

FRANCHISE DISCLOSURE DOCUMENT



Potbelly Franchising, LLC
an Illinois limited liability company
~~111 North Canal~~ 500 West Madison Street, Suite ~~325~~ 1000
Chicago, Illinois 606061
(312) 951-0600
franchise@potbelly.com
www.potbelly.com

The franchise is to operate a Shop under the “POTBELLY SANDWICH SHOP®” trademark that sells sandwiches, soups, salads, shakes, desserts, and other food and beverage products.

The total investment necessary to begin operation of each Potbelly Shop franchise is \$~~6543,500~~ 19 to \$~~1,159,274,090~~ 9. This includes \$~~5538,150~~ 00 to \$~~83144,000~~ that must be paid to the franchisor or affiliate. If you sign a shop development area agreement, you will also pay a development fee equal to \$40,000 (the total payable for the initial franchise fee for the first Shop) plus a \$20,000 deposit for each additional Shop.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Susan Cory at Potbelly Franchising, LLC, ~~111 North Canal~~ 500 West Madison Street, Suite ~~325~~ 1000, Chicago, Illinois 606061, (312) 334-5811, ~~susan.cory@potbelly.com~~ susan.cory@potbelly.com.

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

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

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

Issuance date of this Franchise Disclosure Document: April 30, 20245

STATE COVER PAGE

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit J-1 and Exhibit J-2.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G-1 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Potbelly Sandwich Shop® business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Potbelly Sandwich Shop® franchisee?	Item 20 or Exhibits J-1 and J-2 list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few 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:

Out-of-State Dispute Resolution. The franchise agreement and shop development area agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in the city and state where the franchisor has its principal business address (currently, Chicago, Illinois). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in the city and state where the franchisor has its principal business address (currently, Chicago, Illinois) than in your own state.

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

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

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

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

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

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

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

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48909
(517) 335-7567

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement and Shop Development Area Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement and Shop Development Area

Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

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EXHIBIT J-1 LIST OF FRANCHISEES/AREA DEVELOPERS

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EXHIBIT M NON-TRADITIONAL LOCATION ADDENDUM TO FRANCHISE
AGREEMENT

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

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is Potbelly Franchising, LLC (“we,” “us,” or “our”). “You” means the entity to which we grant a franchise (and, if applicable, development rights). Because you will be a corporation, limited liability company, or other entity, your owners must sign our “Guaranty and Assumption of Obligations.” This means that all or some of our Franchise Agreement’s provisions (Exhibit B) also will apply to your owners.

We are an Illinois limited liability company formed in August 2009. Our principal business address is ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061. We operate primarily under our limited liability company name and the “Potbelly Sandwich Shop®” trademark and no other name. We have no predecessors. If we have an agent in your state for service of process, we disclose that agent in Exhibit A.

We grant franchises for Shops operating under the “Potbelly Sandwich Shop®” name and other trademarks (the “Marks”). (In this disclosure document, we call the Shops in our system “Potbelly Shops”; we use the term “Shop” to describe the Potbelly Shop you will operate.) Potbelly Shops prepare and sell sandwiches, soups, salads, shakes, desserts, and other food and beverage products (collectively, “Products”). Products are prepared according to specific recipes, standards, and procedures and use high quality ingredients, including certain proprietary items (collectively, “Potbelly Trade Secret Products”) and other ingredients (not constituting Potbelly Trade Secret Products) that are branded and/or packaged exclusively for Potbelly Shops (collectively, “Potbelly Branded Products”). (Potbelly Branded Products also include non-food products that are branded and/or packaged exclusively for Potbelly Shops.)

We and our affiliate, Potbelly Sandwich Works, LLC (“PSW, LLC”), whose principal business address is the same as ours, have developed (and continue to develop and modify) policies and procedures, confidential information, intellectual property (including software and website), and a distinctive and comprehensive system for constructing, operating, identifying, and promoting Potbelly Shops. PSW, LLC owns the Marks, confidential information, and branded system and has licensed this intellectual property to us to use in the Potbelly Shop franchise program. You also will buy certain Shop operating assets and supplies from PSW, LLC. If you acquire a franchise, you must operate your Shop according to our and PSW, LLC’s business formats, methods, procedures, designs, layouts, standards, and specifications. Our and PSW, LLC’s immediate parent company is Potbelly Illinois, Inc. and ultimate parent company is Potbelly Corporation (a public company), both of whose principal business addresses are the same as ours. We have no other parent companies. Except for PSW, LLC, no affiliates are disclosable in this Item.

Our Business

We may offer for sale, and sell as franchises, company-owned Potbelly Shops in certain geographical areas. You must sign a Franchise Agreement for the Potbelly Shop(s) you purchase from us and we may also require you to sign a Shop Development Area Agreement (defined below) for the development of additional Potbelly Shops in the geographical area where the purchased Potbelly Shop(s) is located. You also must sign the form of Asset Purchase

Agreement attached as Exhibit L to this disclosure document. If you acquire one or more existing company-owned Potbelly Shop from us, we may require you to remodel the Potbelly Shop(s) to our specifications under the timeline we require. Typically, if we determine that you must remodel the Shop, we will require that you do so within the time period we designate after you have signed the Franchise Agreement for the Shop.

We have offered Potbelly Shop franchises since September 2009 but never have operated a Potbelly Shop. PSW, LLC and other affiliates of ours have operated at least one Potbelly Shop since 1997. We have no other business activities and have not offered franchises in other lines of business. PSW, LLC has not offered franchises in any line of business.

Your Shop will offer Products to the general public throughout the year and compete with other sandwich shops (franchised and non-franchised operating locally, regionally, and nationally), restaurants (both casual dining and “quick-serve-restaurant” concepts), convenience stores, and other foodservice businesses selling similar and dissimilar products. The market for our Products generally is well-developed and very competitive in most areas. Despite this competition, we believe that Potbelly Shops appeal to consumers because of our freshly-prepared and high quality products, competitive pricing, service quality, and eclectic atmosphere.

Shop Development Area Agreement Program

We also grant multi-unit development rights to qualified franchisees, who then may develop multiple Potbelly Shops within a defined area over a specific time period or according to a pre-determined development schedule (“Developer”). These franchisees may open and operate Potbelly Shops directly or through approved controlled affiliates. Our standard form of Shop Development Area Agreement is attached as Exhibit C (the “SDAA”). The form of SDAA may differ from the form included in this disclosure document if you are signing an SDAA when you are purchasing existing company-owned Potbelly Shops. Franchisees signing our SDAA must sign our then-current form of Franchise Agreement for each additional Potbelly Shop they develop. That form may differ from the form of Franchise Agreement included in this disclosure document.

Non-Traditional Locations

We also offer the right to develop a Potbelly Shop at certain locations that are by their nature unique and separate in character from sites generally developed as a Potbelly Shop. Those locations include: hospitals or medical centers, airports, (c) public or private schools, universities or college campuses, airport terminals, train or bus stations, convention centers or exhibition halls, amusement parks or fairgrounds, sports arenas, military bases, state or national parks, hotels or lodges, country clubs, social clubs, resorts, casinos, theaters, cafeterias, food courts and other foodservice locations within shopping centers, shopping malls, office buildings/corporate campuses, industrial buildings and department stores, grocery stores and similar retail stores, or any other similar site or venue that generates customer flow that is independent from the general customer traffic flow of the surrounding area (collectively, “Non-Traditional Venues”). You will sign our then-current form of Franchise Agreement and Non-Traditional Location Addendum for each Potbelly Shop developed at a Non-Traditional Venue (“Exhibit M”).

Regulations

No regulations apply specifically to the industry in which Potbelly Shops operate. However, there are food safety and sanitation laws governing all foodservice operations that might impact restaurant operations more than others. You must comply with these laws and with laws that apply generally to all businesses. You should investigate these laws and regulations when evaluating your franchise acquisition.

Item 2 **BUSINESS EXPERIENCE**

President and Chief Executive Officer: Robert D. Wright

Mr. Wright has been our, PSW, LLC's, and Potbelly Corporation's President and Chief Executive Officer in Chicago, Illinois since July 2020. From June 2019 to June 2020, while based in Columbus, Ohio, he was retired. Mr. Wright served as Executive Vice President and Chief Operations Officer for The Wendy's Company in Dublin, Ohio from December 2013 to May 2019.

Senior Vice President and Chief Financial Officer: Steven Cirulis

Mr. Cirulis has been our, PSW, LLC's, and Potbelly Corporation's Senior Vice President and Chief Financial Officer in Chicago, Illinois since April 2020. From July 2018 to March 2020, Mr. Cirulis served as the Founder and Chief Executive Officer of Intrepid Advisory LLC located in Winnetka, Illinois. From April 2017 to June 2018, he served as Senior Vice President, Strategy of Panera, LLC located in St. Louis, Missouri.

Senior Vice President and Chief Operating Officer: Adam Noyes

Mr. Noyes has been our, PSW, LLC's, and Potbelly Corporation's Senior Vice President in Chicago, Illinois since August 2020 and was also appointed Chief Operating Officer in January 2023 after having served as Chief Operations Officer from August 2020 to December 2022. From December 2019 to August 2020, he was self-employed as an Executive Consultant in Clearwater, Florida. From January 2016 to December 2019, he served as Chief Administrative Officer and Executive Vice President of Checkers Drive-In Restaurants, Inc. located in Tampa, Florida after having served as Chief Restaurant Operations & Supply Chain Officer and Executive Vice President in Tampa, Florida from February 2011 to January 2016.

Senior Vice President, Chief Legal Officer, Chief Compliance Officer, General Counsel, and Secretary: Adiya Dixon

Ms. Dixon has been our, PSW, LLC's, and Potbelly Corporation's Chief Legal Officer, General Counsel and Secretary in Chicago, Illinois since December 2020 and Chief Compliance Officer since March 2023. She has also been our Senior Vice President since November 2020 and served as Legal Counsel from November 2020 to December 2020, also in Chicago, Illinois. From July 2018 to November 2020, she served as President of Yubi Beauty, LLC in New

Albany, Ohio. From October 2013 to July 2018, Ms. Dixon was employed by The Wendy's Company in Dublin, Ohio, serving as Director, International Counsel from July 2016 to July 2018 and Director, Corporate Counsel from October 2013 to July 2016.

Senior Vice President, Chief Information Officer: Jeffrey Douglas

Mr. Douglas has been our, PSW, LLC's, and Potbelly Corporation's Senior Vice President and Chief Information Officer in Chicago, Illinois since September 2019. From February 2016 to September 2019, he served as Senior Vice President of Information Technology for Levy Restaurants located in Chicago, Illinois.

Senior Vice President, Chief Marketing Officer: David Daniels

Mr. Daniels has been our, PSW, LLC's, and Potbelly Corporation's Senior Vice President and Chief Marketing Officer in Chicago, Illinois since August 2021. From October 2018 to August 2021, he was Senior Vice President, Marketing for The Food Hall Company located in Plano, Texas. From March 2018 to October 2018, he was a self-employed consultant located in McKinney, Texas. From May 2016 to March 2018, he was Vice President, Marketing for Yum! Brands, Inc./Pizza Hut, LLC located in Plano, Texas.

Senior Vice President, Franchising: Lynette McKee

Ms. McKee has been our, PSW, LLC's, and Potbelly Corporation's Senior Vice President, Franchising in Chicago, Illinois since June 2023. From December 2012 to May 2023, she served as Owner, Chief Executive Officer and Managing Partner for McKeeCo Services, LLC in Heathrow, Florida. From July 2011 to November 2012, she was Executive Director of the Educational Foundation for the National Restaurant Association in Chicago, Illinois. From September 2009 to April 2011, she was Chief Development Officer for Checkers Drive-In Restaurants, Inc. in Tampa, Florida. From July 2005 to September 2009, she was Vice President of Franchising for Dunkin' Brands, Inc. in Boston, Massachusetts. From January 2004 to November 2004, she was Vice President of Franchising for Burger King Corporation in Miami, Florida.

Senior Vice President and Chief People Officer: Patrick J. Walsh

Mr. Walsh has been our, PSW, LLC's, and Potbelly Corporation's Senior Vice President and Chief People Officer in Chicago, Illinois since April 2023. From March 2022 to April 2023, he served as HR Vice President for Oil-Dri Corporation of America in Chicago, Illinois. From February 2016 to March 2022, he was employed by PepsiCo serving first as Senior Director of Human Resources in Oakbrook Terrace, Illinois from February 2016 to February 2020 and then as Senior Director of Human Resources in Chicago, Illinois from February 2020 to March 2022.

Vice President of Franchise ~~Development~~ and Corporate Real Estate: John Beckley

Mr. Beckley has been our and PSW, LLC's Vice President of Franchise ~~Development~~ and Corporate Real Estate in Chicago, Illinois since October 2024, after having served as Vice President of Franchise Development in Chicago, Illinois from May 2022 until October 2024. Mr. Beckley joined PSW, LLC in July 2008 and has since held the

following positions in Chicago, Illinois: from April 2019 to July 2022, Mr. Beckley served as Regional Vice President, from January 2017 to April 2019, he served as Vice President of Operations, from December 2012 to January 2017, he was a Market Manager, and from July 2008 to December 2012, Mr. Beckley was a District Manager.

Senior Director of ~~Real Estate, Refranchising and Non-Traditional Development: Shawn Baxter~~Franchise Operations: Angelica Lara

~~Mr.~~Ms. BaxterLara has been our and PSW, LLC's Senior Director of ~~Real Estate, Refranchising and Non-Traditional Development~~Franchise Operations in Chicago, Illinois since March 20235. During February 2025, Ms. Lara was between jobs. From May 20224 to March 2023, he served as Director, Real Estate in Chicago, Illinois for us and PSW, LLC. ~~Before joining Potbelly, Mr. Baxter held the position of Vice President of Real Estate Development from November 2019 to May 2022 for Buddy's Rendezvous Pizzeria, LLC in Farmington Hills, Michigan. From September 2018 to November 2019, he served as Director of Real Estate for Urban Plates, LLC in San Diego, California. From February 2018 to September 2018, he served as Vice President of Property and Real Estate Development for Wagamama USA, LLC in New York, New York.~~until January 2025, Ms. Lara served as Head of Franchise Operations for Smalls Sliders Franchising LLC in Atlanta, Georgia. Ms. Lara served as Vice President of Operations for Marco's Franchising, LLC in Toledo, Ohio from August 2020 until May 2024, after having served as Senior Director of Franchise Operations from July 2019 to August 2020, Director, Business Development and Retention from December 2018 until July 2019, and Regional Operations Manager from July 2016 until December 2018.

Director, Market Planning and Analytics: Raymond Scott Phillips

Mr. Phillips has been our and PSW, LLC's Director, Market Planning and Analytics in Chicago, Illinois since April 2024. From February 2024 until April 2024, Mr. Phillips performed some consulting services for Bloomin' Brands, Inc. in Tampa, Florida. From April 2023 until February 2024, Mr. Phillips served as Director of Analytics for Miller's Ale House in Orlando, Florida. From August 2013 until April 2023, he served as Development Analytics Manager for Bloomin' Brands, Inc. in Tampa, Florida.

Director of Franchise Development: David W. Bulger

Mr. Bulger has been our and PSW, LLC's Director of Franchise Development in Chicago, Illinois since June 2023. From September 2020 to May 2023, Mr. Bulger served as Director of Business Development for Doctor's Associates LLC, doing business as Subway, in Milford, Florida. From July 2019 to August 2020, he served as Franchise Developer for American Dairy Queen Corporation in Minneapolis, Minnesota after having served as Director Corporate Development for Dunkin Brands in Canton, Massachusetts from February 2016 to April 2019. From May 2019 to June 2019, he was between positions while residing in Orlando, Florida.

Director of Franchise Development: Todd Owen

Mr. Owen has been our and PSW, LLC's Director of Franchise Development in Chicago, Illinois since October 2023. From January 2022 to October 2023, Mr. Owen managed Alpha Omega Franchising in Cedar Rapids, Iowa. From November 2019 to January 2022, he served as Vice President of Franchise Sales and Development for Eggs Up Grill in Spartanburg, South Carolina. From April 2015 to November 2019, Mr. Owen was the Co-Founder and Managing Partner of Alpha Omega Franchising/My Franchise Hub in Denver, Colorado.

Director of Franchise Development: Maureen Distefano

Ms. Distefano has been our and PSW, LLC's Director of Franchise Development in Chicago, Illinois since April 2024. From April 2023 to April 2024, Ms. Distefano served as Vice President Operations for Stratus Building Solutions in Burbank California. From December 2019 to April 2023, Ms. Distefano served as Vice President US/Canada Operations for GNC, a subsidiary of Harbin Pharmaceutical Group, located in Pittsburgh, Pennsylvania. From August 2018 to December 2019, she served as Vice President for Magnolia Bakery located in New York, New York.

Franchise Business Consultant: Jolynn Nelson

Ms. Nelson has been our and PSW, LLC's Franchise Business Consultant in Chicago, Illinois since May 2022. From December 2018 to May 2022, she served as District Manager in Chicago, Illinois for PSW, LLC.

Franchise Business Consultant: Marco Jacoby

Mr. Jacoby has been our and PSW, LLC's Franchise Business Consultant in Chicago, Illinois since July 2022. From June 2016 to June 2022, he served as Field Training Manager in Dublin, Ohio for Wendy's International.

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**

Initial Fees

You must pay us a \$40,000 initial franchise fee in full when you sign the Franchise Agreement, although we may reduce the initial franchise fee if you qualify for our incentive program described below. Except as described below, the initial franchise fee is not refundable and is uniform as to all franchisees purchasing a franchise for a Potbelly Shop. During our 2023⁴ fiscal year, we received initial franchise fees ranging from \$2¹0,000 to \$40,000 and successor franchise fees ranging from \$5,000 to \$10,000.

Initial franchise fees paid under Franchise Agreements are fully earned when paid and generally are not refundable. However, if you cannot secure and we do not accept your Shop's site within 180 days after you sign the Franchise Agreement, we and you have the right to terminate the Franchise Agreement. ~~Upon termination, we will refund all but \$8,000 of the initial franchise fee if you sign our required form of release of claims. However, if you signed the Franchise Agreement under an SDAA we signed with you (or your affiliate) granting you the right to develop multiple Potbelly Shops and already paid us the full initial franchise fee due for the Shop, we will not refund any portion of that initial franchise fee if we terminate the Franchise Agreement because you fail to find an acceptable site for the Shop within the timeframe required under the Franchise Agreement or the SDAA.~~

Asset Transfer Fee

If you are signing a Franchise Agreement because you are purchasing an existing Potbelly Shop from us or our affiliate, then you must pay us a \$5,000 asset transfer fee on or before you close on the purchase of the Potbelly Shop's assets. This fee is fully earned by us as of the effective date of the Franchise Agreement. During our 2023⁴ fiscal year, we did not receive any asset transfer fees from franchisees.

