL ACTION BETWEEN THE PARTIES, THE COURT OR ARBITRATION SHALL NOT BE PRECLUDED FROM MAKING ITS OWN INDEPENDENT DETERMINATION OF THE ISSUES IN QUESTION, NOTWITHSTANDING THE SIMILARITY OF ISSUES IN ANY OTHER LEGAL ACTION INVOLVING US AND ANY OTHER DEVELOPER, AND EACH PARTY WAIVES THE RIGHT TO CLAIM THAT A PRIOR DISPOSITION OF THE SAME OR SIMILAR ISSUES PRECLUDE SUCH INDEPENDENT DETERMINATION. FURTHERMORE, THE PARTIES AGREE THAT ANY ARBITRATION OR OTHER LEGAL PROCEEDING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED/ARBITRATED BY THE COURT/ARBITRATOR(S) WITHOUT A JURY, AND ALL PARTIES HERETO WAIVE ANY RIGHT TO HAVE ANY ACTION TRIED OR ARBITRATED WITH THE USE OR ASSISTANCE OF A JURY.

## **11. MISCELLANEOUS.**

**11.01 Severability and Substitution of Provisions.** Every part of this Agreement shall be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination shall not impair the other parts of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy. If any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable. If any applicable law requires a greater prior notice of the termination than is required hereunder, a different standard of “good cause” to terminate this Agreement or the taking of some other action not required hereunder, the prior notice, the “good cause” standard and/or the other action required by such law shall be substituted for the comparable provisions hereof.

**11.02 Waiver of Obligations.** We and you may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of 10 days prior written notice. You and we shall not be deemed to have waived any right reserved by this Agreement by virtue of any custom or practice of the parties at variance with it; any failure, refusal or neglect by you or us to exercise any right under this Agreement (except as provided in Section 11.03) or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, whether of the same, similar or different nature, with respect to other Scramblers restaurants; or the acceptance by us of any payments due from you after any breach of this Agreement.

**11.03 Exercise of Rights.** Except as otherwise expressly provided herein, the rights of Franchisor and Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Developer of any other right or remedy hereunder which Franchisor or Developer is entitled to enforce by applicable law. If Developer commits any act or default for which Franchisor exercises its right to terminate this Agreement, Developer will pay to Franchisor the general and special damages Franchisor incurs as a result of the premature termination of this Agreement. Developer acknowledges and agrees that the proximate cause of such damages sustained by Franchisor is Developer's act of default and not Franchisor's exercise of its right to terminate. Notwithstanding the foregoing, and except as otherwise prohibited or limited by applicable law, any failure, neglect, or delay of a party to assert any breach or violation of any legal or equitable right arising from or in connection with this Agreement, shall constitute a waiver of such right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless the type of proceeding authorized by this Section 11 is commenced before the expiration of the earlier of: (a) the time period for bringing an action under any applicable state or federal statute of limitations; (b) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (c) 2 years after the first act or omission giving rise to the alleged claim. Claims of Franchisor attributable to the underreporting of sales, claims of any party for indemnification, and claims of Franchisor or our Affiliates related to rights under any of the Marks shall be subject only to the applicable state or federal statute of limitations.

**11.04 Successors and Assigns.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement is fully transferable by us, whether by operation of law or otherwise, and shall inure to the benefit of any transferee or other legal successor to our interests herein.

**11.05 Construction.** The language of this Agreement shall be construed according to its fair meaning and not strictly against any party. The introduction, schedules and riders (if any) to this Agreement are a part of this Agreement, which constitutes the entire agreement of the parties. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements between us and you relating to the subject matter of this Agreement, other than our Disclosure Document (which are not intended to be disclaimed in this Agreement or any related agreement with us), that either party may or does rely on or that will have any force or effect. You and your Owners agree that any of our Affiliates with rights in any Marks shall be entitled to enforce your obligations under this Agreement pertaining to the Marks. Otherwise, nothing in this Agreement is intended or shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This Agreement shall not be modified except by written agreement signed by both parties. The headings of the Sections are for convenience only and do not limit or construe their contents. The term "including" shall be construed to include the words "without limitation." The term "Developer" or "you" is applicable to one or more persons, a corporation, limited liability company or a partnership, as the case may be. If two or more persons are at any time Developer hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us shall be joint and several. References to a controlling interest in an entity shall mean more than 50% of the equity or voting control of such entity. This Agreement may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence in this Agreement.

**11.06 Approvals and Consents.** Whenever this Agreement requires the approval or consent of either party, the other party shall make written request therefor, and such approval or consent must be obtained in writing in order to constitute a valid and binding approval or consent.

**11.07 Notices.** All notices, requests and reports permitted or required to be made by the provisions of this Agreement shall be in writing and shall be deemed delivered: (a) at the time delivered by hand to the recipient party (or to a member, manager, officer, director, or partner of the recipient party); (b) on the same date of the transmission by facsimile, e-mail, or other reasonably reliable electronic communication system; (c) 1 day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) 5 days after placement in the United States Mail by Certified Mail, Return Receipt Requested, postage prepaid. Such notices, requests and reports shall be sent to the following addresses, unless and until a different address has been designated by appropriate written notice to the other party:

To Developer, Operating Partners and Owners:

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
e-mail address: \_\_\_\_\_

To Franchisor: Scramblers Brands Franchise Development LLC  
2778 Centennial Road  
Toledo, Ohio 43617  
e-mail address: [franchise@scramblersfranchise.com](mailto:franchise@scramblersfranchise.com)

With a Copy to: Daniel L. Silfani, Esq.  
Roetzel & Andress LPA  
222 S. Main Street, Suite 400  
Akron, OH, 44308  
e-mail: [dsilfani@ralaw.com](mailto:dsilfani@ralaw.com)

**11.08 Provisions Concerning Compliance with Anti-Terrorism Laws.**

(a) You, your Owners and your Affiliates agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with anti-terrorism Laws (as defined below). In connection with such compliance, you, your Owners and your Affiliates certify, represent, and warrant that none of your property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that you, your Owners and your Affiliates are not otherwise in violation of any of the Anti-Terrorism Laws.

(b) For the purposes of this Section 11.08, “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.

(c) You, your Owners and your Affiliates certify that none of you, your Owners and your Affiliates, your employees, or anyone associated with you is listed in the Annex to Executive Order 13224. The Annex is available at: <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>. You agree not to hire any individual who is listed in the Annex.

(d) You, your Owners and your Affiliates certify that you have no knowledge or information that, if generally known, would result in you, your Owners and your Affiliates, your employees, or anyone associated with you to be listed in the Annex to Executive Order 13224.

(e) You, your Owners and your Affiliates are solely responsible for ascertaining what actions must be taken by you to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 5.02 of this Agreement pertain to your obligations under this Section 11.08.

(f) Any misrepresentation by you under this Section 11.08 or any violation of the Anti-Terrorism Laws by you, your Owners and your Affiliates, or your employees shall constitute grounds for immediate termination of this Agreement and any other Agreement you have entered with us or one of our Affiliates, in accordance with the terms of Section 8.01 of this Agreement.

**11.09 Receipt of Disclosure Document and Agreement.** You acknowledge having received our franchise disclosure document by the earliest of (a) the first personal meeting to discuss our franchise; or (b) 14 days before signing a binding agreement; or (c) 14 days before making any payment to us relating to this Agreement. You acknowledge having received this Agreement, with all blanks completed, at least 7 days before you sign it.

**11.10 State Law Addendum.** The terms and conditions of an applicable State Law Addendum attached hereto are incorporated herein.

**11.11 Force Majeure.** Franchisor shall not be liable for any failure or delay in performing any obligation, in whole or in part, under this Agreement if such failure or delay results directly or indirectly from compliance with any laws; acts of God; pandemic or epidemic; unavailability of any essential equipment, materials, or service including interruptions in telephone or internet service; lockout, other industrial disturbance or labor difficulty; war, civil unrest, act of public enemy, terrorist act, blockade, revolution, riot, insurgency or insurrection; lightning, storm, flood, fire, earthquake, other natural disaster; explosion; embargo; or unavoidable accident which are not the fault of Franchisor. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part, as may be reasonable. Franchisor shall provide written notice to Franchisee as soon as reasonably practical after learning the basis for invoking this clause.

(Signature page to follow)

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the day and year first above written.