If you sign an Asset Purchase Agreement because you are purchasing an existing Potbelly Shop from us or our affiliate, you will pay the purchase price for the acquired assets at the time and in the manner specified in the Asset Purchase Agreement. The purchase price will vary based on a variety of factors, including the assets purchased, the location of the Shop, and other factors. The purchase price will be negotiated for each Shop that you purchase from us or our affiliates.

Sublease Security Deposit

In certain limited circumstances, we or our affiliate may agree to sublease the premises of your Shop to you. If we agree to sublease the premises of the Shop to you, we may require you to

pay us a refundable security deposit before you open or begin to operate the Shop. The amount of the security deposit will depend on the monthly rent payable for the premises (which varies significantly based on geographic location, size, local rental rates, businesses in the area, site profile, and other factors) and the location of the premises, which we estimate will be between \$1,900 and \$45,000. During our 2023~~34~~ fiscal year, we did not receive any security deposits from franchisees.

Development Fee

We charge a development fee for you to obtain the right to open multiple Potbelly Shops in a pre-determined area in a specific amount of time under the SDAA. You must pay the development fee in a lump sum when you sign the SDAA. The development fee is non-refundable and fully earned by us as of the effective date of the SDAA. The development fee due when you sign the SDAA equals \$40,000 (the initial franchise fee payable for the first Potbelly Shop) plus an additional \$20,000 for each additional Shop granted under the SDAA. Except as described below, you must pay our then current initial franchise fee for each Shop to be developed less the \$20,000 already paid per the SDAA development fee for each additional Shop. This is due when you sign the Franchise Agreement for each Shop. We and you will determine the number of Shops you must develop and the dates by which you must develop them before signing the SDAA. During our 2023~~34~~ fiscal year, we received development fees ranging from \$40,000 to \$320,000.

Except as described below, no portion of the development fee is refundable under any circumstances. ~~So, if you sign the SDAA, sign one or more Franchise Agreements, pay the development fee, and then cannot find sites for Potbelly Shops or choose not to move forward with the deal for another reason (in which case the SDAA and one or more Franchise Agreements are terminated), we may keep the entire development fee and need not return any money to you. After you pay us the \$20,000 balance of the initial franchise fee due when you sign a Franchise Agreement (for each Franchise Agreement not signed when you sign the SDAA), that \$20,000 is not refundable under any circumstances.~~

50/50 Incentive Program

As noted above and in Item 6, we charge an initial franchise fee of \$40,000 and a royalty fee of 6% of weekly ~~gross sales~~ Total Revenue (as defined in Item 6) for each Franchise Agreement. However, we currently offer the following incentives for existing franchisees currently operating under an SDAA and new franchisees who enter into an SDAA with us during the calendar years ~~2024 and~~ 2025 and 2026 (the “50/50 Incentive Program”):

For any Potbelly Shop you open early or on time in the calendar years ~~2024 and~~ 2025 and 2026 under the SDAA, we will reduce your initial franchise fee for that Potbelly Shop by 50% making the initial franchise fee due for that Shop \$20,000. If you are signing a Franchise Agreement for your 1st Potbelly Shop to be opened under the SDAA and you previously paid us the full initial franchise fee for the first Potbelly Shop when you signed the SDAA, and you have now qualified for the 50/50 Incentive Program, then we will refund to you \$20,000 of the initial franchise fee you paid us for your 1st Potbelly Shop. The initial franchise fee for each remaining Potbelly Shop you do not open early or on time in the calendar years ~~2024 and~~ 2025 and 2026

under the SDAA or you open after 2025⁵⁶ will be our then-current initial franchise fee (currently, \$40,000). The 50/50 Incentive Program also temporarily reduces the royalties payable under the Franchise Agreement and we describe those reductions in Item 6. If at any time during the 50/50 Incentive Program, you are in default under any Franchise Agreement or SDAA, then we may immediately terminate the discounts afforded to you under the 50/50 Incentive Program. In such circumstances, we may require you to pay us the amount discounted on the initial franchise fee and royalties under the 50/50 Incentive Program before the termination of the 50/50 Incentive Program.

Large Area Developer Incentive Program

In addition to the 50/50 Incentive Program described above, we also offer a Large Area Developer Incentive Program to existing franchisees currently operating under an SDAA and to new franchisees who enter into an SDAA with us during the calendar year 2025 (the “LAD Incentive Program”). In order to qualify for the LAD Incentive Program, you must satisfy the following conditions: (i) for new franchisees, you must sign an SDAA during the calendar year 2025 containing a development schedule with a minimum of 15 new Potbelly Shops to be developed in a single defined area within 8 years from the date of the SDAA, (ii) for existing franchisees currently operating under an SDAA, you must not be in breach of the existing SDAA, including your development obligations, and your SDAA must contain a development schedule with a minimum of 15 new Potbelly Shops to be developed in a single defined area within 8 years from the date of the SDAA, and (iii) you (and your affiliates) must be in full compliance with all other agreements with us (and our affiliates). If you qualify for the LAD Incentive Program, then for any Potbelly Shop you open early before the required shop opening date under the development schedule in the SDAA, we will (1) reduce your initial franchise fee for that Potbelly Shop by 50% making the initial franchise fee due for that Shop \$20,000, (2) temporarily reduce the Royalty percentage payable for that Potbelly Shop by 50% for the period that the Potbelly Shop is open and operating early until the required shop opening date under the development schedule in the SDAA, and (3) reduce your development fee under your SDAA by 50% (and for existing franchisees currently operating under an SDAA, the reduction will be for any new Potbelly Shops to be developed after your participation in the LAD Incentive Program). If at any time during the LAD Incentive Program, you (or your affiliate) are in default under any Franchise Agreement, SDAA, or any other agreement with us (or our affiliate), or no longer meet the LAD Incentive Program requirements, then we may immediately terminate the discounts afforded to you under the LAD Incentive Program and you will need to pay the full \$40,000 initial franchise fee for all Potbelly Shops remaining to be opened under your SDAA and pay the entire 6% Royalty percentage for all of your Potbelly Shops opened under your SDAA.

~~Schematic Test Fit~~Architectural Review Fee

~~After our initial review of your proposed site for the Shop, a schematic test fit (a “Test Fit”) must be conducted to determine if our equipment and schematics will fit in the proposed site. We estimate the cost of such Test Fit to be \$1,500. We will cover the expenses for the Test Fit. However, if you conduct the schematic test fit and then you do not secure the site for the Shop, then you must reimburse us for the cost of the Test Fit within 30 days after you fail to secure the site.~~

You are responsible for constructing and developing the Shop. We will give you template plans and drawings (the “Plans”) for a Potbelly Shop’s physical structure, exterior elements, and interior layout. We do not require you to use our approved architect for creating the Plans. However, our approved architect must review and accept the Plans. If you choose to use an architect other than our approved architect, then we may charge you an architectural review fee of \$2,000, which you must pay to us at the time of the review.

Site Investigation Report Fee

Before you sign the lease for the Shop, a site investigation report (“SIR”) must be conducted on the proposed location for your Shop. We estimate the cost of ~~such report~~the SIR to be \$6,500 (plus travel expenses) for a non-drive thru location, but such cost could be as high as \$10,000 (plus travel expenses) for a drive thru location. We will cover the expenses for ~~this report~~the SIR. However, if you do not secure the site for the Shop, then you must reimburse us for the cost of the ~~site investigation report~~SIR (including travel expenses) within 30 days after you fail to secure the site.

Required Purchases from Us or Affiliates

~~Shop Market Introduction Program~~

~~You must spend at least \$25,000 on a Shop market introduction program beginning before and continuing 6 months after your Shop opens. You must send us a written introductory marketing program, showing how you intend to spend this money, 90 days before your Shop opens. At our request, you must pay us the program’s anticipated costs, which we then will spend for you. This payment is not refundable.~~

You currently must buy from PSW, LLC certain items you need to develop and begin operating your Shop, including interior menu boards and signage, interior custom lighting, millwork, artifacts, décor, and custom tabletops. These items are expected to cost a total of \$18,000 to \$42,000. These payments are not refundable. During 2023~~4~~5, franchisees were charged and/or paid between \$59 and \$~~357,85~~61 for these items.

**Item 6
OTHER FEES**

Column 1 Type of fee ¹	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	6% of Shop's weekly ~~Gross-Sales~~ ² <u>Total Revenue</u> ²	Due each Wednesday on ~~Gross-Sales~~ <u>Total Revenue</u> during week ending on preceding Sunday (each week currently runs from Monday through Sunday) ³	" ~~Gross-Sales~~ <u>Total Revenue</u> " means all your revenue from operating Shop (and includes your proceeds from business interruption insurance) but (i) excludes taxes collected from customers and paid to taxing authority, (ii) excludes your revenue from selling or issuing Potbelly gift, loyalty or rewards cards (but your revenue from selling Products to customers using those cards for payment is included in ~~Gross-Sales~~ <u>Total Revenue</u>), and (iii) is reduced by any documented refunds and credits the Shop in good faith gives to customers (if those amounts originally were included in calculating ~~Gross-Sales~~ <u>Total Revenue</u>).
Brand Fund	Currently 3% of Shop's weekly ~~Gross-Sales~~ ⁴ <u>Total Revenue</u> ⁴	Due each Wednesday on ~~Gross-Sales~~ <u>Total Revenue</u> during week ending on preceding Sunday (each week currently runs from Monday through Sunday) ³	We may, upon 90 days' prior notice to you, increase your Brand Fund contribution by up to an additional 1% of the Shop's ~~Gross-Sales~~ <u>Total Revenue</u> (for a total of up to 4% of the Shop's ~~Gross-Sales~~ <u>Total Revenue</u>) Your total required marketing expenditures, including your minimum local marketing spend of 1%, will not exceed 5% of the Shop's ~~Gross-Sales~~ <u>Total Revenue</u> .
Successor Franchise	25% or 12.5% of our then-current initial franchise fee if your successor franchise is for 10 years or 5 years, respectively	When you acquire successor franchise after initial franchise term expires	

Column 1 Type of fee ¹	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Transfer (Controlling Transfers)	20% or 50% of our then-current initial franchise fee depending on whether transferee is an existing Potbelly franchisee	½ due (and non-refundable) when you request transfer approval; balance due before transfer completed	Due if you transfer Franchise Agreement and Shop or your owners transfer controlling ownership interest in you or your owners.
Transfer (Non-Controlling Transfers)	\$500	When you request transfer approval	Due if your owners transfer non-controlling ownership interest in you or your owners.
Transfer (Convenience of Ownership)	\$500	When you request transfer approval	Due if you transfer Franchise Agreement and Shop to entity you or your owners control for convenience of ownership.
Additional Training or “Re-Training”	Up to \$500 per day for each trainer we use to instruct you	When training begins	We provide initial training for up to 3 people at no additional charge at one of our designated company training Shops; we may charge you for training replacements if your original trainees cannot complete training, for training additional or newly-hired personnel, and for supplemental training programs.
Special Assistance	Up to \$500 per day plus out-of-pocket costs and expenses	As incurred	We may charge you for additional or special guidance, assistance, or training that we determine you need or that you request.
Product and Service Purchases	Varies depending on products and services you buy from us or our affiliates	As incurred	You will buy Potbelly Trade Secret Products, Potbelly Branded Products, and other products and services from us, our affiliates, designated and approved vendors whose items meet our standards and specifications and/or other suppliers to the industry. Prices depend on the supplier and item/service involved.

Column 1 Type of fee ¹	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Technology Services Fee	Varies depending on the costs we incur to provide these services. Currently, ~~\$500~~ <u>\$1,061</u> per month plus \$0. ~~15~~ <u>20</u> per OLO (online ordering) transactions	Monthly	Technology fees will be passed through to the franchisee from the franchisor. These ~~services~~<u>fees</u> include ~~Operating and People Systems, Digital Technology, Intranet, Website, and Computer Systems Support and Security~~:-: • <u>IT Fees - \$195</u> • <u>Paytronix Fees - \$108</u> • <u>Ops Systems Fees - \$155</u> • <u>Security and Office365 - \$100</u> • <u>CrunchTime - \$185 + tax</u> • <u>NCR - \$318 + tax</u> We may increase this fee upon notice to you.
Annual Convention	Up to \$1,000	When billed	We may charge this fee for you to attend our annual franchise convention (you also must pay your travel and living expenses); this fee is intended to help cover our convention costs.
Franchisee Advisory Council	Council Assessments	When levied	We have right to enforce payments, which may vary among councils; there currently are no councils.
Testing	Costs of Testing	When billed	This covers the costs of testing new products or inspecting new suppliers you propose; test costs depend on nature of products and supplier location.
Relocation	20% of our then-current initial franchise fee	As incurred	You must pay us a relocation fee if you move to a new site and we are involved in the process.
Rent	Varies	Monthly	If we sublease the premises to you, you must pay rent directly to the landlord or to us, at our discretion. If you pay rent to us, we may charge an amount that is higher than the rent due under the underlying lease.

Column 1 Type of fee ¹	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
~~Sublease-Administrative-Fee~~	~~Up to 1% of the rent you pay use under the sublease~~	~~Monthly~~	~~If we sublease the premises to you, then we may charge you a sublease administrative fee. We may increase this fee upon notice to you.~~
Public Offering	At least \$10,000 plus out-of-pocket expenses	When billed	Due to review your offering materials if you seek to raise money through stock or similar offerings.
Operations Manual	\$500	When billed	Charge for replacement copy or access if your access to Operations Manual is lost or destroyed.

Contingent Fees (typically arise only upon your default)

Column 1 Type of fee ¹	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Audit	Cost of inspection or audit (amount of which depends on circumstances and extent of your non-compliance)	15 days after billing	Due if you do not give us reports, supporting records, or other required information or understate required Royalties or other amounts by more than 2%.
Late Fee	\$100	May be auto debited from your account	Due for each late or dishonored payment.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	May be auto debited from your account	Due on all overdue amounts more than 7 days late.

Column 1	Column 2	Column 3	Column 4
Type of fee ¹	Amount	Due Date	Remarks
Non-Approved Shop Opening	\$5,000 for each day your Shop operates without our approval	May be auto debited from your account	Due if you begin operating Shop before we give our approval.
Management Fee	Manager's then-current daily salary plus direct expenses	As incurred	Due when we (or a third party) manage Shop after Managing Owner's death or disability or after your default or abandonment.
Costs and Attorneys' Fees	Will vary under circumstances and depend on nature of your non-compliance	As incurred	Due when we incur costs and expenses to enforce Franchise Agreement against you, whether or not we begin formal legal proceeding.
Indemnification	Will vary under circumstances and depend on nature of third-party claim	As incurred	You must reimburse us if we are held liable for claims from your Shop's operation or incur costs to defend them (when we are not at fault).
Brand Damages	Will vary under circumstances	As incurred	Due only if you terminate the Franchise Agreement before it expires, in which case you must pay us for all damages, costs and expenses related to the early termination
Maintenance Cost Reimbursement	Out-of-pocket cost reimbursement and our then-current per-day fee	As incurred	You must reimburse our costs for correcting your Shop's sub-standard appearance or condition.
Insurance Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us if we obtain required insurance for you if you fail to obtain or maintain required coverage (your failure is a Franchise Agreement default).

Column 1	Column 2	Column 3	Column 4
Type of fee ¹	Amount	Due Date	Remarks
Customer Complaint Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us if we resolve a customer complaint because you do not do so.
Tax Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse us for any taxes we must pay to a state taxing authority on account of either your operation or your payments to us (except for our income taxes).
De-identification Reimbursement	Out-of-pocket cost reimbursement	As incurred	You must reimburse our costs to de-brand the Shop after the franchise ends if you fail to do so as required.
Re-inspection Fee	Up to \$2,500	As incurred	Due for 2nd and each subsequent follow-up Shop inspection to confirm you have corrected operating deficiencies we have brought to your attention.
Non-Compliance Fee	\$250 per violation	Within 5 days	Due if you deviate from contractual requirement, including System Standard. This compensates us for administrative and management costs, not for our damages due to your default.
Administrative Fee	\$500 per day	As incurred	Upon the occurrence of any event giving rise to our right to terminate the Franchise Agreement, we may, in addition to our other rights, require you to pay us \$500 for each day the condition giving rise to our right to terminate continues to exist to help offset our increased administrative expenses associated with your failure to comply with the terms of the Franchise Agreement.
Test-Fit-Fee	Out-of-pocket cost reimbursement	Within 30 days	Due only if you perform a Test-Fit on a site and you fail to secure that site.
Schematic Investigation Report (SIR) Fee	Out-of-pocket cost reimbursement	Within 30 days	Due only if we perform an SIR on a site and you fail to secure that site.

1/ Except as noted above and except for products and services you must buy from unaffiliated suppliers, all fees are imposed and collected by and payable to us. Except as noted above, all fees currently are uniformly imposed with the exception of the fees discounted under the 50/50 Incentive Program described in Item 5 and fees discounted under a refranchising transaction. No fee is refundable.

2/ Your weekly Royalty percentage is 6% of the Shop's ~~Gross-Sales~~Total Revenue. However, we reserve the right to charge a higher Royalty, to be negotiated with franchisees depending on the circumstances, for Potbelly Shops located in Non-Traditional Venues (if we allow a franchisee to operate in such a location). We do not expect the Royalty to exceed 10% of the Shop's ~~Gross-Sales~~Total Revenue in that setting.

In addition, we currently are offering a 50/50 Incentive Program as described in Item 5 above, under which we will temporarily reduce the royalty fee by 50% for every Potbelly Shop you open early or on time in the calendar years ~~2024 and~~ 2025 and 2026 under the SDAA for a minimum of 1 week but no more than 52 weeks in duration. If at any time during the 50/50 Incentive Program, you are in default under any Franchise Agreement or SDAA, then we may immediately terminate the discounts afforded to you under the 50/50 Incentive Program. In such circumstances, we may require you to pay us the amount discounted on the royalties under the 50/50 Incentive Program before the termination of the 50/50 Incentive Program.

We also are currently offering a LAD Incentive Program, as described in Item 5 above, under which for any Potbelly Shop you open early before the required shop opening date under the development schedule in the SDAA we will temporarily reduce the Royalty percentage payable for that Potbelly Shop by 50% for the period that the Potbelly Shop is open and operating early until the required shop opening date under the development schedule in the SDAA. If at any time during the LAD Incentive Program, you (or your affiliate) are in default under any Franchise Agreement, SDAA, or any other agreement with us (or our affiliate), or no longer meet the LAD Incentive Program requirements, then we may immediately terminate the discounts afforded to you under the LAD Incentive Program and you will need to pay the entire 6% Royalty percentage for all participating Potbelly Shops.

3/ Before your Shop opens, you must sign and deliver documents we require authorizing us to debit your business checking or other bank account automatically for the Royalty, Brand Fund contributions, and other amounts due under the Franchise Agreement or in connection with the Shop's operation, including amounts due for your purchases of Potbelly Trade Secret Products, Potbelly Branded Products, other items, and services from us, our affiliates and/or unaffiliated vendors (the "Electronic Funds Transfer Account" or "EFTA"). We will debit your EFTA for these amounts on their due dates. We may require you to submit payment electronically (and to initiate the electronic payment process) before we prepare for shipment and send you Potbelly Trade Secret Products, Potbelly Branded Products, and other items you order. You must deposit funds

into the EFTA to cover our withdrawals and to report your ~~Gross-Sales~~Total Revenue as we require. We may require payment other than by automatic debit, and you must comply with our payment instructions.

If you do not report the Shop's ~~Gross-Sales~~Total Revenue, we may debit your EFTA for 120% of the last Royalty and other amounts we debited (together with the late fee and interest). If the amounts we debit are less than the amounts you actually owe us, we will debit your EFTA for the balance on the day we specify. If the amounts we debit exceed the amounts you actually owe us, we will credit the excess against the amounts due the following week.

- 4/ Potbelly Shops must engage in, and prepare materials for, various marketing, advertising, customer relationship management, public relations, and brand building and protection activities and programs we deem appropriate to enhance the Potbelly brand (collectively, "Marketing"). You must pay us the Brand Fund contribution when you pay us the Royalty. You also have local Marketing obligations (including area brand cooperatives). Your required Local Marketing Spend will be a minimum of 1% of the Shop's ~~Gross-Sales~~Total Revenue to market and promote your Shop locally. Your total required Marketing contributions will not exceed 5% of the Shop's ~~Gross-Sales~~Total Revenue.

Area Cooperatives, if established (none currently exists), will include Potbelly Shops that we and our affiliates operate in the market area. We have the right to control these Area Cooperatives. Each Potbelly Shop in the Area Cooperative (including Potbelly Shops that we and our affiliates own and operate) will have 1 vote regarding the Area Cooperative's administration contributions, operation, and expenditures. The maximum contribution you may be required to make to the Area Cooperative will not exceed the then-currently designated Local Marketing Spend (currently, 1 % of ~~Gross-Sales~~Total Revenue).

Item 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee (1)	~~\$4~~ <u>20</u> ,000	\$40,000	Lump Sum	Upon signing the Franchise Agreement	Us
Rental of Premises (3 months) (2)	~~\$157,754~~ <u>00</u>	~~\$33,000~~ <u>27,549</u>	As Agreed	As Incurred	Third Parties
<u>Architectural Fees</u>	<u>\$13,500</u>	<u>\$57,560</u>	<u>As Agreed</u>	<u>As Incurred</u>	<u>Third Parties and/or PSW, LLC</u>
Construction (3)	~~\$324~~ <u>50</u> ,000	~~\$60~~ <u>57</u> 0,000	As Agreed	As Incurred	Third Parties

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
~~Leasehold Improvements & Signage (4)~~	~~\$13,000~~ <u>526</u>	~~\$756,386~~ <u>000</u>	As Agreed	As Incurred	Third Parties ~~and PSW, LLC~~
<u>Furniture, Fixtures & Equipment (5)</u>	\$97,000	\$180,085	As Agreed	As Incurred	Third Parties and PSW, LLC
~~Furniture & Fixtures (6)~~ <u>Smallwares</u>	~~\$411,500~~ <u>0</u>	~~\$445,439~~ <u>000</u>	As Agreed	As Incurred	Third Parties and PSW, LLC
Technology (~~7~~ <u>6</u>)	~~\$28,000~~	~~\$594,280~~ <u>665</u>	As Agreed	As Incurred	Third Parties
Training Expenses (~~8~~ <u>7</u>)	~~\$164,200~~ <u>0</u>	~~\$4650,200~~ <u>0</u>	As Agreed	As Incurred	Third Parties
Insurance (12 months) (~~9~~ <u>8</u>)	~~\$24,000~~	~~\$19,2,400~~ <u>0</u>	As Agreed	As Incurred	Third Parties
Professional Fees (~~10~~ <u>9</u>)	~~\$210,000~~	~~\$520,000~~	As Agreed	As Incurred	Third Parties
Business Licenses & Permits (~~11~~ <u>0</u>)	~~\$27950~~	~~\$15,700~~ <u>0</u>	As Agreed	As Incurred	Third Parties
Office Equipment & Supplies (~~12~~ <u>1</u>)	~~\$81,000~~ <u>0</u>	~~\$35,000~~	As Agreed	As Incurred	Third Parties
Market Introduction Program (~~13~~ <u>2</u>)	~~\$2510,000~~	~~\$215,000~~	As Agreed	As Incurred	Third Parties or PSW, LLC
Opening Inventory (~~14~~ <u>3</u>)	~~\$12,000~~ <u>3,698</u>	~~\$1820,000~~	As Agreed	As Incurred	Third Parties
Additional Funds (3 months) (~~15~~ <u>4</u>)	~~\$25,100~~ <u>0</u>	~~\$35100,000~~	As Agreed	As Incurred	Third Parties
Total	~~\$6543,500~~ <u>19</u>	~~\$1,159274,090~~ <u>9</u>			

Explanatory Notes

1. Initial Franchise Fee - The initial franchise fee is \$40,000. No separate initial investment is required when you sign the SDAA. You need only pay the development fee, which equals the full \$40,000 initial franchise fee for the first Potbelly Shop covered by the Franchise Agreement to which the SDAA is attached, plus a \$20,000 deposit for each additional Potbelly Shop to be developed. If you are eligible to participate in the 50/50 Incentive Program, then

for any Potbelly Shop you open early or on time in the calendar years 2025 and 2026 under the SDAA, we will reduce your initial franchise fee for that Potbelly Shop by 50% making the initial franchise fee due for that Shop \$20,000. If you are eligible to participate in the LAD Incentive Program, then for any Potbelly Shop you open early before the required shop opening date under the development schedule in the SDAA, we will reduce your initial franchise fee for that Potbelly Shop by 50% making the initial franchise fee due for that Shop \$20,000.

2. Rental of Premises - A traditional ~~non-Drive-Thru~~ Potbelly Shop occupies approximately 1,800 to 2,200 square feet of leased space in a strip shopping center, enclosed shopping mall, lifestyle center, or similar location. The preferred trade area is a metropolitan market with a large working population or a densely-populated suburb. The site should be close to daytime traffic drivers (for example, dense urban office neighborhoods, suburban office parks or corporate campuses, and large entertainment, hospital, or transportation complexes). Estimated cost per square foot depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors and could be considerably higher in large metropolitan areas, but is estimated at between \$35 to \$60 per square foot. Your landlord likely will require you to pay a security deposit equal to one month's rent.

Potbelly Shops which opened during our 2024 fiscal year, occupied between 1,500 to 3,079 square feet. The cost per square foot ranged between \$34 to \$58 per square foot with the average cost per square foot equaling \$44 (with a median of \$43).

We anticipate that you will rent your Shop's premises. However, if you choose to buy, rather than rent, real estate on which a building suitable for the Shop already is or could be constructed, real estate purchase costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. We and our affiliates have no experience purchasing real estate for Potbelly Shops; this Item 7 therefore does not address that possibility.

~~Our experience with the Drive-Thru format is limited.~~ Drive Thru locations require larger premises, roughly 2,000 to 2,200 square feet of space in an out-lot, resulting in additional construction, equipment, labor, and technology investments. ~~This Item 7 therefore does not address that possibility.~~

3. Construction – For a traditional ~~non-Drive-Thru~~ Potbelly Shop, you will improve ~~ana~~ 1,87500 to 2,200 square foot property, with an estimated average cost of \$200 ~~per square foot, for a Drive-Thru Potbelly Shop your estimated average increases to \$250~~8 per square foot. These numbers include the costs of general contractors and licensed tradesmen to install electrical and plumbing and do not consider any landlord contribution. The amounts could differ if your Shop's construction design exceeds our criteria or if the costs of construction materials and labor used in a particular geographic region differ from the estimated cost range, especially if in a large metropolitan area. We assume that leased premises will have the following pre-build-out attributes: permanent and/or non-support walls; base concrete floor; exposed ceiling; utilities; and HVAC system. Your investment could be substantially higher if you decide to lease space in an enclosed mall or similar high-rent facility.

If you acquire an existing Potbelly Shop from us, we may require you to remodel the Potbelly Shop to our specifications and under the timeline that we prescribe. Typically, if we determine that you must remodel the Shop, we will require that you do so within the time period we designate after you have signed the Franchise Agreement for the Shop. Under these circumstances, your investment will depend on the extent of the remodeling that will be required to bring the Shop in compliance with our specifications and the amount of such remodeling costs and associated materials.

~~The low-end investment costs reflected in the table above for construction are based on a traditional franchised Potbelly Shops opening in 2022. No traditional franchised Potbelly Shops opened in 2023.~~

Potbelly Shops which opened during our 2024 fiscal year (reflected above) had construction costs per square foot ranging between \$100 to \$235 per square foot, with the average cost per square foot equal to \$158 (with a median of \$143).

4. ~~Leasehold Improvements and~~ Signage – This refers to the exterior signage, and interior décor ~~and music and speakers.~~

~~The low-end investment costs reflected in the table above for Leasehold Improvements and Signage are based on a traditional franchised Potbelly Shops opening in 2022. No traditional franchised Potbelly Shops opened in 2023.~~

5. Furniture, Fixtures and Equipment - This includes refrigerators, freezers, conveyor ovens, preparation tables, and other kitchen items as well as beverage machines ~~and~~, floor safe ~~as listed in our Operations Manual.~~

~~The low-end investment costs reflected in the table above for equipment are based on a traditional franchised Potbelly Shop opening in 2022. No traditional franchised Potbelly Shops opened in 2023.~~

~~6. Furniture and Fixtures—This includes~~ customer tables, chairs, booths, shelving and cabinets and other interior and exterior furniture items as listed in our Operations Manual.

~~The low-end investment costs reflected in the table above for construction are based on a traditional franchised Potbelly Shop opening in 2022. No traditional franchised Potbelly Shops opened in 2023.~~

6. ~~7.~~ Technology - This estimate includes back-of-the-house computer and software, POS terminals and initial Payment Card Industry (PCI) Data Security Standard compliance costs.

~~The low-end investment costs reflected in the table above for construction are based on a traditional franchise opening in 2022. No traditional franchised Potbelly Shops opened in 2023.~~

7. ~~8.~~ Training Expenses – This includes travel and living expenses for ~~you or your~~the Managing Owner, ~~your Operator, and/or your General Manager~~ to attend our training program. Our training program includes a 6-week in-store training ~~with one operator~~

~~and one General Manager. Our training program will be held at a designated training restaurant which also serves as an operable corporate Potbelly Shop. Our Training Department will do its best to match you with a training facility close to your home.~~

certified training location we designate. The Managing Owner ~~One of your owners~~ must also attend a 4-day owner training course at a designated training Potbelly Shop in Chicago, Illinois.

~~The estimated cost includes travel and living expenses for a minimum of one person (the Operator who will also be the designated General Manager of the Shop) for 7 weeks (the training program plus the owner course) and a maximum of 3 persons (the owner, the Operator and the General Manager), in which the owner's travel would include 4 days and the Operator and General Manager travel would include 6 weeks.~~

If this is not your first Potbelly Shop, your training expenses may be less than what is listed in this estimate.

8. ~~9.~~ Insurance - You must obtain and maintain certain types and amounts of insurance coverage. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, ~~gross sales~~ Total Revenue, number of employees, square footage, location, business contents, and other factors affecting risk exposure. The estimate contemplates insurance costs for 12 months. You should check with your insurance agent regarding any additional insurance you might wish to obtain above our stated minimums.

9. ~~10.~~ Professional Fees - This estimates the costs of professional advisors (like an attorney and accountant) for the initial review and advice consistent with the start-up of a franchised business. We strongly recommend that you seek professional assistance when evaluating this franchise opportunity and our franchise documents. Your professional advisors also should review any lease, sublease or other contracts you sign for your Shop.

10. ~~11.~~ Business Licenses and Permits – You must obtain business and health licenses for the operation of your Shop. Other considerations include zoning, electrical, plumbing, fire inspection, fictitious name, occupations, and various other licenses or permits. You should consult the appropriate governmental authority concerning such licenses and/or permits and the associated expenses for your Shop before signing a franchise agreement.

11. ~~12.~~ Office Equipment and Supplies – This may include, in addition to other items, filing cabinets and related office equipment and supplies you need in order to operate your Shop. The cost of the manager desk and shelving has already been included under “Furniture and Fixtures.”

12. ~~13.~~ Market Introduction Program - This is the amount you must spend (depending on your market) for an initial marketing and advertising program beginning before and continuing ~~6 months~~ for 90 days after your Shop opens for business. We will help you develop the market introduction program. ~~You must send us a written introductory marketing program showing how you intend to spend this money 90 days before your Shop opens.~~

~~13.~~ **14.** Opening Inventory – You must purchase an opening inventory as described in our Operations Manual.

~~14.~~ **15.** Additional Funds (3 Months) - This estimates the funds needed to cover your initial expenses for the first 3 months of operation (besides the items identified separately in the table). It includes payroll costs but not any owner's draw or salary. Your costs will depend on how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and your Shop's sales during the initial period. We relied on our affiliates' approximately 23 years of experience developing and operating Potbelly Shops to compile this Additional Funds estimate.

You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment.

If you purchase an existing Potbelly Shop from us or our affiliate, then the estimated initial investment (excluding the purchase price of the acquired assets) will differ from the estimate provided in the tables above. The purchase price will vary based on a variety of factors, including the assets purchased, the location of the Shop, and other factors. You will still have costs related to any necessary permits, licenses, lease deposits, utilities, training and insurance. These costs will vary depending on the condition of the Restaurant(s) that you purchase

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Shop according to our System Standards. System Standards may regulate, among other things, types, models, and brands of fixtures, furniture, furnishings, signs, vehicles (if we require or allow you to provide delivery and catering services from your Shop), and equipment (including required computer, point-of-sale, and other electronic information systems and all equipment components and software necessary for you to accept and process our gift, loyalty, and reward cards and participate in our gift card, customer loyalty, rewards, affinity, and similar programs) (collectively, "Operating Assets"); Potbelly Trade Secret Products, Potbelly Branded Products, and other food and beverage products and supplies; required and/or authorized Products, Potbelly Trade Secret Products, Potbelly Branded Products, and services; unauthorized and prohibited food and beverage products and services; inventory requirements; and designated and approved suppliers of Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, third party delivery services, and other items and services. As described in more detail below, there are certain key products critical to our menu and brand that you must buy according to our exact specifications from specific vendors; other products for which the specification is important but which you may purchase from any source selling that product; and a final group of products where only the functional name or use is important and which you may purchase as stock or standard items from any vendors you choose.

System Standards and Specifications

To maintain the quality of the Products that Potbelly Shops sell and our system's reputation, we may condition your right to buy or lease Operating Assets, inventory and other items, and services (besides those described above that you may obtain only from us, our

affiliates and/or other specified exclusive sources) on their meeting our minimum standards and specifications and/or being acquired from suppliers we approve. We will issue and modify standards and specifications based on our, our affiliates', and our franchisees' experience in operating Potbelly Shops. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our Operations Manual or other communications will identify our standards and specifications for you and (where appropriate) suppliers or only for suppliers (in the latter case where, for example, we give our standards and/or specifications to a supplier under a confidentiality agreement). There might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier.

System Standards may cover terms and conditions of the sale and delivery of, and terms and methods of payment for, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and services you obtain from us and affiliated and unaffiliated suppliers. This includes our and our affiliates' right to establish an electronic product ordering system and require your payment electronically before we prepare for shipment and send you Potbelly Trade Secret Products, Potbelly Branded Products, and other items you order. We and our affiliates have the right not to sell you any Potbelly Trade Secret Products, Potbelly Branded Products, or other items and not to provide you with services, or to do so only on a "cash-on-delivery" or other basis, if you are in default (but have not cured the default when required after written notice). You may not use any unapproved products as replacements.

Approved Suppliers

In the case of Potbelly Trade Secret Products and Potbelly Branded Products, suppliers will be limited to us, our affiliates and/or other specified exclusive sources, meaning that you must buy those items during the franchise term only from us, our affiliates and/or the other specified exclusive sources at the prices we or they decide to charge. We restrict these items' sources to protect trade secrets and other intellectual property rights, assure quality, assure a reliable supply of products meeting our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.

In the case of Operating Assets, services, and items other than Potbelly Trade Secret Products and Potbelly Branded Products, suppliers may at our option be limited to us, our affiliates and/or other specified exclusive sources, in which case you must (at our direction) buy those Operating Assets, other items, and services (including gift, loyalty, rewards, and affinity card processing services, quality assurance services, music network services, "mystery" and "secret" shopper services, and consumer satisfaction survey processes) during the franchise term only from us, our affiliates and/or the other specified exclusive sources at the prices we or they decide to charge. We have the absolute right to limit the suppliers with whom you may deal.

You currently must buy certain meats, cheeses, bread, produce, ready-to-bake items, soups, sauces, canned/jarred items, condiments, dry foods, beverages, and packaging from unaffiliated designated sources.

You also currently must use our designated, unaffiliated vendors of gift, loyalty, rewards, and affinity card processing services, mobile app services, quality assurance services, and music

network services and, during the Shop's first year of operation, a designated, unaffiliated accounting service to ensure your compliant preparation of required reports and financial statements.