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.**

FRANCHISOR

SCRAMBLERS BRANDS FRANCHISE  
DEVELOPMENT LLC  
an Ohio limited liability company

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

DEVELOPER

If a corporation, partnership, limited liability  
company or other legal entity:

\_\_\_\_\_  
(Name of corporation, partnership, limited  
liability company or other legal entity)

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

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

If individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

## MICHIGAN STATE LAW ADDENDUM TO DEVELOPMENT AGREEMENT

The following modifications may supersede, to the extent required by valid applicable Michigan law, certain portions of the Development Agreement.

### MICHIGAN NOTICE

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

**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 Michigan Franchise Investment 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:
  - (h) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

- (i) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (j) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (k) 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.
- (l) 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).
- (m) 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 Franchisor shall, at the request of a Franchisee, arrange for the escrow of initial investment and other funds paid by the Franchisee or Subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the Franchise Offering are fulfilled. At the option of the Franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa Street Lansing, Michigan, 48933  
Telephone Number: (517) 373-7117

Note: Notwithstanding paragraph (f) above, franchisor intends to, and franchisee agrees that franchisor and franchisee will, enforce fully the provisions of the arbitration section of our agreements. Franchisor and franchisee believe that paragraph (f) above is unconstitutional and cannot preclude franchisor and franchisee from enforcing the arbitration provisions.

**SCHEDULE A**

**DEVELOPMENT AREA AND SCHEDULE**

1. The Term expires on the earlier of (a) completion of the last store to be developed under the Development Agreement or (b) the date that you fail to open a Scramblers restaurant on or before the prescribed opening date set forth in Section 3 below.

2. The Development Area is the geographical area described as follows and shown on the plan attached hereto as Schedule A-1:

Political boundaries described above shall be considered fixed as of the date of this agreement and shall not change for the purpose hereof, notwithstanding a political reorganization or change to such boundaries or regions. All street boundaries shall be deemed to end at the street center line unless otherwise specified above.

3. You must have open and in operation in the Development Area, pursuant to Franchise Agreements, that cumulative number of Scramblers restaurants set forth below as of each of the following dates:

Cumulative Number of Scramblers Restaurants	Date
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

4. The amount of the Development Fee is \$\_\_\_\_\_. The development fee shall be determined by multiplying \$20,000 by the cumulative number of Franchise Agreements which may be entered into pursuant to this Agreement.

FRANCHISOR

SCRAMBLERS BRANDS FRANCHISE  
DEVELOPMENT LLC  
an Ohio limited liability company

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

DEVELOPER

If a corporation, partnership, limited liability company or other legal entity:

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

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

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

If individuals:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**SCHEDULE A-1 PLAN OF DEVELOPMENT AREA**  
(attach)

**SCHEDULE B AREA DEVELOPER AND ITS OWNERS**

1. Operating Partner. The name, home address and social security number of the Operating Partner are as follows:

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2. Form of Entity of Developer.

(a) Corporation or Limited Liability Company. Developer was incorporated on \_\_\_\_\_, 20\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than its corporate name. The following is a list of all of Developer's directors, officers, members or managers as of \_\_\_\_\_, 20\_\_\_\_:

Name of Each Director/Officer/Member/Manager	Position(s) Held
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(b) Partnership. Developer is a [general] [limited] partnership formed on \_\_\_\_\_, 20\_\_\_\_ under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than its partnership name. The following is a list of all of Developer's general partners and limited partners as of \_\_\_\_\_, 20\_\_\_\_:

<u>Name of Each General Partner</u>	<u>Name of Each Limited Partner</u>
_____	_____
_____	_____
_____	_____
_____	_____

3. Owners. Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Developer, including the full name, mailing address and socialsecurity number of each Owner, and fully describes the nature and extent of each Owner's interest in Developer. Developer and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name Address and Social Security Number	Percentage and Nature of Ownership Interest
_____	_____
_____	_____
_____	_____
_____	_____

[Signature Page Follows]

Submitted by Developer on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Accepted by Franchisor and made a part of the Development Agreement as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Name of corporation, partnership, limited liability company or other legal entity)

SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT LLC  
an Ohio limited liability company

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

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

Owners:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

[Signature Page To Schedule B Area Developer and its Owners]

## SCHEDULE C OWNERS' PERSONAL GUARANTY OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Development Agreement dated as of \_\_\_\_\_, 20\_\_\_\_ (the "Agreement") by and between SCRAMBLERS BRANDS FRANCHISE DEVELOPMENT LLC ("Franchisor"), and \_\_\_\_\_ ("Developer"), each of the undersigned Owners having an interest in Developer hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every acknowledgment and representation of Developer made in connection with the Agreement (and any amendments) on behalf of Developer or any Owner are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by each and every provision in the Agreement (and any amendments), pertaining to the Developer or any Owner (as defined therein).

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Developer or any other person as a condition of liability; (e) notice of any amendment to the Agreement; and (f) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by each of the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of Franchisor. All controversies, disputes, or claims between, on the one hand, Franchisor and/or its Affiliates and/or their respective members, managers, officers, directors, and/or employees ("us"), and, on the other hand, Developer and/or any Owner(s) and/or their respective Affiliates, members, managers, officers, directors, and/or employees, including allegations of fraud, misrepresentation or violation of any state or federal laws or regulations, arising under, as a result of, or in connection with the Agreement or the Owners' guarantees shall, on demand of either party be submitted for arbitration to the American Arbitration Association ("AAA"). The arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. §1, et seq.), without reference to any state arbitration statutes. The parties agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitration proceedings shall be conducted in the city in which Franchisor's principal office is then located in accordance with the then-current commercial arbitration rules of the AAA. Except as expressly provided herein, the arbitrator will have no authority to add to, delete or modify the terms of the Agreement. The parties will have the absolute right to cross-examine any person who testifies against them or in favor of another party. The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated or class-wide basis. The arbitrator shall have the right to award the relief which they deem proper, consistent with the terms of the Agreement, including compensatory damages (with interest on unpaid amounts from date due), specific

performance, injunctive relief, legal fees, and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act.

Each Owner irrevocably submits to the exclusive jurisdiction of the Federal Court and the state courts presiding where Franchisor’s principal office is then located in any suit, action or proceeding, arising out of or relating to the Agreement or its breach or any other dispute between any Owner and Franchisor, and each Owner irrevocably agrees that all claims and respect any such suit, action or proceeding must be brought and/or defended therein. Each Owner irrevocably waives, to the fullest extent lawfully permissible, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding. Nothing contained herein shall affect Franchisor's rights to bring a suit, action or proceeding in any other appropriate jurisdiction, to enforce any judgment against any Owner entered by a state or federal court.

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

PERCENTAGE OF OWNERSHIP  
INTERESTS IN DEVELOPER

GUARANTOR(S)

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Notary Public  
My Commission expires: \_\_\_\_\_

SEAL

**RECEIPT OF FRANCHISE-RELATED DOCUMENTS SCRAMBLERS FRANCHISE SYSTEM**

The undersigned does hereby acknowledge receipt of the following documents, in form for execution, relating to the SCRAMBLERS franchise of Scramblers Brands Franchise Development LLC

THE PROPOSED DEVELOPER MUST INITIAL ON THE LINE NEXT TO THE FOLLOWING APPLICABLE DOCUMENT(S):

\_\_\_\_\_  Development Agreement with State Law Addendum.

\_\_\_\_\_  Other, Specify \_\_\_\_\_.

I further acknowledge that it is my responsibility to review all such documents personally or to have my attorney review such documents so that I am fully familiar with the transaction contemplated by these documents prior to the execution of any document.

A FEDERAL TRADE COMMISSION RULE REQUIRES THAT WE PROVIDE DEVELOPER WITH THE FRANCHISE-RELATED DOCUMENTS NOTED ABOVE AT LEAST SEVEN DAYS PRIOR TO THE DATE THEY ARE TO BE EXECUTED. PLEASE DO NOT SIGN OR RETURN THESE DOCUMENTS UNTIL SEVEN DAYS HAVE ELAPSED FROM THE DATE OF THIS RECEIPT.