We will identify all designated and approved suppliers in the Operations Manual or other written or electronic communications.

Purchases from Us

PSW, LLC currently is the only supplier of certain interior menu boards and signage, interior custom lighting, artifacts and décor, and tabletops and bases.

We and PSW, LLC are approved (but not the only) suppliers of certain computer support services and advertising, marketing, promotional, and customer relationship management materials.

We and PSW, LLC are not designated or approved suppliers of any other items. Certain officers of ours indirectly own (through ownership interests in our ultimate public parent company, Potbelly Corporation) an interest in PSW, LLC, our affiliate, which is the designated or approved supplier of the items identified above. However, our officers currently do not own an interest in any unaffiliated suppliers.

PCI Compliance

You must maintain Payment Card Industry (PCI) compliance at all times by meeting all the requirements defined by the current Payment Card Industry Data Security Standard (PCI DSS). You also must send us, at a minimum, your annual Attestation of Compliance (AOC) demonstrating that you have completed all necessary action to be PCI compliant. You also currently must use an approved, unaffiliated vendor of PCI DSS services from our approved vendor list. We recommend that you use our preferred vendor for this service.

Delivery and Catering Services

We may require you to offer delivery and catering services from your Shop. If we require or allow you to offer delivery and/or catering services, you must comply with all System Standards for such activities, including making available the products identified as appropriate for delivery (and only those designated products), using only the delivery service provider(s) we specify in writing for your Shop, and limiting the delivery services to any delivery area we specify to you in writing.

Revenues from Required Purchases

We and our affiliates may receive revenues from required purchases and leases of products and services by franchisees. Any purchases from us and our affiliates, whether required or voluntary, generally will be at prices exceeding our costs so that we can make a profit (plus applicable taxes and shipping charges) (specific pricing depends on the particular item/service involved). Payments also may be collected by approved suppliers or distribution centers on behalf of the system and paid to us. Our intention is to use revenues collected from franchisee

and company-owned Potbelly Shop purchases of products and services to offset expenses we incur in administering system-wide programs such as people, guest and operations programs, promotional and price management tools, supply chain programs, brand protection (including quality assurance and food safety) programs and research and development. However, we may earn a profit from franchisees' required purchases and leases of products and services. Except as provided above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Shop that you currently must buy or lease from us (or an affiliate) or designated suppliers.

Change of Suppliers

If we institute any restrictive sourcing program and you want to buy any product brand, ingredient, supply, or service we have not yet approved as meeting our minimum standards and specifications or to buy from a supplier we have not yet approved or designated, you first must notify us and, if requested, send samples and other information we require to determine whether the item, service, or supplier meets our standards and specifications. We may charge you or the supplier a reasonable testing or inspection fee and will decide within 6 months. We periodically will establish procedures for your requests and may limit the number of approved items, services and/or suppliers as we think best. We need not, and have no intent to, approve any of your requests if we already have designated specific items, services and/or suppliers or otherwise have restricted the supply system. We believe it is best to have a limited number of suppliers.

Supplier approval might depend on product safety, quality and sanitation processes, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service and/or a supplier's willingness to pay us, our affiliates and/or our system to do business with our system. We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with us, our affiliates, you, and other franchisees and to use all amounts received without restriction for any purposes we and our affiliates deem appropriate (unless we and our affiliates agree otherwise with the supplier). Supplier approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure the supplier meets our standards and, as noted above, charge you or the supplier a reasonable inspection fee. If it does not, we may revoke our approval by notifying the supplier and you in writing.

Insurance

Besides these purchases and leases, you must obtain and maintain at your own expense insurance coverage of the types and in the minimum amounts we require and any other insurance coverage that might be required by your state, city or municipality. Such insurance must be obtained from reputable insurers having an A.M. Best rating of A- VII or better. Although we might want more or different types of coverage in the future, required coverage currently includes commercial general liability insurance of \$1 million per occurrence and \$2 million in the aggregate, including \$300,000 in coverage for fire legal liability (if a leased premises). Coverage must be primary and non-contributory to any other coverage we have, provide waiver of subrogation and there should be at least \$1 million for personal and advertising injury; \$1 million in automobile liability covering all owned (if any), non-owned, and hired vehicles;

umbrella liability insurance of at least \$2 million per occurrence; employment practices liability of at least \$1,000,000, including third-party liability and endorsement naming us as Additional Insured; statutory workers' compensation insurance the law requires, including employer's liability for at least \$1 million; property insurance for the replacement cost of your leasehold improvements, equipment, and business personal property; business income and extra expense coverage for not less than 6 months of sales; employee dishonesty insurance of at least \$25,000 and any other insurance required by your lender or landlord; and cyber-security insurance of at least \$1 million limit and PCI Fines and Penalties sub-limit of \$500,000. The commercial general liability, auto liability, and umbrella liability insurance must name us and our affiliates as additional insured parties for claims arising from your Shop's operation. You must send us a certificate that provides evidence of your insurance before you begin operations or when you sign a lease or sublease and every year afterward at least 10 days before the renewal or anytime we so request. The certificate should show that your liability insurance company will give us at least 30 days' prior written notice of the coverage's cancellation. If you do not send us a certificate of insurance complying with our requirements, we have the right but no obligation to buy the coverage for you and charge you the premium and any administrative fee that might be due (for which you must reimburse us immediately).

Marketing Materials

Before you use them, you must send us or our designated agency for pre-approval samples of all advertising, promotional, and marketing materials we have not prepared or approved within the previous year. If you do not receive written disapproval within 15 days after we or our designated agency receives the materials, they are deemed to be disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. You must stop using any previously approved materials within 30 days after we notify you that they no longer may be used.

Shop Site and Lease

We must accept the Shop's proposed site in writing before you may sign any purchase agreement, lease, sublease, or other occupancy document for the site. We have the right to accept or reject the terms (including lease payments or purchase price) of any lease, sublease or purchase agreement for the site (the "Real Estate Agreement") before you sign it. You must send us for review and comment a copy of the proposed final form of Real Estate Agreement before you sign it. We also may request, and you must send us, for review and comment earlier drafts of the proposed Real Estate Agreement. ~~You may not sign the Real Estate Agreement unless and until we have reviewed and accepted its final form and notified you in writing that you may sign it.~~

The Real Estate Agreement must contain the terms and provisions we reasonably require. If you lease the site, we may require that (i) the lease be collaterally assigned to us (with the lessor's prior written consent) by a lease rider and/or collateral assignment agreement in form and substance reasonably acceptable to us in order to secure your performance of every liability and obligation to us under our Franchise Agreement, and (ii) the lease contain the provisions we require for site leases for Potbelly Shops, including our right to the Shop's site if the franchise is terminated or you lose possession (see Exhibit E).

If we agree to sublease the premise of the Shop to you, you must pay the rent under the sublease to us or the landlord of the premises (at our option) along with the related occupancy costs which include property taxes, insurance, maintenance and structural repairs. If we require you to pay rent to us, we may charge an amount that is higher than the rent due under the underlying lease. We may derive revenue from this subleasing arrangement as described in Item 6.

The SDAA does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items. You must give us information and materials we request concerning each site at which you propose to operate a Potbelly Shop so we can assess that site.

You are responsible for constructing and developing the Shop. We will give you ~~template plans and drawings (“Plans”)~~ for a Potbelly Shop’s physical structure, exterior elements, and interior layout. The plans will include mandatory and suggested standards and specifications for, among other things, size, dimensions, design, image, decor, Operating Assets, and color scheme. However, the Plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for disabled persons. We do not require you to use our approved architect for creating the Plans. However, our approved architect must review and accept the Plans. If you choose to use an architect other than our approved architect, then we may charge you an architectural review fee of \$2,000, which you must pay to us at the time of the review.

You must prepare, using our approved architectural and design services vendor, a site survey and all required construction plans and specifications to suit the site and make sure they comply with our requirements, the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. You must send us for review and acceptance your Plans, site survey and construction plans and specifications before you either submit them for permitting or begin constructing the Shop and all revised or “as built” plans and specifications during construction. Our review is only to ensure your compliance with our design and layout requirements.

You must identify for us your proposed general contractor before the Shop construction process begins. The general contractor must have sufficient experience (in our opinion) constructing similar types of commercial restaurant properties. ~~We must accept your proposed general contractor in writing before you hire it for the Shop’s construction. You may not hire any general contractor we reject.~~ You are responsible for the performance of architects, contractors, and subcontractors you hire to construct, develop, and maintain the Shop and for ensuring that sufficient insurance coverage is in place during the construction process.

Customer Loyalty Programs

You must issue and honor/redeem gift certificates, coupons, and gift, loyalty, rewards, and affinity cards for Potbelly Shops and participate in, and comply with the requirements of, our gift card and other customer loyalty, affinity, rewards, and similar programs.

Payments Received

Collectively, the purchases and leases described above are virtually 100% of your overall purchases and leases to establish and operate the Shop. The Potbelly ~~S~~system currently receives payments from certain beverage and food vendors based on volumes of fountain syrup, bottles/cans of soft drinks and water, chips, bread and some meats purchased for Potbelly Shops. The amounts paid depend on total Potbelly Ssystem purchase volumes of each type but range from 0% to 10% or a fixed amount based on each case purchased. The amounts the Potbelly ~~S~~system received during our 20234 fiscal year took into account the total purchases made by franchisees during our 20234 fiscal year. We and our affiliates otherwise currently do not receive any payments from suppliers on account of their actual or prospective dealings with you (although we have the right to do so, as noted above). During our 20234 fiscal year, we did not receive any revenue from selling or leasing products or services to our franchisees. However, one of our affiliates received a total of ~~\$97,943.73~~958,617.29 during our 20234 fiscal year from selling or leasing products and services to our franchisees. This information is taken from our affiliate's internal financial records.

Cooperatives

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements (including price terms) with suppliers of site selection location services; gift, loyalty, rewards, and affinity card processing services; quality assurance services; music network services; various food products and ingredients; and packaging. In doing so, we and our affiliates seek to promote affiliate owned Potbelly Shops (for which our affiliates have negotiated these arrangements for many years), our interests as the franchisor, and the franchise system's overall interests (and not for any particular franchisee's benefit). We do not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

Item 9 **FRANCHISEE'S OBLIGATIONS**

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	2.A of Franchise Agreement, Lease Rider/Collateral Assignment of Lease, and Exhibit A of SDAA	7, 8, 11, and 12
b. Pre-opening purchases/leases	2.B, C, D, and E and 8.A of Franchise Agreement and Lease Rider/Collateral Assignment of Lease; Not applicable to SDAA	5, 7, 8, and 11

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
c. Site development and other pre-opening requirements	2 of Franchise Agreement; Not applicable to SDAA	7, 8, and 11
d. Initial and ongoing training	1.C(5) and 4.A and B of Franchise Agreement; Not applicable to SDAA	6, 7, and 11
e. Opening	2.F of Franchise Agreement; Not applicable to SDAA	11 and 17
f. Fees	2.D, E, and F, 3, 4.A and B, 8.A(1), 8.A(4), 8.A(5), 8.A(16), 8.A(17), 8.A(20), 8.A (last paragraph), 9, 11, 12.C(7), 12.E(2), 12.H, 13.A, 14.C, 16.D, and 17.C of Franchise Agreement and 3 of SDAA	5, 6, and 7
g. Compliance with standards and policies/operating manual	1.A(4), 4.B and C, and 8 of Franchise Agreement; 2 of SDAA	8 and 11
h. Trademarks and proprietary information	2.E, 5, 6, and 9.E and F of Franchise Agreement; 6.01 of SDAA	11, 13, and 14
i. Restrictions on products/services offered	1.D and 8.A of Franchise Agreement; Not applicable to SDAA	8, 11, 12, and 16
j. Warranty and customer service requirements	8.A(16) of Franchise Agreement; Not applicable to SDAA	Not Applicable
k. Territorial development and sales quotas	2.04 of SDAA	12
l. On-going product/service purchases	2.D and E and 8 of Franchise Agreement; Not applicable to SDAA	6 and 8
m. Maintenance, appearance, and remodeling requirements	8, 12.C(11), and 13.A of Franchise Agreement; Not applicable to SDAA	8, 11, and 17
n. Insurance	8.A(20) of Franchise Agreement; Not applicable to SDAA	7 and 8
o. Advertising	9 of Franchise Agreement; Not applicable to SDAA	5, 6, 7, 8, and 11
p. Indemnification	16.D of Franchise Agreement; 5.02 of SDAA	6

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
q. Owner's participation/ management/staffing	1.C(4) and (5), 4.A, and 8.A(12) of Franchise Agreement; Not applicable to SDAA	11 and 15
r. Records and reports	10 of Franchise Agreement; Not applicable to SDAA	Not Applicable
s. Inspections and audits	11 of Franchise Agreement; Not applicable to SDAA	6 and 11
t. Transfer	12 of Franchise Agreement and 7 of SDAA	17
u. Renewal	13 of Franchise Agreement; Not applicable to SDAA	17
v. Post-termination obligations	15 of Franchise Agreement; 9 of SDAA	17
w. Non-competition covenants	7, 12.C(12), 12.G, and 15.D of Franchise Agreement and Principal's Agreement; 6.02 and 9.02 of SDAA	15 and 17
x. Dispute resolution	17.F, G, H, I, and K of Franchise Agreement; Section 10 of SDAA	17
y. Compliance with Anti-Terrorism Laws	19 of Franchise Agreement; 10.18 of SDAA	17
z. Participation in gift card and customer loyalty, rewards, and affinity programs	8.A(11) of Franchise Agreement; Not applicable to SDAA	8 and 11

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.

Before you begin operating the Shop, we will:

1. Give you our site selection criteria for the Shop, covering demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of nearby businesses; other commercial characteristics; and size, appearance, and other physical characteristics. We must accept the Shop's proposed site in writing before you may sign any purchase agreement, lease, sublease, or other occupancy document for the site. We will accept or reject your proposed site within 30 days after receiving the completed site report and other materials we request. While we may visit your area to see your proposed site(s), but we will not conduct site selection activities for you. We will not unreasonably withhold acceptance of a site meeting our criteria. If we sign the Franchise Agreement and you have not yet located the Shop's site, you must secure a suitable site within 180 days after signing the Franchise Agreement. We may terminate the Franchise Agreement if you do not find a suitable site within the required timeframe. ~~We will refund a portion of your initial franchise fee unless the Franchise Agreement was signed under an SDAA.~~ (Franchise Agreement – Sections 2.A and 2.B)
2. Under the SDAA, designate a specific number of Shops you may develop and open at acceptable locations within your development area. If we accept a proposed site, you must within the time period we specify sign a separate franchise agreement (and related documents) for that Potbelly Shop (on our then-current forms) and pay us the remaining portion of the initial franchise fee due. (This applies for Shops you commit to develop under the SDAA after the 1st Shop, as you will sign the Franchise Agreement for the 1st Shop when you sign the SDAA). If you fail to do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site. If you do not find acceptable sites and therefore do not comply with the development schedule under the SDAA, we may terminate the SDAA (SDAA – Section 8.A). The development fee is not refundable. (SDAA – Section, 2, 4 and 6) We will accept the proposed locations of your additional Shops only if they meet our then-current standards for Shop sites.
3. Give you template plans and drawings for a Potbelly Shop's physical structure, exterior elements, and interior layout, including mandatory and suggested standards and specifications for size, dimensions, design, image, decor, Operating Assets, and color scheme. (Franchise Agreement – Section 2.C.)
4. Identify the Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items you must use to construct, develop, and operate the Shop, the minimum standards and specifications you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease items and services (which may be limited to and/or include us, our affiliates and/or other specified exclusive sources). (Franchise Agreement – Sections 2.C., 2.D., 2.E., and 8.A.)
5. Give you access during the franchise term to our Operations Manual (currently consisting of 62866 total pages), the current table of contents of which is Exhibit F. (Franchise Agreement – Section 4.C.)
6. Support you in developing your Shop's market introduction program, conducted at your own expense. (Franchise Agreement – Section 9.A.)

7. Train ~~your~~the Managing Owner ~~(or Operator, as applicable), and/or your General Manager.~~ (Franchise Agreement – Section 4.A.) We describe this training later in this Item.

During your operation of the Shop, we will:

1. If this is your first Shop, send an “opening team” to the Shop for at least 5 days but potentially up to 12 days to assist with the grand opening process (typically starting before and continuing after opening) and to help train your supervisory employees on our philosophy and System Standards and not matters relating to labor relations and employment practices. (If this is your second or subsequent Shop, we need not provide our full opening team on-site assistance because you already will have experience operating a Potbelly Shop.) (Franchise Agreement – Section 4.A.(1))
2. Advise you regarding the Shop’s operation based on your reports or our evaluations and inspections. We also may guide you on standards, specifications, and operating procedures and methods that Potbelly Shops use; purchasing required and authorized Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and arranging for their distribution to you; advertising and marketing materials and programs; supervisory employee training; and administrative, bookkeeping, accounting, and inventory control procedures. We may guide you in our Operations Manual, bulletins, or other written materials; by Electronic Media and Intranets; by telephone consultation; and/or at our office or the Shop. “Electronic Media” means the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, and materials (such as CD ROMs and USB data storage devices) facilitating the electronic communication of information. An “Intranet” means an internal network we design and administer for the Potbelly system through which the system’s members may communicate with each other and through which we circulate updates to the Operations Manual and other confidential information. (Franchise Agreement – Section 4.B.)
3. Give you, at your request (and our option) or if we deem necessary, additional or special guidance, assistance, and training (excluding training relating to labor relations and employment practices). (Franchise Agreement – Section 4.B.)
4. Continue to give you access to the Operations Manual, which may consist of and is defined to include audio, video, computer software, other electronic media and/or written and other tangible materials. The media and materials comprising the Operations Manual contain mandatory standards, specifications, operating procedures, and rules (“System Standards”) and information on your other obligations under the Franchise Agreement. We periodically may modify the substance of the Operations Manual to reflect changes in System Standards and your other operating requirements. (Franchise Agreement – Sections 4.C. and 8)
5. Issue and modify System Standards for Potbelly Shops. We periodically may modify System Standards, which may accommodate regional or local variations, and these

modifications may require you to invest additional capital in the Shop and/or incur higher operating costs. (Franchise Agreement – Section 8)

6. Inspect the Shop and observe its operation to help you comply with the Franchise Agreement and all System Standards. (Franchise Agreement – Section 11.A.)
7. Let you use confidential information. (Franchise Agreement – Section 6)
8. Let you use the Marks. (Franchise Agreement – Section 5)
9. Periodically offer refresher training courses. (Franchise Agreement – Section 4.A.)
10. Maintain and administer a Brand Fund for marketing, advertising, customer relationship management (“CRM”), public relations, and brand building and protection activities and programs we deem appropriate to enhance the Potbelly brand (collectively, “Marketing”). (Franchise Agreement – Section 9.B.)
11. To the extent allowed by applicable law, we may regulate the minimum, maximum, and other prices for the Shop’s products, including restrictions on your use of coupons and other product price discounting practices. (Franchise Agreement – Section 8.A.)