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

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

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

Date Received: \_\_\_\_\_

Date Received: \_\_\_\_\_

EXHIBIT E



## **OPERATIONS MANUAL**



**SCRAMBLERS OPERATIONS MANUAL**

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## Franchise Information

As of December 31, 2024

### EXHIBIT F-1: OPERATING FRANCHISES

Name	Address	City	State	Zip Code	Phone Number
<b>MICHIGAN</b>					
Scramblers of MI 1, Inc.	27909 Orchard Lake Road	Farmington Hills	MI	48332	(248) 994-7388
<b>OHIO</b>					
Scrambler HD, LLC	1377 Ety Road	Lancaster	OH	43130	(740) 475-0333
ADAPT II, LLC*	1394 S.O.M Center Road	Mayfield Heights	OH	44124	(440) 460-0750
ADAPT II, LLC*	9570- A Mentor Avenue	Mentor	OH	44060	(440) 350-6272
7134 C Street, LLC	9600 Springboro Pike	Miamisburg	OH	45342	(937) 439-2685
ADAPT II, LLC*	26435 Great Northern Shopping Center	North Olmstead	OH	44070	(440) 360-7111
Scrambler HD, LLC	1219 Hill Road Plaza	Pickerington	OH	43147	(614) 522-0715
Scrambler HD, LLC	7970 East Broad Street	Reynoldsburg	OH	43068	(614) 522-0715
Bistro Venture, LLC	4006 Hauck Road	Sharonville	OH	45241	(513) 769-8999
ADAPT II, LLC*	16726 Pearl Road	Strongsville	OH	44149	(440) 238-4143
MASA Restaurant Group LLC	6413 Pullman Drive	Lewis Center	OH	43045	(614) 205-3742
Scrambler HD, LLC	6400 Westchester Square	Canal Winchester	OH	43110	(614) 524-1008
Boylo Foods LLC	7453 Wooster Pike	Cincinnati	OH	45227	(513) 429-2002
ADAPT II, LLC	4345 Belden Village Mall	Canton	OH	44718	(330) 493-4800

## **Franchise Information**

As of December 31, 2024

### **EXHIBIT F-2: FRANCHISE NOT YET OPERATING**

<b>Name</b>	<b>City</b>	<b>State</b>	<b>Phone Number</b>
Aroma Hospitality	Bloomington	IL	(210) 667-7416
TolGroup LLC	Rocky River	OH	(216) 712-4563
Wilson 45	Lexington Park	MD	(240) 431-9729
Onesongchai	Northern Kentucky	KY	(517) 403-4487

### **EXHIBIT F-3: TERMINATED FRANCHISES**

<b>Name</b>	<b>City</b>	<b>State</b>	<b>Phone Number</b>
Not Applicable			

EXHIBIT G

**AUDITED FINANCIAL STATEMENTS**

ATTACHED



**WILLIAM VAUGHAN**  
COMPANY

**CONSENT**

William Vaughan Company consents to the use in the Franchise Disclosure Document issued by Scramblers Brands Franchise Development, LLC ("Franchisor"), on March 28, 2025, as it may be amended, of our report dated March 3, 2025, relating to the financial statements of Franchisor for the periods ending December 31, 2024, December 31, 2023 and December 31, 2022.

*William Vaughan Company*

**WILLIAM VAUGHAN COMPANY**

By: *Amy C. Barber*  
Name: Amy C. Barber  
Title: Sr. Manager

---

An Independent Member of the BDO Alliance USA

**Maumee:** 145 Chesterfield Lane | Maumee, OH 43537 | P 419.891.1040 | F 419.891.1065  
Maumee, OH (HQ) | Napoleon, OH | Bowling Green, OH | Cleveland, OH | Nashville, TN  
wvco.com

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2024, 2023 and 2022**



**WILLIAM VAUGHAN  
COMPANY**

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**WILLIAM VAUGHAN**  
COMPANY

**INDEPENDENT AUDITOR'S REPORT**

**The Members**

Scramblers Brands Franchise Development, LLC.

**Opinion**

We have audited the accompanying financial statements of Scramblers Brands Franchise Development, LLC. (the Company) which comprise the balance sheets as of December 31, 2024, 2023, and 2022, and the related statements of income and members' capital (deficit) and cash flows for the years 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 Scramblers Brands Franchise Development, LLC. as of December 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years 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 Scramblers Brands Franchise Development, LLC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

---

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Maumee: 145 Chestlefield Lane | Maumee, OH 43537 | P 419.891.1040 | F 419.891.1065

Maumee (HQ) | Napoleon | Bowling Green | Nashville  
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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 Scramblers Brands Franchise Development, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

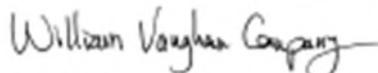
#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Scramblers Brands Franchise Development, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Scramblers Brands Franchise Development, LLC's ability to continue as a going concern for a reasonable period of time.

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



March 3, 2025  
Maumee, Ohio

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.  
BALANCE SHEETS  
December 31, 2024, 2023 and 2022**

**ASSETS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Current assets</b>			
Cash and cash equivalents	\$ 190,982	\$ 140,239	\$ 127,260
Accounts receivable:			
Gift card funds receivable	65,472	76,343	70,171
Trade	56,050	88,567	55,286
Franchise fee receivable	5,000	-	-
Affiliated entities	128,233	54,211	-
Prepaid expenses	26,938	-	-
Total current assets	<u>472,675</u>	<u>359,360</u>	<u>252,717</u>
<b>Other assets</b>			
Software, net	3,450	12,307	22,333
Contract asset – prepaid broker fee	10,417	11,917	2,417
Total other assets	<u>13,867</u>	<u>24,224</u>	<u>24,750</u>
<b>Total assets</b>	<u>\$ 486,542</u>	<u>\$ 383,584</u>	<u>\$ 277,467</u>

**LIABILITIES AND MEMBERS' CAPITAL (DEFICIT)**

<b>Current liabilities</b>			
Accounts payable:			
Gift card funds payable	\$ 119,321	\$ 112,114	\$ 55,698
Affiliated entities	-	-	56,685
Contract liability – deferred franchise fee revenue	22,000	17,375	17,375
Total current liabilities	<u>141,321</u>	<u>129,489</u>	<u>129,758</u>
<b>Contract liability – deferred franchise fee revenue</b>	<u>131,875</u>	<u>82,666</u>	<u>50,375</u>
Total liabilities	<u>273,196</u>	<u>212,155</u>	<u>180,133</u>
<b>Members' capital (deficit)</b>	<u>213,346</u>	<u>171,429</u>	<u>97,334</u>
<b>Total liabilities and members' capital (deficit)</b>	<u>\$ 486,542</u>	<u>\$ 383,584</u>	<u>\$ 277,467</u>

See accompanying notes.

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.  
STATEMENTS OF INCOME AND MEMBERS' CAPITAL (DEFICIT)  
Years Ended December 31, 2024, 2023, and 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Revenues</b>			
Royalty fees	\$ 608,994	\$ 584,005	\$ 589,482
Vendor commission	167,506	202,160	133,355
Marketing fees	136,248	145,774	138,429
Other income	77,443	-	40,000
Franchise fees	<u>21,166</u>	<u>17,709</u>	<u>18,667</u>
	<u>1,011,357</u>	<u>949,648</u>	<u>919,933</u>
<b>Costs and expenses</b>			
Management fees	337,500	259,800	251,200
Marketing	150,142	260,705	267,664
Travel and meetings	94,952	107,680	80,934
Contract labor	60,525	33,095	17,698
Advertising	52,381	6,933	-
Professional fees	37,199	65,484	40,842
Supplies	26,097	35,489	36,463
Amortization	6,907	14,226	11,626
Other expenses	6,287	1,049	5,245
Licenses and permits	1,150	275	250
State income taxes	<u>-</u>	<u>17,148</u>	<u>-</u>
	<u>773,140</u>	<u>801,884</u>	<u>711,922</u>
Net income	238,217	147,764	208,011
Members' capital (deficit) at beginning of year	171,429	97,334	(48,351)
Members' distributions	<u>(196,300)</u>	<u>(73,669)</u>	<u>(62,326)</u>
Members' capital (deficit) at end of year	<u>\$ 213,346</u>	<u>\$ 171,429</u>	<u>\$ 97,334</u>

See accompanying notes.

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.  
STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>			
Net income	\$ 238,217	\$ 147,764	\$ 208,011
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of software	8,857	14,226	11,626
Amortization of prepaid broker fee	1,500	500	500
Amortization of deferred franchise fee revenue	(21,166)	(17,709)	(18,667)
Changes in operating assets and liabilities:			
Accounts receivable	(35,634)	(93,664)	4,312
Prepaid expenses	(26,938)	-	-
Accounts payable	7,207	(269)	(201,328)
Contract asset – prepaid broker fee	-	(10,000)	-
Deferred franchise fee revenue	75,000	50,000	(5,000)
Net cash provided by (used in) operating activities	<u>247,043</u>	<u>90,848</u>	<u>(546)</u>
<b>Cash flows from investing activities</b>			
Software development costs	-	(4,200)	(7,800)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(4,200)</u>	<u>(7,800)</u>
<b>Cash flows from financing activities</b>			
Members' distributions	(196,300)	(73,669)	(62,326)
Net cash provided by (used in) financing activities	<u>(196,300)</u>	<u>(73,669)</u>	<u>(62,326)</u>
Net increase (decrease) in cash and cash equivalents	50,743	12,979	(70,672)
Cash and cash equivalents at beginning of year	<u>140,239</u>	<u>127,260</u>	<u>197,932</u>
Cash and cash equivalents at end of year	<u>\$ 190,982</u>	<u>\$ 140,239</u>	<u>\$ 127,260</u>
<b>Supplemental disclosure of cash flows information</b>			
Cash paid during the year for:			
Income taxes	<u>\$ -</u>	<u>\$ 17,148</u>	<u>\$ -</u>

See accompanying notes.