Shop Market Introduction Program

You must conduct a Potbelly Shop market introduction program for your Shop that is in compliance with our guidelines beginning before and continuing for 90 days after the Shop opens for business. We will calculate your required spend under the program based on the market type i.e., (i) an existing market (defined as a market containing at least 5 Potbelly Shops at the time your Shop opens) must spend at least \$10,000; and (ii) a new market (defined as a market containing 4 or less Potbelly Shops at time your Shop opens) must spend at least \$15,000. We will work with you to create an approved opening plan as well as provide support for any additional marketing opportunities that we approve in writing. We will provide you with a spending tracker for the market introduction program to complete and submit to us within 90 days after your Shop opens.

Brand Fund (the “Brand Fund”)

Recognizing the value of advertising and marketing to the goodwill and public image of Potbelly Shops, you must contribute to the Brand Fund the amounts that we periodically require. You currently must contribute to the Brand Fund 3% of the Shop’s weekly ~~Gross Sales~~Total Revenue. We may, upon 90 days’ prior notice to you, increase your required Brand Fund contribution by up to an additional 1% of the Shop’s ~~Gross Sales~~Total Revenue for a total of up to 4% of the Shop’s ~~Gross Sales~~Total Revenue. (Your total required marketing expenditures, including the required minimum Local Marketing Spend and required Area Cooperative expenditures (described below) will not exceed a total of 5% of the Shop’s ~~Gross Sales~~Total Revenue.) Potbelly Shops that we and our affiliates own are not contractually obligated to

contribute to the Brand Fund. However, affiliate-owned Potbelly Shops currently intend to contribute to the Brand Fund on the same percentage basis as franchisees.

We direct all Marketing that the Brand Fund finances, with sole control over the creative concepts, graphics, materials, media, and endorsements used and their geographic, market, and media placement and allocation. We may designate a separate entity as we deem appropriate in our sole discretion to operate and administer the Brand Fund. Any such entity will have all of the rights and duties as described below. The Brand Fund may pay for creating, preparing, and producing marketing, advertising and public relations materials and concepts; developing, implementing, operating, and maintaining a System Website, an Intranet, and/or related strategies; and administering national, regional, multi-regional, and local Marketing, including purchasing advertising (including digital media/marketing), conducting research, using agencies and other advisors to provide assistance, and supporting public relations, market research, and other advertising, promotion, and marketing activities. We have the right to collect for deposit into the Brand Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Potbelly Shops and with whom we have agreed that we will so deposit these allowances. (These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes, and which we and our affiliates therefore may use for any purposes we and they deem appropriate. The Brand Fund may advertise locally, regionally, or elsewhere in printed materials, on radio or television, on the Internet, on billboards, and on transit media, whatever we think best. We and/or an outside regional advertising agency will produce all Marketing. During our 2023~~34~~ fiscal year, ~~76~~65.35% of Brand Fund expenditures were spent on media placement, ~~11~~9.2% on production expenses, ~~7~~8.8% for general and administrative expenses, 4.3% on marketing technology platforms and the remaining 42.92% was spent on “other” which included ~~2.4% for~~customer research and gift cards ~~and 2.5% for market research.~~

We will account for the Brand Fund separately from our other monies (although we need not keep Brand Fund contributions in a separate bank account) and not use the Brand Fund for our general operating expenses. However, we may use the Brand Fund to pay for expenses we incur in activities reasonably related to directing the Brand Fund and its programs, including conducting market research, public relations, creating, preparing, and producing advertising, promotion, CRM, graphic design, and marketing materials, collecting and accounting for Brand Fund contributions, and taxes we must pay on Brand Fund contributions we receive; reasonable salaries and benefits of personnel who manage and administer the Brand Fund; a management fee for us (or an affiliate); the Brand Fund’s other administrative costs; travel expenses of personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and franchisee conferences.

The Brand Fund is not our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund contributions for the contributors’ benefit and use contributions only for the purposes described above. We have no fiduciary obligation to you for administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or PSW, LLC (paying reasonable interest) to cover deficits, pay back outstanding principal amounts borrowed in prior years from us or third parties, or invest any surplus for future use. If we spend less than the total of all Brand Fund contributions received during any fiscal year, we may accumulate the sums for use

in later years. We will use interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. At the end of our fiscal year, we will determine whether there are unused Brand Fund contributions and, if so, either roll over those unused contributions for use during the following fiscal year or return those unused contributions to the Brand Fund's contributors in proportion to their respective contributions during the preceding fiscal year. We do not expect to use any of the Brand Fund specifically to develop materials and programs to solicit franchisees. However, media, materials, and programs, including the System Website, prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We will prepare an annual, unaudited statement of Brand Fund collections and expenses and either give you a copy upon written request or post the statement on the Intranet. We may have the Brand Fund audited annually, at the Brand Fund's expense, by an independent certified public accountant we select. We may incorporate the Brand Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

The Brand Fund is to maximize recognition, and enhance system protection, of the Marks and increase patronage of Potbelly Shops. Although we will try to use the Brand Fund to develop Marketing materials and execute Marketing activities and programs benefiting all Potbelly Shops, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by Potbelly Shops operating in that geographic area or that any Potbelly Shop benefits directly or in proportion to its Brand Fund contributions from the development of Marketing materials or the execution of Marketing activities and programs. (In other words, the Brand Fund need not spend any specific amount in your market area.) We may use collection agents and institute legal proceedings at the Brand Fund's expense to collect Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may at any time defer or reduce a franchisee's Brand Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will at our option spend all remaining Brand Fund monies on permitted Marketing or distribute all unspent monies to Brand Fund contributors in proportion to their respective Brand Fund contributions during the preceding year.

Your Local Marketing Obligations

Besides your Shop's Brand Fund contributions (see above) and market introduction program, you currently must spend a minimum of 1% of the Shop's ~~Gross Sales~~Total Revenue each year of the franchise term to market and promote your Shop locally (the "Local Marketing Spend"). Your total required marketing expenditures will not exceed a total of 5% of the Shop's ~~Gross Sales~~Total Revenue.

You must, by the deadlines we specify, present to us annually (or on the quarterly or other basis we specify) for our prior written approval your plan for use of the Local Marketing Spend in the upcoming year (or quarter or other timeframe). You may engage only in the

Shop-level advertising, marketing, and promotion activities, and use only the materials and media, we pre-approve. If you use an advertising or media agency, you may use either any agency we use or another agency you select but that we pre-approve in writing after you send us the information we reasonably request about the agency. We may approve or disapprove that agency as we deem best. We may rescind our approval of the agency (1) immediately if we determine that it no longer meets our brand standards or brand approval requirements or (2) any time, and for any or no reason, upon 90 days' prior written notice to you.

You must send us, at the time and in the manner we require, an accounting of your actual expenses for Shop-level advertising, marketing, and promotion for the period we specify. We may designate during the franchise term which expenses will, or will not, count toward your Local Marketing Spend.

Your local Marketing must follow the pre-approved plan and our guidelines. All Marketing materials developed for your Shop must contain notices of the System Website's domain name in the manner we designate. Except as described below with the System Website, you may not develop, maintain, provide mutual links to, or authorize any website mentioning or describing you or the Shop or displaying any of the Marks. Your Marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethical Marketing and the Marketing policies we periodically require.

Before you use them, you must send us or our designated agency for pre-approval samples of all Marketing materials we have not prepared or approved within the previous one-year period. If you do not receive written approval within 15 days after we or our designated agency receives the materials, they are deemed to be disapproved. You may not use any Marketing materials that we have not approved or have disapproved and must stop using any materials we previously approved within 30 days after we notify you that they no longer may be used. (Franchise Agreement – Section 9.C.)

Area Brand Cooperatives

There currently are no local or regional brand cooperatives. However, if the general market area in which the Shop is located encompasses at least 3 Potbelly Shops (including Shops owned by us, our affiliates, and franchisees) and we believe that collaborative brand building activities among all franchisees (and us and our affiliates) in that area are appropriate to promote Potbelly Shops, you agree at our request to form a cooperative or collaborative brand building association (“Area Cooperative”) with other franchisees and us and/or our affiliates to advertise, market, and promote Potbelly Shops in that market area. We will control the Area Cooperative’s organization, formation, and governance, including preparation of bylaws. The Area Cooperative will begin operating on a date we specify. The Area Cooperative’s members will include all Potbelly Shops operating in that area. If an Area Cooperative has been established as of your Franchise Agreement’s effective date for the market area in which your Shop is located, you automatically become a member of that Area Cooperative when you sign your Franchise Agreement (although voting rights and contributions do not begin until your Shop opens and begins operation).

Each Area Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Area Cooperative’s purpose is, with our approval, to administer advertising programs and develop promotional materials for the area the Area Cooperative covers.

If there is an Area Cooperative, you must (a) join, participate in, sign the documents we require to become a member of and actively support the Area Cooperative in compliance with its governing documents (which you may review), and (b) contribute a specific percentage of your Shop’s ~~Gross-Sales~~Total Revenue to the Area Cooperative. The maximum Area Cooperative contribution during a fiscal period may not exceed the then-currently designated Local Advertising Spend (currently, 1% of ~~Gross-Sales~~Total Revenue). That contribution will be credited toward your Local Advertising Spend (but not toward the Brand Fund contribution). If Potbelly Shops that we and our affiliates operate are members of the Area Cooperative, they will contribute a proportionate amount of their ~~Gross-Sales~~Total Revenue to the Area Cooperative’s expenses.

The Area Cooperative must, by the deadlines we specify, present to us annually (or on the quarterly or other basis we specify) for our prior written approval its plan for use of Area Cooperative contributions in the upcoming year (or quarter or other timeframe). The Area Cooperative must present a Marketing plan having the approval of at least 51% of the Potbelly Shops that are members of the Area Cooperative. After we have approved the plan, the Area Cooperative may propose for our prior written approval a change in the percentage of ~~Gross-Sales~~Total Revenue to be contributed by Potbelly Shops for the plan. If we approve that change (although we have no obligation to do so), the Area Cooperative may implement that change only if at least 70% of the Potbelly Shops that are members of the Area Cooperative vote for the change. (As noted above, your minimum required advertising/marketing expenditures will not exceed a total of 5% of the Shop’s ~~Gross-Sales~~Total Revenue. We may, upon 90 days’ prior notice to you, adjust the percentages among the various required expenditures throughout the franchise term.)

Each Potbelly Shop in the Area Cooperative has one vote regarding the Area Cooperative's administration, contributions, operation, and expenditures. If the Area Cooperative's members cannot agree on any aspect of the Area Cooperative's administration, contributions, operation, or spending and the disagreement continues for 20 days after written notice to us that a disagreement exists, we may resolve the matter. Our decision is final and binding on all Area Cooperative members. In any event, we may, whenever we deem best, control the Area Cooperative's operation, contributions, and expenditures.

You must send us and the Area Cooperative any reports we require. The Area Cooperative will operate only to advertise, market, and promote Potbelly Shops in the Area Cooperative's market area. The Area Cooperative and its members may not use any Marketing plans or materials without our prior written consent, and all activities must follow our guidelines. The Area Cooperative will prepare annual, unaudited financial statements that you may review. We may change, dissolve, or merge the Area Cooperative. (Franchise Agreement — Section 9.D.)

There currently are no franchisee advertising councils advising us on advertising policies. However, we have the power at any time to form, change, dissolve, or merge a franchisee advertising council.

System Website

We have established a system website (1) to advertise, market, and promote Potbelly Shops and the Products (and/or the Potbelly Shop franchise opportunity), (2) through which to operate on-line product ordering and other fulfillment systems, and (3) for any other purposes we consider appropriate or necessary for Potbelly Shops, the Products or the Potbelly system ("System Website"). We will create a separate interior webpage (accessible only through the System Website which we control) which references your Shop. You must give us the information we request to create your interior webpage on the System Website. By giving us the information, you represent that the information is accurate and not misleading and does not infringe any other party's rights. We will own all intellectual property and other rights in the System Website, your interior webpage, and all information they contain (including the log of "hits" by visitors and any personal or business data that visitors supply).

We will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the System Website, including your interior webpage. We will update the information on your interior webpage, if any, or add information we approve as frequently as we deem appropriate. You must notify us whenever any information on your interior webpage changes or is not accurate. You must pay our then-current fee for us to create an interior webpage for your Shop or as we otherwise require to maintain and operate the System Website's various features and functions (if, or to the extent, the Brand Fund does not pay for these costs). We have sole control over all information on the System Website, including your interior webpage.

We will maintain your interior webpage only while you are in substantial compliance with the Franchise Agreement and all System Standards. If you are in material default of any obligation, we may temporarily suspend your interior webpage until you fully cure the default.

We will permanently terminate your interior webpage when the Franchise Agreement expires or is terminated.

All Marketing materials you develop for the Shop must contain notices of the System Website's domain name(s). You may not develop, maintain, link to, or authorize any other website mentioning or describing you or the Shop or displaying any of the Marks. (Franchise Agreement – Section 9.E.)

Intranet

We may establish and maintain an Intranet and System Standards for the Intranet's use. These System Standards will address, among other things, (1) restrictions on using abusive, slanderous, or otherwise offensive language in electronic communications, (2) restrictions on communications among franchisees endorsing or encouraging breach of any franchisee's franchise agreement, (3) confidential treatment of materials we transmit via the Intranet, (4) password protocols and other security precautions, (5) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, and (6) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet. As the Intranet's administrator, we have the right to access and view any communication posted on the Intranet.

After we notify you that the Intranet has become functional, you must buy and install all necessary additions to the computer system and establish and continually maintain electronic connection with the Intranet allowing us to send messages to and receive messages from you. You must contribute reasonable amounts on an annual, quarterly, monthly, or other basis toward the cost of maintaining and developing the Intranet. If you fail to pay when due any required amount, or fail to comply with any Intranet System Standard, we may temporarily suspend your access to any so-called chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach. (Franchise Agreement – Section 9.F.)

Opening

We estimate that it typically will be 9 to 12 months after you sign the Franchise Agreement and pay the initial franchise fee before you begin operating the Shop. You must find an acceptable site within 180 days after you sign the Franchise Agreement, unless the SDAA provides otherwise. Once you have a site, the specific timetable for opening depends on the site's condition and the extent to which you must upgrade or remodel the site; the Shop's construction schedule; the delivery schedule for Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and supplies; completing training; and complying with local laws and regulations. You may not begin operating the Shop until: (1) we notify you in writing that the Shop meets our standards and specifications; (2) required training is satisfactorily completed; (3) you pay the initial franchise fee and other amounts then due to us and key suppliers; (4) you obtain all required licenses and permits; and (5) you give us certificates for all required insurance policies. (Franchise Agreement – Section 2.F.) You must open the Shop for business within 360 days after you sign the Franchise Agreement. (Franchise Agreement – Section 2.F.) We may terminate the Franchise Agreement if you fail to do so. If you begin operating the Shop before we notify you that it meets our standards and specifications, you must pay us a Non-Approved Shop Opening fee for each day the Shop operates without our

acceptance. If you sign an SDAA to develop multiple Potbelly Shops, the Rider's schedule will dictate when you must open the Shops.

Computer System

You must obtain and use the computer-hardware and software we specify, including required computer, point-of-sale, and other electronic information systems, a high-speed Internet connection, and all equipment components and software necessary for you to accept and process Potbelly gift, loyalty, and rewards cards and participate in our gift card, customer loyalty, rewards, affinity, and similar programs. (Franchise Agreement – Section 2.D.) The computer system currently includes a back-office computer, including a standard MS Office suite, 2-4 NCR touch-screen POS terminals (located on the front-of-house), 6 digital menu boards and all necessary peripherals required to network the terminals properly to the back-office computer. The back-office computer will function as a server for the POS system. We estimate the computer and point-of-sale systems' cost to be \$33,920 to \$68,000, depending on the specific configuration of the systems and the number of point-of-sale terminals. This includes approximately \$300 to \$500 for initial Payment Card Industry (PCI) Data Security Standard compliance costs for the systems.

The third parties whose computer-related products you buy have no contractual right or obligation to provide ongoing maintenance, repairs, upgrades, or updates unless you obtain a service contract or a warranty covers the product. The cost of ongoing maintenance, repairs, upgrades, and updates for the current computer and point-of-sale systems is estimated to be \$5,500 per year. There are other information technology products we recommend (but do not require) that you obtain at an estimated monthly cost of \$1,000 to \$2,000. The computer system generates and maintains sales, menu mix, and labor data. You must upgrade the computer system, and/or obtain service and support, as we require and/or as necessary because of technological developments, including complying with PCI Data Security Standards by using a PCI testing service from our approved vendor list (at a monthly cost we estimate to range from \$50 to \$80). There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse your costs. You may not use any unapproved computer software or security access codes. We have independent, unlimited access to the information the system generates, although we will not have any access to employee- or employment-related information for your Shop's employees.

We and our affiliates may condition any license to you of required or recommended proprietary software, and/or your use of technology developed or maintained by or for us, on your signing the software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through or other shrink-wrapped license agreement), we and our affiliates require to regulate your use of the software or technology. We and our affiliates may charge you up-front and ongoing weekly, monthly, or other fees for any required or recommended proprietary software or technology licensed to you and for other maintenance, support, and access services provided during the franchise term.

Despite the fact that you must buy, use, and maintain the computer system according to our standards and specifications, you are responsible for (1) the acquisition, operation,

maintenance, and upgrading of the computer system; (2) the manner in which your computer system interfaces with our and any third party's computer system; and (3) any and all consequences if the computer system is not properly operated, maintained, and upgraded. The computer system permits 24 hours per day, 7 days per week electronic communications between you and us, including access to the Internet and our then-current System Website and Intranet.