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2024, 2023, and 2022**

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**Note 1 – Summary of Significant Accounting Policies**

Business

The Company, an Ohio limited liability company, sells franchise rights and collects franchise royalties and fees for the concept restaurant called Scramblers, which is a full service breakfast and lunch restaurant. The Company conducts business with Ten Star Enterprises (Ten Star) and OHJAX5, LLC, companies affiliated through common ownership and management.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 vary from the estimates that were used as a basis for these financial statements.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at amounts estimated by management to be the realizable value.

Allowance for Expected Credit Losses

The Company has adopted the Current Expected Credit Losses (CECL) accounting standard, as per Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (ASC 326), regarding estimating credit losses on financial instruments. The Company has considered factors such as historical loss experience, current economic conditions, and other relevant factors in its credit loss estimation process, and has determined that the allowance for losses on accounts receivable was not material as of December 31, 2024, 2023 or 2022.

Gift Card Funds

The Company sells gift cards at retail locations through an agent. The gift card funds receivable represents amounts not yet remitted to the Company by the agent. The gift card funds payable represents unredeemed gift cards expected to be redeemed.

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2024, 2023, and 2022**

---

**Note 1 – Summary of Significant Accounting Policies (continued)**

Software

Costs incurred to develop point of sale software for internal use have been capitalized in accordance with the applicable accounting standards, and are being amortized on a straight line basis over three years, the estimated useful life of the software.

Contract Assets and Liabilities

The prepaid broker fee is expensed over the term of the related franchise agreement for which the fee was paid.

The deferred franchise fee revenue is recognized into income over the term of the related franchise or area development agreement.

Revenue Recognition

The Company recognizes revenue when performance obligations under the terms of contracts with customers are satisfied, which occurs with the transfer of control of the Company's products or the completion of services. The Company's revenue mainly consists of franchise fees, royalties and marketing fees.

The initial franchise services, including site selection, training, systems implementation, and design of a quality control program, are not distinct from the continuing franchise rights or services offered during the term of the franchise agreement and are, therefore treated as a single performance obligation. As such, franchise fees are recognized over the franchise or renewal term, typically ten years. In the event of termination of any agreement, the fee is recognized into income upon termination. During 2022, two franchise locations were permanently closed resulting in termination of the related agreements. All deferred revenue was previously recorded and as such, no additional income was recognized in 2022 related to the termination of these agreements.

The sales-based royalty fees and sales-based marketing fees are considered variable consideration and are recognized as revenue as the related sales occur.

Reclassifications

Certain accounts in the prior year have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

Date of Management's Review

The Company has evaluated subsequent events for recognition or disclosure in the financial statements through March 3, 2025, the date the accompanying financial statements were available to be issued.

**SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2024, 2023, and 2022**

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**Note 2 – Related Party Transactions**

The Company receives administrative services and the use of facility space from Ten Star for which it pays Ten Star a management fee. Total management fees incurred for 2024, 2023 and 2022 were approximately \$338,000, \$260,000 and \$251,000, respectively. In addition to services covered by the management fee, supplies and outside services are sold and purchased between the Company and Ten Star. The net sales (purchases) between the Company and Ten Star in 2024, 2023 and 2022 totaled approximately \$(14,857), \$14,200, and \$20,600, respectively. During 2024, 2023 and 2022, the Company received \$60,068, \$69,133 and \$65,412, respectively, in marketing fees from Ten Star.

During 2024 and 2023, the Company provided services and sold supplies to OHJAX5, LLC totaling \$19,147 and \$12,125.

**Note 3 – Franchise Information**

The Company has sold twenty-two franchise rights as of December 31, 2024. Franchised outlets in operation as of December 31, 2024, 2023, and 2022 were fourteen, thirteen, and thirteen.