Training

After you sign the Franchise Agreement, we will train ~~you or your~~the Managing Owner, ~~your Operator (if you or your Managing Owner is not involved in the Shop's on-site, day-to-day operation), and a General Manager (the person you designate as your most senior leader if your Managing Owner or Operator, as applicable, is not involved in the Shop's on-site, day-to-day operation).~~ The . Our training program is scheduled to be approximately 6 weeks ~~for you or your, and the~~ Managing Owner, ~~your Operator, and/or General Manager must also attend a 4 day owner training course at a designated training Potbelly Shop.~~ Training must occur before your Shop opens. Training focuses on our philosophy, System Standards, and the material aspects of operating a Potbelly Shop, excluding aspects relating to labor relations and employment practices. ~~It is held at a designated training facility of our choice at our corporate headquarters and/or an operating~~These training programs are held at a certified training location and/or designated training Potbelly Shop we designate.

Required training attendees must complete to our satisfaction the full training program for their respective roles and pass applicable operations and proficiency tests. You must pay all travel and living expenses, wages, and workers' compensation insurance costs your attendees incur during training. ~~You must substitute for your General Manager if they are not qualified to hold their positions and pay our then-current fee to train their replacements.~~ If we determine that ~~you, your~~the Managing Owner ~~or your operator~~ cannot complete initial training to our satisfaction (and he or she, or a replacement, cannot complete a repeat training program to our satisfaction), we may terminate the Franchise Agreement. (Franchise Agreement - Section 4.A.) After the initial training, your Shop always must have on staff a trained General Manager ~~(if your Managing Owner or Operator, as applicable, is not involved in the Shop's on-site, day-to-day operation)~~ so that the quality of the products and the Potbelly brand is maintained. If a trained General Manager leaves your employment for any reason, you must appoint and begin training a replacement General Manager within 30 days.

The Managing Owner may request additional or repeat training at the end of the initial training program if he or she does not feel sufficiently trained to operate a Potbelly Shop. We and you will jointly determine the duration of any additional training, which is subject to our personnel's availability. You must pay our then-current charges for additional or repeat training.

All Shop employees in customer contact positions must be able to speak, read, write, and understand the English language fluently so they can pass the portions of our training program (conducted in English) related to their positions and communicate clearly with customers and other third parties.

Training will occur after you sign the Franchise Agreement and while you are developing the Shop. Training must be completed for all required attendees before you may begin operating the Shop. It will be scheduled 2 to 3 months before the Shop's anticipated opening date so that it can be completed at least 6 weeks before the Shop opens. We will provide you with the training schedule, location and trainer once we approve you to start training. As of this disclosure document's issuance date, we provide the following training:

TRAINING PROGRAM

Operator & GM Training Program			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Associate Training	0	45	Training Shop*
Certified Trainer/Shift Leader	0	60	Training Shop*
Assistant Manager	0	60	Training Shop*
General Manager	0	60	Training Shop*
Running the shift (for GM) OR Multi Unit visits (for Operator)	0	45	Training Shop* OR Shop Tours
GM/Operator Training Hours	0	270	
Franchise Owner Training Program			
Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Station Review (Owner Only)	0	16	Training Shop*
Multi-Unit Visits (Owner Only)	0	8	Shop Tours
Support Center Department Calls (Owner Only)	4	0	Remote
Owner Training	4	24	

Hours			
Total Training Hours	4	294	

*Training Shop – Your training will be held in a company shop GMTL (General Manager Training Location) that our training team will assign to you.

We use manuals, workbooks, and other training aids during the training program. Kelly Wetzig, our Director of Training, has experience in all aspects of Shop operations and training given her tenure with the Potbelly brand and will supervise, or otherwise be involved in, franchisee training. Ms. Wetzig has worked in the Potbelly system for over ~~14~~2 years.

We may require ~~you, your~~the Managing Owner, ~~Operator, and/or General Manager~~ to attend and complete to our satisfaction up to 8 days of supplemental training each year at the times and locations we designate. We may charge reasonable registration or similar fees for these courses. Besides attending supplemental training, at least one of your representatives (whom we approve) must at our request attend an annual convention of all Potbelly Shop franchisees for up to 3 days at a location we designate. You must pay our then-current convention fee and all costs to attend.

If you choose to designate a new Managing Owner ~~–or General~~, the new ~~Manager~~ing, ~~each~~ Owner must complete to our satisfaction, within the timeframe we specify, our then-current training program ~~for his or her position~~. Your trained personnel may provide this training if we previously have certified them to do so. Otherwise, training must be completed at our designated training Shop. We may charge reasonable fees for this training. You must pay all travel and living expenses incurred during all training courses and programs. You must relieve any of your personnel, who we reasonably believe do not satisfy our minimum qualifications for the positions they hold, from performing their duties at the Shop, in which case you must hire replacement personnel and arrange for their training (typically within 30 days).

Item 12 **TERRITORY**

Franchise Agreement

You will operate the Shop at a specific site that we first must accept. If you have not located the Shop's site as of the Franchise Agreement's effective date, you must obtain possession of a suitable site within 180 days afterward. In that case, we will identify in the Franchise Agreement a non-exclusive area within which we expect you to look for a suitable site. We may terminate the Franchise Agreement if you do not locate a site within this 180-day period. You may operate the Shop only at the site we accept and may not relocate without our approval. Whether or not we would allow relocation depends on then-current circumstances and what is in the Shop's and our system's best interests. If we allow you to relocate, you must de-brand and de-identify the Shop's original site as we require.

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. You also do not have any type of non-exclusive territory. We (and any affiliates we periodically have) retain the right during the franchise term to engage in any and all activities that we (and they) desire, at any time or place, whether or not those activities compete with your Shop. Our unlimited rights include the right to (1) construct, develop, and operate, and grant to others the right to construct, develop, and operate, Potbelly Shops anywhere we want and on any terms and conditions we deem appropriate, (2) offer and sell Products and other items identified by the Marks or any other trademarks to any customers, wherever located or operating, and through any distribution channels (including the Internet, grocery, specialty, and other retail stores, food trucks, and other points of distribution), wherever located or operating, (3) construct, develop, and operate, and grant to others the right to construct, develop, and operate, any types of stores or other foodservice businesses under any trademarks anywhere we want and on any terms and conditions we deem appropriate, (4) acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Potbelly Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Potbelly Shops, or by another business, and (6) engage in all other activities the Franchise Agreement does not expressly prohibit. We need not compensate you if we engage in these activities. Continuation of your franchise does not depend on your achieving a certain sales volume, market penetration, or other contingency.

You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not conduct delivery or catering activities away from the Shop, or take customer orders “on-line,” unless and until we require you to do so or notify you in writing that you may do so (although we have no obligation to allow these activities by a certain date or at all). If we require or allow these activities, you must comply with all our System Standards, including using only the delivery service provider(s) we specify in writing for your Shop and limiting the delivery services to any delivery area we specify to you in writing. Any delivery area we specify is not exclusive and we may engage, and/or allow other franchisees and third parties to engage, in any activities we desire within the delivery area without any restrictions (including allowing other Potbelly Shop franchisees and delivery service providers to provide delivery services in the delivery area). Any delivery area we specify is nothing more than the geographic boundaries in which you may deliver those products approved for delivery from the Shop, and no other rights are granted to you.

Although we have the right to do so (as described above), we and our affiliates have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Except as provided above regarding delivery and catering activities, there are no restrictions on where you may solicit or accept orders for Products. However, you have no right to use other distribution channels (for example, the Internet, catalog sales, or telemarketing) to make sales away from the Shop’s site.

Shop Development Area Agreement

You may (if you qualify) develop and operate additional Potbelly Shops within a specific area (the “Area”) as identified in the SDAA. We and you will identify the Area in the SDAA before signing it. The Area typically is a city, cities, county, counties, or other political subdivisions. We base the Area’s size primarily on the number of Potbelly Shops you agree to develop, demographics, and site availability. We and you will negotiate the number of Shops you must develop, and the dates by which you must develop them, to keep your development rights. We and you then will complete the schedule in the SDAA before signing it.

While the SDAA is in effect, we (and our affiliates) will not, except as described below with Non-Traditional Venues, establish and operate or grant to others the right to establish and operate other Potbelly Shops having their physical locations within the Area. There are no other restrictions on us (or our affiliates) within the Area. We will accept the proposed locations of your additional Shops only if they meet our then-current standards for Shop sites. Because of our rights at the Non-Traditional Venues described below, you will not receive an exclusive territory under the SDAA. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You (and your approved affiliates) may not under any circumstances, unless we otherwise approve, develop and operate Potbelly Shops at Non-Traditional Venues located in the Area. A “Non-Traditional Venue” means a hospital or medical center, airport, public or private school, university or college campus, airport terminal, train or bus station, convention center, exhibition hall, amusement park, fairground, sports arena, military base, state or national park, hotel, lodge, country club, social club, resort, casino, theater, or food truck. We (and our affiliates) reserve the exclusive rights with respect to all Non-Traditional Venues in the Area and may establish and operate, and franchise or license others to establish and operate, Potbelly Shops at Non-Traditional Venues located in the Area. Our, our affiliate’s, or another franchisee’s or licensee’s development and operation of a Potbelly Shop at a Non-Traditional Venue in the Area does not reduce the number of Potbelly Shops you must develop in the Area in compliance with your development schedule.

Despite your development schedule under the SDAA, we may delay your development of additional Potbelly Shops within the Area for the time period we deem best if we believe, when you apply for that next Shop, that you (or your approved affiliate) are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you (or your approved affiliate) developed and opened your most recent Potbelly Shop, to develop, open and/or operate the additional Shops in full compliance with our standards and specifications. We may delay additional development as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

We may exercise all of the rights that we now reserve in the Franchise Agreement (as described above). After the SDAA expires or is terminated, regardless of the reason, we and our affiliates may engage, and allow others to engage, in any activities we desire within and outside the Area without any restrictions whatsoever, subject only to your (or any affiliate’s) rights under franchise agreements with us then in effect.

You may not develop or operate Potbelly Shops outside the Area without our written consent. We may terminate the SDAA (but not franchise agreements with you or your affiliates) if you do not satisfy your development obligations under the Development Schedule. In addition, if any event gives rise to our right to terminate the SDAA, we may temporarily or permanently reduce the size of the Area, in which case the restrictions on us or our affiliates described above will not apply in any geographic area removed from the preceding territorial boundaries. Continuation of your territorial rights in the Area does not depend on your achieving a certain sales volume, market penetration, or other contingency. So long as you are in full compliance with the SDAA, then we may not alter your Area or your territorial rights under the SDAA without your consent.

Item 13 TRADEMARKS

You may use certain Marks in operating the Shop. The principal Marks are:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	AFFIDAVITS OF USE AND INCONTESTABILITY FILED?	REGISTRATION RENEWED?
“POTBELLY”	2,178,589	08/04/1998	Yes	Yes
“POTBELLY” (stylized)	2,332,173	03/21/2000	Yes	Yes
“POTBELLY SANDWICH SHOP”	4,154,485 3,887,721	06/05/2012 12/07/2010	Yes Yes	Yes Yes
“POTBELLY SANDWICH WORKS”	2,221,101	02/02/1999	Yes	Yes
“POTBELLY SANDWICH WORKS” and design	2,512,488	11/27/2001	Yes	Yes
“STOVE” design	2,994,705 2,951,797	09/13/2005 05/17/2005	Yes Yes	Yes Yes
“STOVE” design (2008)	3,687,136	09/22/2009	Yes	Yes
“YA GOTTA GET IT HOT”	2,504,378 2,558,469	11/06/2001 04/09/2002	Yes Yes	Yes Yes
“YA GOTTA GET IT HOT” and design	2,387,751	09/19/2000	Yes	Yes

MARK	REGISTRATION NUMBER	REGISTRATION DATE	AFFIDAVITS OF USE AND INCONTESTABILITY FILED?	REGISTRATION RENEWED?
“POTBELLY SANDWICH WORKS” and sign design	3,687,137	09/22/2009	Yes	Yes
“POTBELLY SANDWICH WORKS” and stove design (2008)	3,684,104	09/15/2009	Yes	Yes
“POTBELLY SANDWICH WORKS” and color stove design (2008)	3,684,103	09/15/2009	Yes	Yes
“GOOD VIBES. GREAT SANDWICHES”	3,887,582	12/07/2010	Yes	Yes
“WE BRING THE HOT”	97,612,443 97,612,401 97,612,404	09/29/2022	Pending	Pending

PSW, LLC, our affiliate, claims ownership of these Marks and has registered all Marks on the Principal Register of the United States Patent and Trademark Office (USPTO). PSW, LLC intends to file all required affidavits of use and renewal applications when due for the various Marks if the Marks still are important to the system.

PSW, LLC has licensed us to use and sublicense the Marks in our franchise program. The initial term of our license agreement with PSW, LLC, dated as of September 11, 2009, is 20 years with 3 successive renewal terms of 10 years each if we are not in default of our obligations. PSW, LLC generally may not terminate the license agreement unless we are in default and fail to cure the default within not less than 30 days. However, the license agreement automatically terminates if we transfer the agreement or any of our license rights without PSW, LLC’s approval. If PSW, LLC’s license to us expires or is terminated, your rights under the Franchise Agreement will not be affected. You will have the right to operate your Shop during the remaining franchise term, and any permitted successor franchise agreement term, if you comply for PSW, LLC’s benefit with all of your obligations. No other agreement limits our right to use or sublicense the Marks.

You must follow our rules when you use the Marks, including giving proper notices of trademark registration and obtaining fictitious or assumed name registrations the law requires.

You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in offering or selling any unauthorized services or products; or as part of any domain name, homepage, electronic address, or otherwise in connection with Electronic Media. (“Electronic Media” means the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, and materials (such as CD ROMs and USB data storage devices) facilitating the electronic communication of information.) If we discover your unauthorized use of the Marks, we may require you to destroy all offending items (with no reimbursement from us). To the extent you use any Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of employees at the Shop and that we, as the franchisor of Potbelly Shops, are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You must obtain an acknowledgment (in the form we specify or approve) from all Shop employees that we are not their employer.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks. We are aware that the “Potbelly” name might be used to some degree by similar or competitive businesses in different parts of the country. Because we do not have detailed information about all these uses, we cannot confirm if there are either superior prior rights or infringing uses that could materially affect your use of the “Potbelly” Mark in any state. We plan to investigate these uses if and when we decide to enter a market where we believe the name already might be used. We will take the action we deem best under the circumstances. If there are superior prior rights to the “Potbelly” name in a particular market, we may decide not to grant a Potbelly Shop franchise in that market. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the other principal Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark or of any person’s claim of any rights in any Mark or confusingly similar trademark. You may not communicate with any person other than us, PSW, LLC, and our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and PSW, LLC may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other proceeding concerning any Mark. You must help us protect and maintain our and PSW, LLC’s interests in any litigation or USPTO or other proceeding. We will reimburse your costs for taking any requested action.

If it becomes advisable at any time for us and/or you to modify, discontinue using and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Mark, you must comply with our directions within a reasonable time after we deliver notice. We and PSW, LLC need not reimburse your direct expenses for changing the Shop’s signs, your lost revenue due to any modified or discontinued Mark, or your expenses in promoting a modified or substitute trademark or service mark.

We will reimburse you for all damages, claims, and expenses you incur or for which you are liable in any proceeding challenging your right to use any Mark under the Franchise Agreement if your use has been consistent with the Franchise Agreement, the Operations Manual, and our System Standards and you timely notify us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. We and PSW, LLC claim copyrights in the Operations Manual (which contains our trade secrets and confidential information), Shop blueprints and other design features, advertising and marketing materials, menu boards, and similar items used in operating Potbelly Shops. We and PSW, LLC have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use these items only as we specify while operating your Shop (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding our copyrighted materials. Our license with PSW, LLC also covers copyrighted materials and confidential information. No other agreement limits our right to use or allow others to use copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of our copyrighted materials in any state.

We and PSW, LLC need not protect or defend copyrights, although we intend to do so if in the Potbelly system's best interests. We need not defend you, or participate in your defense, against claims arising from your use of our copyrights or indemnify you for expenses or damages you incur in a copyright proceeding. We and PSW, LLC have the right to control the prosecution or defense of any copyright proceeding, whether we learn of the matter from you or on our own.

Our Operations Manual and other materials contain our and PSW, LLC's confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; training and operations materials, manuals, and software; methods, formats, specifications, standards, systems, procedures, Product preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Potbelly Shops; marketing and advertising programs and materials for Potbelly Shops; knowledge of specifications for and suppliers of Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and services; proprietary computer software or similar technology; knowledge of the operating results and financial performance of Potbelly Shops other than your Shop; customer communication and retention programs and data used or generated by those programs; and graphic designs and related intellectual property.

All ideas, concepts, techniques, or materials concerning a Potbelly Shop, whether or not protectable intellectual property and whether created by or for you or your owners or Shop employees, must be promptly disclosed to us and will be considered our and PSW, LLC's sole and exclusive property, part of the Potbelly system, and works made-for-hire for us and PSW, LLC. To the extent any item does not qualify as a "work made-for-hire," you assign

ownership of and all related rights to that item to us and PSW, LLC and must take whatever action (including signing assignment or other documents) we request to show our and PSW, LLC's ownership or to help us and PSW, LLC obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure agreements with those having access. We may review and pre-approve the forms of non-disclosure agreements you use and will be a third-party beneficiary of those agreements with independent enforcement rights. You must keep copies of these agreements and send them to us upon request. Our right to review and pre-approve non-disclosure agreements is solely to ensure that you adequately protect confidential information. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

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

If you are a legal entity, you must appoint a shareholder, member or partner (as applicable) to be your "Managing Owner," responsible for overseeing and supervising the Shop's operation. If your Managing Owner will not be involved in the Shop's on-site, day-to-day operation, you also must appoint an "Operator," an individual whom you hire to manage the Shop on an on-site, day-to-day basis (or, if you operate more than one Potbelly Shop, to oversee management and operation of all your Potbelly Shops), who reports to the Managing Owner, who is eligible to participate in a long-term incentive plan (*i.e.*, cash bonus or equity grant), and who completes the applicable training requirements. We must approve your proposed Operator, who must sign our Principal's Agreement (see below). You may replace any Operator, although that person must give up his or her ownership interest in you, a replacement Operator must complete training to our satisfaction, and you must identify and we first must approve any new or replacement Operator. Your Shop always must have on staff at least 3 fully trained, certified

key-holding supervisory employees, including a Managing Owner ~~(or Operator, as applicable)~~ **or** and a General Manager ~~(if your Managing Owner or Operator, as applicable, is not involved in the Shop's on-site, day-to-day operation)~~, so that the quality of the Products and the Potbelly brand is maintained.

Your on-site key-holding supervisory employees (including a General Manager) need not have an equity interest in the Shop or you but must agree in writing to preserve confidential information to which they have access. We may regulate the form of agreement you use and be a third party beneficiary of that agreement with independent enforcement rights. Our right to review and pre-approve the agreement is solely to ensure that you adequately protect confidential information. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices.

You must disclose to us in writing the specific details of any investment in any other restaurant or food-related business or franchise held by you, any of your owners, or any of your or your owners' spouses.

If you are a corporation, limited liability company, or partnership, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This "Guaranty and Assumption of Obligations" is the last 2 pages of the Franchise Agreement. We also may require your Operator, directors, and officers to agree to comply with certain non-monetary obligations in the Franchise Agreement by having them sign our Principal's Agreement (Exhibit D).

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all Products and services we periodically require for Potbelly Shops. You may not offer or sell any unauthorized products or services. Our System Standards may regulate required and/or authorized Products, Potbelly Trade Secret Products, Potbelly Branded Products, and services; unauthorized and prohibited food and beverage products and services; and purchase, storage, preparation, handling, and packaging procedures and techniques, and inventory requirements, for Products, Potbelly Trade Secret Products, and Potbelly Branded Products. We always have the right to approve or disapprove in advance all items and services your Shop uses and sells. We may add new Products and services and withdraw our approval of previously-authorized Products and services. We expect to limit the range of Products your Shop may sell during its start-up phase (the duration of which we may determine) until we believe that your Shop is capable of preparing and selling the complete Potbelly Product line in compliance with System Standards. There are no limits on our rights described in this paragraph. We may regulate your Product prices to the extent the law allows, including restricting your use of coupons and other Product price discounting practices. We also may require your participation in system-wide discount programs.

You may not engage in delivery or catering activities away from the Shop, or take customer orders on-line, unless and until we require you to do so or give you written permission

to do so (although we have no obligation to allow these activities by a certain date or at all). If we require or allow these activities, you must comply with all related System Standards for such activities, including making available the products identified as appropriate for delivery (and only those designated products), using only the delivery service provider(s) we specify in writing for your Shop, and limiting the delivery services to any delivery area we specify to you in writing. There are no limits on the customers to whom your Shop may sell goods and services at its premises.

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Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	1.D. of Franchise Agreement and 2 and 2.01 and Exhibit A of SDAA	10 years (term of SDAA depends on development obligations)
b. Renewal or extension of the term	13 of Franchise Agreement; not applicable to SDAA	If you have been and are in substantial compliance, you may acquire, at our option, 1 successor franchise for 10 years or potentially 2 successor franchises for 5 years each (the second 5-year term depends on your performance during the first 5 years), in both cases on our then-current terms No renewal or extension of SDAA
c. Requirements for franchisee to renew or extend	13 of Franchise Agreement; not applicable to SDAA	Give us timely notice; maintain possession of Shop site; remodel Shop according to our then-current standards (regardless of cost); correct operating and other deficiencies; pay us successor franchise fee; and sign new franchise agreement and other documents we use to grant franchises, including release (if state franchise law allows) Terms of new franchise agreement you sign for successor franchise may differ materially from any and all of those contained in Franchise Agreement attached to this disclosure document, including Royalty and Brand Fund

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		contributions
d. Termination by franchisee	14.A. of Franchise Agreement; not applicable to SDAA	If we materially breach Franchise Agreement and do not cure default after notice from you
e. Termination by franchisor without cause	Not Applicable	We may not terminate your franchise or development rights without cause
f. Termination by franchisor with cause	14.B. of Franchise Agreement and Sections 8.01, 8.02 and 8.04 of SDAA	We may terminate your franchise and development rights only if you or your owners commit certain violations
g. “Cause” defined — curable defaults	14.B. of Franchise Agreement; Section 8.02 of SDAA	You have time that applicable law allows to secure required licenses and permits and to cure health, safety, or sanitation law violations; 10 days to cure monetary defaults to us and failure to maintain required insurance; 30 days to cure monetary defaults to Franchise System vendors, seizure of Shop, appointment of receiver or trustee, operational defaults, and other defaults not listed in (h) below; and 180 days to relocate to new site if you lose possession of Shop’s site (but not because of your lease default) 30 days to cure certain breaches of the SDAA
h. “Cause” defined — non-curable defaults	14.B. of Franchise Agreement and 8 of SDAA	Non-curable defaults include failure to secure Shop’s site within 180 days after Franchise Agreement’s effective date; failure to open Shop by required opening date; failure to complete training; Shop opens for business before we notify you in writing that Shop meets our standards and specifications; abandonment or failure to operate Shop actively; unapproved transfers or surrenders

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		of control; material misrepresentation or omission; conviction of a felony; dishonest, unethical, or immoral conduct that could materially, adversely affect Marks; unauthorized use or disclosure of Operations Manual or other confidential information; you make an unauthorized representation or warranty on our behalf; loss of right to occupy Shop site due to your lease default; failure to pay taxes; understating ~~Gross Sales~~ <u>Total Revenue</u> by certain minimum amounts; interfering with our right to inspect or observe the Shop; Shop fails 3 quality assurance audits during 12-month period; your Shop fails Annual Shop Review during 3 consecutive fiscal years or any 5 years (even if not consecutive) of the franchise term; repeated defaults (even if cured); assignment for benefit of creditors; violation of any anti-terrorism law; and we send notice of termination under another franchise agreement between you (or an affiliate) and us We may terminate SDAA for insolvency; failure to meet development schedule; unauthorized transfer; misrepresentations; conviction of a felony; unauthorized disclosure of confidential information; any default by you under a franchise agreement or any other agreement; adverse franchise legislation

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
i. Franchisee's obligations on termination/non-renewal	14.C. and 15 of Franchise Agreement; Section 9 of SDAA	Obligations include paying outstanding amounts; complete de-identification and de-branding, including returning or disposing of certain branded items and altering Shop's appearance and configuration; discontinuing use of websites or social media associated with the Shop; assigning telephone and other numbers and email addresses to us (including under a Conditional Assignment of Telephone Number(s)); and returning confidential information (also see (o) and (r) below); we may control de-identification process if you do not voluntarily take required action; we may assume Shop's management while deciding whether to purchase Shop's assets On termination of the SDAA, you must comply with the covenant not to compete
j. Assignment of contract by franchisor	12.A. of Franchise Agreement and 7.01 of SDAA	No restriction on our right to assign; we may assign without your approval
k. "Transfer" by franchisee — defined	12.B. of Franchise Agreement; 7 of SDAA	Includes transfer of Franchise Agreement, sale of Shop's assets, and transfer of ownership interest in you or entity that controls you Developer has no right to assign agreement or interests in itself to third parties, but may assign to a wholly-owned affiliate

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
1. Franchisor approval of transfer by franchisee	12.C. of Franchise Agreement and 7.02 and 7.03 of SDAA	No transfer without our prior written consent No right to transfer development rights except to wholly-owned affiliate of developer. We will not unreasonably withhold approval of transfer
m. Conditions for franchisor approval of transfer	12.C. of Franchise Agreement; 7.02 and 7.03 of SDAA	New franchisee qualifies, completes franchise application; you pay us, our affiliates, and third-party vendors all amounts due and submit all required reports; no material defaults during 60-day period before transfer request or during period between request and transfer's proposed effective date; new franchisee (and its owners and affiliates) are not in a competitive business; training completed; lease transferred or sublet; any applicable agency, host, or authority with jurisdiction approves the transfer; you or transferee signs our then-current franchise agreement and other documents (any and all terms of which may differ materially from Franchise Agreement) for term equal to Franchise Agreement's unexpired term; you correct existing Shop deficiencies of which we notify you; transferee agrees to upgrade and remodel Shop within specified timeframe after transfer; transfer fee paid; we approve material terms; you subordinate amounts due to you; you de-identify; and you sign release (if state franchise law allows) (also see I below)

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		No transfers allowed except to wholly-owned affiliate where conditions include entity paperwork and documentation of interests and signing joinder of liability
n. Franchisor's right of first refusal to acquire franchisee's business	12.G. of Franchise Agreement; not applicable to SDAA	We may match any offer for Shop or ownership interest in you or entity that controls you
o. Franchisor's option to purchase franchisee's business	15.E. of Franchise Agreement; not applicable to SDAA	We may buy Shop's assets at fair market value, and/or receive assignment or sublease of Shop's site, after Franchise Agreement is terminated or expires (without renewal)
p. Death or disability of franchisee	12.E. of Franchise Agreement; not applicable to SDAA	Assignment of Managing Owner's interest in you to approved party within 9 months after death or disability; we may manage Shop if qualified management not in place
q. Non-competition covenants during the term of the franchise	7 of Franchise Agreement; Section 6.02 of SDAA	No diverting business and no ownership interest in, or performing services for, competitive business anywhere ("competitive business" means (i) any fast-casual restaurant that derives more than 20% of its revenue from the sale of (a) baked, oven-style, conveyor oven-style, or un-baked "sub-style" sandwiches, submarine, hoagie, Italian beef, or hero-type sandwiches, pita sandwiches, flatbread sandwiches, or cheese-steak sandwiches or (b) smoothies, milkshakes, ice cream, and other frozen confection items or (ii) any business granting franchises or licenses to others to operate the type of business specified in clause (i) (other than a Potbelly Shop operated under a

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		franchise agreement with us). Competitive Business for purposes of the Franchise Agreement and SDAA will include Blimpie, Corner Bakery Café, Firehouse Subs, Jersey Mike's, Jimmy John's, McAlister's Deli, Panera Bread, Quizno's, Schlotzky's, Subway, Tropical Smoothie Café and Which Wich.) No involvement in any competing business regardless of its location; no diverting business; no injury to goodwill of Marks or System
r. Non-competition covenants after the franchise is terminated or expires	15.D. of Franchise Agreement; Section 9.02 of SDAA	No direct or indirect ownership interest in, or performing services for, competing business for 2 years at Shop's site, within 7 miles of Shop's site, within 5 miles of another Potbelly Shop in operation or under construction on day you signed Franchise Agreement, or within 5 miles of another Potbelly Shop in operation or under construction on date Franchise Agreement expires or is terminated (same restrictions apply after transfer) For a period of 2 years after termination or expiration, you are prohibited from directly or indirectly owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating within the Development Area; (b) any Competitive Business operating within a radius of 5 miles of any Potbelly Shop (whether franchised or affiliate or company-owned), whether in

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		operation or under construction on the effective date of termination or expiration; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business
s. Modification of the agreement	17.J. of Franchise Agreement; 10.14 of SDAA	No modifications generally except by written agreement signed by both parties, but we may change Operations Manual and System Standards
t. Integration/merger clause	17.N. of Franchise Agreement; 10.14 of SDAA	Only the Franchise Agreement's and SDAA's terms are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	17.F. of Franchise Agreement; 10.06 and of SDAA	We and you generally must arbitrate all disputes at location near our principal business address at the time the arbitration demand is filed (it currently is in Chicago, Illinois)
v. Choice of forum	17.H. of Franchise Agreement; 10.07 of SDAA	Subject to arbitration obligation, litigation generally must be in courts located closest to where we have our principal business address at the time the action is commenced (it currently is in Chicago, Illinois) (subject to applicable state law)
w. Choice of law	17.G. of Franchise Agreement; 10.08 of SDAA	Except for federal law, Illinois law governs (subject to applicable state law)

Item 18 **PUBLIC FIGURES**

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The historical financial performance representation appearing below provides (1) the actual average and median weekly Gross Sales during a specific timeframe for our franchised Potbelly Shops, and (2) the actual average and median annual Gross Sales, operating expenses, and profits during a specific timeframe for certain Potbelly Shops owned and operated by our affiliates.

All of the Potbelly Shops whose information is included in the averages and medians are substantially similar to one another in terms of products and services offered. They also are substantially similar to the Potbelly Shops we expect franchisees to operate under Franchise Agreements with us. Each Potbelly Shop's actual performance will be affected by numerous factors, including amount of time in business; Potbelly Shop size; lease terms; financing costs; taxes; attractiveness of location at which it operates; labor costs; supply costs; local and regional economic and regulatory conditions; population density; your management skills and business acumen; competition; your ability to promote and market the Potbelly Shop; recognition in the market; how hard you and your principals work; and the degree you adhere to our methods and procedures.

Our franchise program for Potbelly Shops is structured to provide to franchisees, in our capacity as franchisor, some of the services that our affiliates provide to the affiliate-owned Potbelly Shops identified below. However, we do not provide certain services to franchisees that the business owner normally provides, such as financing, accounting, legal, personnel, and management services. The availability, cost, and quality of these services to a franchisee likely will affect operations.

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

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you upon reasonable request. This financial performance representation was prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

As of the end of Period 12 in 2023~~34~~ (ending on December ~~34~~²⁹, 2023~~34~~), we had ~~79~~⁶ franchised Potbelly Shops open, which includes ~~48~~ franchised Potbelly Shops operated from Non-Traditional Venues and ~~33~~¹ Potbelly Shops that began the year as an affiliate-owned

Potbelly Shop locations but ~~were~~was refranchised during 2023~~4~~. Of the ~~79~~6 franchised Potbelly Shops, 78 were open for the entire 12-period timeframe (12 full periods) beginning with fiscal Period 1 in 2023~~4~~ (beginning on ~~December 26~~January 1, 2022~~4~~) through fiscal Period 12 in 2023~~4~~ (ending on December ~~31~~29, 2023~~4~~). 18 franchised Potbelly Shops ~~was~~were not open for the entire 2023~~4~~ 12-period timeframe because ~~it~~they opened during the fiscal year. ~~No~~Two franchised Potbelly Shops closed during the 12-period timeframe in 2023~~4~~.

This financial performance representation excludes the results of ~~the~~18 franchised Potbelly Shops that ~~was~~were not open for the entire 12-period timeframe in 2023~~4~~. Financial information from 45 franchised Potbelly Shops operated at Non-Traditional Venues during the entire 12-period timeframe in 2023~~4~~ is shown separately because, given their setting, their results sometimes are atypical compared with traditional location results. Non-Traditional Venues would include Potbelly Shops operated at airports, military bases, or as catering kitchens or ghost kitchens.

The franchisee and affiliate-owned Potbelly Shop sales performance below does not reflect the costs of sales, operating expenses, or other costs or expenses that you must deduct from the unit volume figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Shop. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

	Potbelly Franchised Traditional Average Unit Volume				Potbelly Franchised Non-Traditional Average Unit Volume		
	2021	2022	2023		2021	2022	2023
Shop Count	38	40	74	Shop Count	3	4	4
Max Unit Volume	1,327,665	1,823,381	2,286,274	Max Unit Volume	2,437,909	3,052,015	3,947,078
Min Unit Volume	498,386	359,216	414,673	Min Unit Volume	1,254,346	2,022,485	2,537,260
Median Unit Volume	754,202	914,256	1,164,161	Median Unit Volume	2,097,480	2,544,858	3,589,523
Average Unit Volume	783,019	930,132	1,215,336	Average Unit Volume	1,929,911	2,541,054	3,415,846
# / % of Shops above Avg	18 / 47%	18 / 45%	34 / 46%	# / % of Shops above Average	2 / 67%	2 / 50%	3 / 75%

	Potbelly Franchise Traditional Average Unit Volume				Potbelly Franchise Non-Traditional Average Unit Volume		
	2022	2023	2024		2022	2023	2024
Shop Count	40	74	73	Shop Count	4	4	5
Max Unit Volume	1,823,381	2,286,274	2,199,998	Max Unit Volume	3,052,015	3,947,078	4,356,766
Min Unit Volume	359,216	414,673	577,544	Min Unit Volume	2,022,485	2,537,260	2,535,348
Median Unit Volume	914,256	1,164,161	1,161,729	Median Unit Volume	2,544,858	3,589,523	3,303,670
Average Unit Volume	930,132	1,215,336	1,227,248	Average Unit Volume	2,541,054	3,415,846	3,414,013
# / % Shops above Avg	18 / 45%	34 / 46%	32 / 44%	# / % Shops above Avg	2 / 50%	3 / 75%	2 / 40%

	Potbelly Franchise Traditional 2023 Average Unit Volume					Potbelly Franchise Non-Traditional 2023 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	74	16	38	19	1	4	4	0	0	0
Max Unit Volume	2,286,274	2,286,274	1,499,770	982,199	414,673	3,947,078	3,947,078	0	0	0
Min Unit Volume	414,673	1,516,458	1,005,277	529,105	414,673	2,537,260	2,537,260	0	0	0
Median Unit Volume	1,164,161	1,677,492	1,194,830	854,715	414,673	3,589,523	3,589,523	n/a	n/a	n/a
Average Unit Volume	1,215,336	1,780,381	1,206,634	799,054	414,673	3,415,846	3,415,846	n/a	n/a	n/a
# / % of Shops above Avg	34 / 46%	5 / 31%	19 / 50%	12 / 63%	n/a	3 / 75%	3 / 75%	n/a	n/a	n/a

	Potbelly Franchise Traditional 2024 Average Unit Volume					Potbelly Franchise Non-Traditional 2024 Average Unit Volume				
	Total	>\$1500K	\$1000K - \$1500K	\$500K - \$1000K	<\$500K	Total	>\$1500K	\$1000K - \$1500K	\$500K - \$1000K	<\$500K
Shop Count	73	16	37	20	0	5	5	0	0	0
Max Unit Volume	2,199,998	2,199,998	1,478,092	998,370	0	4,356,766	4,356,766	0	0	0
Min Unit Volume	577,544	1,501,775	1,001,778	577,544	0	2,535,348	2,535,348	0	0	0
Median Unit Volume	1,161,729	1,634,678	1,190,517	881,978	n/a	3,303,670	3,303,670	n/a	n/a	n/a
Average Unit Volume	1,227,248	1,740,311	1,215,096	839,277	n/a	3,414,013	3,414,013	n/a	n/a	n/a
# / % Shops above Avg	32 / 44%	5 / 31%	16 / 43%	14 / 70%	n/a	2 / 40%	2 / 40%	n/a	n/a	n/a