**Note 4 – Income Taxes**

The Company is a limited liability company and is taxed as a partnership; therefore, its taxable income or loss is included in its members' federal income tax returns. Accordingly, no provision for federal income tax is recorded in these financial statements. For the year ending December 31, 2023, approximately \$17,000 was expensed for state income taxes.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company has evaluated uncertain income tax positions for all open tax years and believes there are no uncertain income tax positions of significance to be recorded or disclosed in the financial statements.

**EXHIBIT H**

**GENERAL RELEASE**

The Franchisee, jointly and severally, for Franchisee and each and all of Franchisee's officers, directors, shareholders, members, employees, agents, successors and assigns does hereby remise, release, forever discharge, and covenant not to sue Franchisor and its respective representatives, officers, directors, shareholders, members, employees, agents, attorneys, affiliated entities, successors and assigns from any actions, causes of action, claims, demands, statutes, arbitrations, expenses, damages and liabilities, whether at law or in equity, existing or arising prior to the date hereof, known as well as unknown, which the Franchisee has ever had.

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

SCRAMBLERS BRANDS  
FRANCHISE DEVELOPMENT, LLC  
Franchisor

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

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

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

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

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

## EXHIBIT I

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Scramblers Brands Franchise Development, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Scramblers Brands Franchise Development, 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 state agency identified on Exhibit A.

The franchisor is Scramblers Brands Franchise Development, LLC located at 2778 Centennial Road, Toledo, OH 43617. Its telephone number is (419) 868-9858.

Issuance Date: March 28, 2025.

The name, principal business address and telephone number of each franchise seller offering the franchise: Shain Buerk, Tim Trautman, Brandon Buerk, and Kelly Buerk, Scramblers Brands Franchise Development, LLC located at 2778 Centennial Road, Suite B, Toledo, OH 43617 (419) 868-9858; and \_\_\_\_\_ located at \_\_\_\_\_.

*[Any broker or other franchise seller involved in a particular franchise transaction must be disclosed here before the disclosure document is given to the prospective franchisee.]*

Scramblers Brands Franchise Development, LLC authorizes the respective state agencies identified in Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated March 28, 2025 that included the following Exhibits:

Exhibit A	State Administrators
Exhibit B	Agents for Service of Process
Exhibit C	Franchise Agreement
Exhibit D	Development Agreement
Exhibit E	Operations Manual – Table of Contents
Exhibit F	Franchisee Information
Exhibit G	Audited Financial Statements
Exhibit H	General Release
Exhibit I	Receipts

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

Please sign this copy of the receipt, print the date on which you received this disclosure document, and return it, by mail or email, to Scramblers Brands Franchise Development, LLC, 2778 Centennial Road, Suite B, Toledo, OH 43617. Phone: (419) 868-9858, Email: [franchise@scramblersbrands.com](mailto:franchise@scramblersbrands.com)

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Scramblers Brands Franchise Development, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Scramblers Brands Franchise Development, 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 state agency identified on Exhibit A.

The franchisor is Scramblers Brands Franchise Development, LLC located at 2778 Centennial Road, Toledo, OH 43617. Its telephone number is (419) 868-9858.

Issuance Date: March 28, 2025.

The name, principal business address and telephone number of each franchise seller offering the franchise: Shain Buerk, Tim Trautman, Brandon Buerk, and Kelly Buerk, Scramblers Brands Franchise Development, LLC located at 2778 Centennial Road, Suite B, Toledo, OH 43617 (419) 868-9858; and \_\_\_\_\_ located at \_\_\_\_\_.

*[Any broker or other franchise seller involved in a particular franchise transaction must be disclosed here before the disclosure document is given to the prospective franchisee.]*

Scramblers Brands Franchise Development, LLC authorizes the respective state agencies identified in Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated March 28, 2025 that included the following Exhibits:

- |           |                                       |
|-----------|---------------------------------------|
| Exhibit A | State Administrators                  |
| Exhibit B | Agents for Service of Process         |
| Exhibit C | Franchise Agreement                   |
| Exhibit D | Development Agreement                 |
| Exhibit E | Operations Manual – Table of Contents |
| Exhibit F | Franchisee Information                |
| Exhibit G | Audited Financial Statements          |
| Exhibit H | General Release                       |
| Exhibit I | Receipts                              |

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

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**PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.**