	Potbelly Franchise Traditional 2022 Average Unit Volume					Potbelly Franchise Non-Traditional 2022 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	40	2	10	24	4	4	4	0	0	0
Max Unit Volume	1,823,381	1,823,381	1,449,023	992,041	448,565	3,052,015	3,052,015	0	0	0
Min Unit Volume	359,216	1,519,811	1,029,382	506,861	359,216	2,022,485	2,022,485	0	0	0
Median Unit Volume	914,256	1,671,596	1,152,508	884,401	399,208	2,544,858	2,544,858	n/a	n/a	n/a
Average Unit Volume	930,132	1,671,596	1,203,550	842,517	401,549	2,541,054	2,541,054	n/a	n/a	n/a
# / % of Shops above Avg	18 / 45%	1 / 50%	4 / 40%	15 / 63%	2 / 50%	2 / 50%	2 / 50%	n/a	n/a	n/a

	Potbelly Franchise Traditional 2023 Average Unit Volume					Potbelly Franchise Non-Traditional 2023 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	74	16	38	19	1	4	4	0	0	0
Max Unit Volume	2,286,274	2,286,274	1,499,770	982,199	414,673	3,947,078	3,947,078	0	0	0
Min Unit Volume	414,673	1,516,458	1,005,277	529,105	414,673	2,537,260	2,537,260	0	0	0
Median Unit Volume	1,164,161	1,677,492	1,194,830	854,715	414,673	3,589,523	3,589,523	n/a	n/a	n/a
Average Unit Volume	1,215,336	1,780,381	1,206,634	799,054	414,673	3,415,846	3,415,846	n/a	n/a	n/a
# / % of Shops above Avg	34 / 46%	5 / 31%	19 / 50%	12 / 63%	n/a	3 / 75%	3 / 75%	n/a	n/a	n/a

	Potbelly Franchise Traditional 2021 Average Unit Volume					Potbelly Franchise Non-Traditional 2021 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	38	0	6	31	1	3	2	1	0	0
Max Unit Volume	1,327,665	0	1,327,665	855,595	498,386	2,437,909	2,437,909	1,254,346	n/a	n/a
Min Unit Volume	498,386	0	1,013,229	507,349	498,386	1,254,346	2,097,480	1,254,346	n/a	n/a
Median Unit Volume	754,202	n/a	1,104,304	745,631	498,386	2,097,480	2,267,694	1,254,346	n/a	n/a
Average Unit Volume	783,019	n/a	1,139,588	721,843	498,386	1,929,911	2,267,694	1,254,346	n/a	n/a
# / % of Shops above Avg	18 / 47%	n/a	3 / 50%	18 / 58%	n/a	2 / 67%	1 / 50%	n/a	n/a	n/a

	Potbelly Franchise Traditional 2022 Average Unit Volume					Potbelly Franchise Non-Traditional 2022 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	40	2	10	24	4	4	4	0	0	0
Max Unit Volume	1,823,381	1,823,381	1,449,023	992,041	448,565	3,052,015	3,052,015	0	0	0
Min Unit Volume	359,216	1,519,811	1,029,382	506,861	359,216	2,022,485	2,022,485	0	0	0
Median Unit Volume	914,256	1,671,596	1,152,508	884,401	399,208	2,544,858	2,544,858	n/a	n/a	n/a
Average Unit Volume	930,132	1,671,596	1,203,550	842,517	401,549	2,541,054	2,541,054	n/a	n/a	n/a
# / % of Shops above Avg	18 / 45%	1 / 50%	4 / 40%	15 / 63%	2 / 50%	2 / 50%	2 / 50%	n/a	n/a	n/a

The remaining financial information appearing in this financial performance representation is based on actual affiliate-owned Potbelly Shop unit volume information. The information included covers the 12-period timeframe (12 full periods) beginning with fiscal Period 1 in 2023~~4~~ (beginning on ~~December 26~~January 1, 2022~~4~~) through fiscal Period 12 in 2023~~4~~ (ending on December ~~31~~29, 2023~~4~~). The information covers only affiliate-owned Potbelly Shop locations that were open for at least 12 fiscal periods (months) as of the end of the 12-period timeframe, and excludes any affiliate-owned Potbelly Shop that did not operate for the entire 12-period timeframe in 2023~~4~~. The financial information from affiliate-owned Potbelly Shops operated at Non-Traditional Venues is reported separately because, given their setting, their results sometimes are atypical compared with traditional location results.

As of the end of Period 12 in 2023~~4~~ (ending on December ~~31~~29, 2023~~4~~), there were 34~~56~~ affiliate-owned Potbelly Shops, which includes ~~8~~10 Potbelly Shops operated from Non-Traditional Venues. Of the 34~~56~~ affiliate-owned Potbelly Shops, 33~~37~~ were open for the entire 12-period timeframe (12 full periods) beginning with fiscal Period 1 in 2023~~4~~ (beginning on ~~December 26~~January 1, 2022~~4~~) through fiscal Period 12 in 2023~~4~~ (ending on December ~~31~~29, 2023~~4~~). Of the ~~49~~ affiliate-owned Potbelly Shops that were not open for the entire 2023~~4~~ 12-period timeframe, ~~34~~ affiliate-owned Potbelly Shops were temporarily closed for a portion of the 2023~~4~~ fiscal year and ~~15~~ affiliate-owned Potbelly Shop opened during the fiscal year. This financial performance representation excludes the results of these ~~49~~ affiliate-owned Potbelly Shops that were not open for the entire 12-period timeframe in 2023~~4~~.

The traditional Potbelly Shops for which financials have been prepared are located in various geographic markets and in a mix of Central Business Districts (CBD), urban, suburban, and campus areas with varying demographics.

	Potbelly Affiliate Traditional Average Unit Volume				Potbelly Affiliate Non-Traditional Average Unit Volume		
	2021	2022	2023		2021	2022	2023
Shop Count	371	371	333	Shop Count	5	9	8
Max Unit Volume	2,565,529	2,759,801	3,114,400	Max Unit Volume	1,996,890	3,048,183	2,729,842
Min Unit Volume	209,415	360,578	451,036	Min Unit Volume	751,647	519,262	871,300
Median Unit Volume	936,950	1,106,207	1,230,766	Median Unit Volume	1,697,924	1,734,244	2,496,775
Average Unit Volume	977,790	1,153,668	1,298,458	Average Unit Volume	1,420,069	1,765,100	2,115,581
# / % of Shops above Avg	167 / 45%	166 / 45%	143 / 43%	# / % of Shops above Avg	3 / 60%	4 / 44%	5 / 63%

	Potbelly Affiliate Traditional Average Unit Volume				Potbelly Affiliate Non-Traditional Average Unit Volume		
	2022	2023	2024		2022	2023	2024
Shop Count	371	333	330	Shop Count	9	8	7
Max Unit Volume	2,759,801	3,114,400	2,870,234	Max Unit Volume	3,048,183	2,729,842	3,057,117
Min Unit Volume	360,578	451,036	544,593	Min Unit Volume	519,262	871,300	992,213
Median Unit Volume	1,106,207	1,230,766	1,192,013	Median Unit Volume	1,734,244	2,496,775	2,762,644
Average Unit Volume	1,153,668	1,298,458	1,268,117	Average Unit Volume	1,765,100	2,115,581	2,513,066
# / % Shops above Avg	166 / 45%	143 / 43%	143 / 43%	# / % Shops above Avg	4 / 44%	5 / 63%	5 / 71%

	Potbelly Affiliate Traditional 2023 Average Unit Volume						Potbelly Affiliate Non-Traditional 2023 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K		Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	333	88	176	68	1		8	6	1	1	0
Max Unit Volume	3,114,400	3,114,400	1,499,051	999,469	451,036		2,729,842	2,729,842	1,118,788	871,300	0
Min Unit Volume	451,036	1,500,739	1,006,282	574,620	451,036		871,300	2,017,945	1,118,788	871,300	0
Median Unit Volume	1,230,766	1,737,053	1,214,837	870,058	451,036		2,496,775	2,566,269	1,118,788	871,300	n/a
Average Unit Volume	1,298,458	1,794,386	1,226,787	854,632	451,036		2,115,581	2,489,094	1,118,788	871,300	n/a
# / % of Shops above Avg	143 / 43%	38 / 43%	81 / 46%	37 / 54%	n/a		5 / 63%	4 / 67%	n/a	n/a	n/a

	Potbelly Affiliate Traditional 2024 Average Unit Volume						Potbelly Affiliate Non-Traditional 2024 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K		Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	330	84	171	75	0		7	6	0	1	0
Max Unit Volume	2,870,234	2,870,234	1,498,497	996,770	0		3,057,117	3,057,117	0	992,213	0
Min Unit Volume	544,593	1,500,238	1,000,680	544,593	0		992,213	2,111,958	0	992,213	0
Median Unit Volume	1,192,013	1,707,989	1,185,031	853,030	n/a		2,762,644	2,818,789	n/a	992,213	n/a
Average Unit Volume	1,268,117	1,771,871	1,206,427	844,568	n/a		2,513,066	2,766,541	n/a	992,213	n/a
# / % Shops above Avg	143 / 43%	30 / 36%	76 / 44%	41 / 55%	n/a		5 / 71%	3 / 50%	n/a	0 / 0%	n/a

	Potbelly Affiliate Traditional 2022 Average Unit Volume					Potbelly Affiliate Non-Traditional 2022 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	371	64	171	132	4	9	7	1	1	0
Max Unit Volume	2,759,801	2,759,801	1,494,731	998,740	478,149	3,048,183	3,048,183	1,124,956	519,262	0
Min Unit Volume	360,578	1,500,324	1,000,234	508,463	360,578	519,262	1,608,367	1,124,956	519,262	0
Median Unit Volume	1,106,207	1,662,104	1,190,062	851,675	438,414	1,734,244	1,973,533	1,124,956	519,262	n/a
Average Unit Volume	1,153,668	1,723,288	1,215,963	818,752	428,889	1,765,100	2,034,526	1,124,956	519,262	n/a
# / % of Shops above Avg	166 / 45%	23 / 36%	79 / 46%	77 / 58%	2 / 50%	4 / 44%	3 / 43%	n/a	n/a	n/a

	Potbelly Affiliate Traditional 2023 Average Unit Volume					Potbelly Affiliate Non-Traditional 2023 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	333	88	176	68	1	8	6	1	1	0
Max Unit Volume	3,114,400	3,114,400	1,499,051	999,469	451,036	2,729,842	2,729,842	1,118,788	871,300	0
Min Unit Volume	451,036	1,500,739	1,006,282	574,620	451,036	871,300	2,017,945	1,118,788	871,300	0
Median Unit Volume	1,230,766	1,737,053	1,214,837	870,058	451,036	2,496,775	2,566,269	1,118,788	871,300	n/a
Average Unit Volume	1,298,458	1,794,386	1,226,787	854,632	451,036	2,115,581	2,489,094	1,118,788	871,300	n/a
# / % of Shops above Avg	143 / 43%	38 / 43%	81 / 46%	37 / 54%	n/a	5 / 63%	4 / 67%	n/a	n/a	n/a

	Potbelly Affiliate Traditional 2021 Average Unit Volume					Potbelly Affiliate Non-Traditional 2021 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	371	27	130	189	25	5	3	0	2	0
Max Unit Volume	2,565,529	2,565,529	1,493,402	997,070	484,223	1,996,890	1,996,890	0	762,395	0
Min Unit Volume	209,415	1,508,956	1,001,415	503,129	209,415	751,647	1,697,924	0	751,647	0
Median Unit Volume	936,950	1,627,538	1,195,662	778,384	390,082	1,697,924	1,891,488	n/a	757,021	n/a
Average Unit Volume	977,790	1,722,358	1,213,409	786,476	394,777	1,420,069	1,862,101	n/a	757,021	n/a
# / % of Shops above Avg	167 / 45%	9 / 33%	59 / 45%	94 / 50%	12 / 48%	3 / 60%	2 / 67%	n/a	1 / 50%	n/a

	Potbelly Affiliate Traditional 2022 Average Unit Volume					Potbelly Affiliate Non-Traditional 2022 Average Unit Volume				
	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K	Total	> \$1500K	\$1000K - \$1500K	\$500K - \$1000K	< \$500K
Shop Count	371	64	171	132	4	9	7	1	1	0
Max Unit Volume	2,759,801	2,759,801	1,494,731	998,740	478,149	3,048,183	3,048,183	1,124,956	519,262	0
Min Unit Volume	360,578	1,500,324	1,000,234	508,463	360,578	519,262	1,608,367	1,124,956	519,262	0
Median Unit Volume	1,106,207	1,662,104	1,190,062	851,675	438,414	1,734,244	1,973,533	1,124,956	519,262	n/a
Average Unit Volume	1,153,668	1,723,288	1,215,963	818,752	428,889	1,765,100	2,034,526	1,124,956	519,262	n/a
# / % of Shops above Avg	166 / 45%	23 / 36%	79 / 46%	77 / 58%	2 / 50%	4 / 44%	3 / 43%	n/a	n/a	n/a

Consolidated 2024 Sales Performance for Systemwide Traditional Potbelly Shops

	Potbelly System Traditional 2024 Average Unit Volume				
	Total	>\$1500K	\$1000K - \$1500K	\$500K - \$1000K	<\$500K
Shop Count	403	100	208	95	0
Max Unit Volume	2,870,234	2,870,234	1,498,497	998,370	0
Min Unit Volume	544,593	1,500,238	1,000,680	544,593	0
Median Unit Volume	1,190,359	1,700,129	1,187,005	859,030	n/a
Average Unit Volume	1,260,714	1,766,821	1,207,969	843,454	n/a
# / % Shops above Avg	174 / 43%	35 / 35%	91 / 44%	55 / 58%	n/a

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Adiya Dixon, Potbelly Franchising, LLC, ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061, (312) 951-0600, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20 OUTLETS AND FRANCHISEE INFORMATION

All year-end numbers appearing in the tables below are as of December 31 in each year. The "Company-Owned" outlets referenced in tables 1 and 4 below are owned by one or more of our affiliates.

Table No. 1

Systemwide Outlet Summary For years ~~2021~~22 to ~~2023~~24

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	~~2021~~	~~46~~	~~46~~	~~0~~
<u>Franchised</u>	2022	46	45	-1
	2023	45	79	+34
~~Company-Owned~~	~~2021~~ <u>24</u>	~~400~~ <u>79</u>	~~397~~ <u>5</u>	~~-3~~ <u>+16</u>

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
<u>Company- Owned</u>	2022	397	384	-13
	2023	384	345	-39
~~Total Outlets~~	202 ~~1~~ <u>4</u>	~~34~~ <u>46</u> <u>5</u>	~~44~~ <u>3</u> <u>46</u>	~~-3~~ <u>+1</u>
<u>Total Outlets</u>	2022	443	429	-14
	2023	429	424	-5
	<u>2024</u>	<u>424</u>	<u>441</u>	<u>+17</u>

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 202~~1~~2 to 202~~3~~4**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
~~All States~~	~~2021~~	~~0~~
<u>All States</u>	2022	0
	2023	0
~~Total~~	202 ~~1~~ <u>4</u>	0
<u>Total</u>	2022	0
	2023	0
	<u>2024</u>	<u>0</u>

Table No. 3

**Status of Franchised Outlets
For years 202~~1~~2 to 202~~3~~4**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non-Ren ewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera-tio ns – Other Reasons	Col. 9 Outlets at End of the Year
~~Arkansas~~	~~2021~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
<u>Arkansas</u>	2022	2	0	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2023	2	0	0	0	0	0	2
Colorado	202 ~~14~~	~~0~~ <u>2</u>	~~0~~ <u>1</u>	0	0	0	0	~~0~~ <u>3</u>
<u>Colorado</u>	2022	0	0	0	0	0	0	0
	2023	0	2	2	0	0	0	0
Florida	202 ~~14~~	~~1~~ <u>0</u>	~~1~~ <u>0</u>	0	0	0	0	~~2~~ <u>0</u>
<u>Florida</u>	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Illinois	202 ~~14~~	~~2~~ <u>3</u>	~~0~~ <u>7</u>	0	0	0	0	~~2~~ <u>10</u>
<u>Illinois</u>	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Indiana	202 ~~14~~	~~1~~ <u>2</u>	~~0~~ <u>2</u>	0	0	0	0	~~1~~ <u>4</u>
<u>Indiana</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Iowa	202 ~~14~~	~~3~~ <u>1</u>	0	0	0	0	0	~~3~~ <u>1</u>
<u>Iowa</u>	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Kentucky	202 ~~14~~	3	0	0	0	0	0	3
<u>Kentucky</u>	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Maryland	202 ~~14~~	~~0~~ <u>3</u>	0	0	0	0	0	~~0~~ <u>3</u>
<u>Maryland</u>	2022	0	0	0	0	0	0	0
	2023	0	12	0	0	0	0	12
Michigan	202 ~~14~~	~~1~~ <u>2</u>	~~0~~ <u>1</u>	0	0	0	0	~~1~~ <u>3</u>
<u>Michigan</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Minnesota	202 ~~14~~	~~4~~ <u>1</u>	0	~~1~~ <u>0</u>	0	0	0	~~3~~ <u>1</u>
<u>Minnesota</u>	2022	3	0	1	0	0	0	2
	2023	2	0	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non-Ren ewals	Reacquired by Franchisor	Ceased Opera-tio ns – Other Reasons	Outlets at End of the Year
~~Mississippi~~	202 ~~14~~	~~12~~	0	0	0	0	0	~~12~~
<u>Mississippi</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
~~Missouri~~	202 ~~14~~	~~31~~	0	0	0	0	0	~~31~~
<u>Missouri</u>	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
~~Nebraska~~	202 ~~14~~	3	0	~~10~~	0	0	0	~~23~~
<u>Nebraska</u>	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	0	1
~~Nevada~~	202 ~~14~~	1	~~10~~	0	0	0	0	~~21~~
<u>Nevada</u>	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
~~New York~~	202 ~~14~~	~~02~~	0	~~02~~	0	0	0	0
<u>New York</u>	2022	0	0	0	0	0	0	0
	2023	0	9	0	0	0	0	9
~~North-Carolina~~	202 ~~14~~	~~79~~	~~12~~	0	0	0	0	~~811~~
<u>North Carolina</u>	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
~~North-Dakota~~	202 ~~14~~	~~18~~	~~03~~	0	0	0	0	~~11~~
<u>North Dakota</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
~~Ohio~~	202 ~~14~~	~~01~~	0	0	0	0	0	~~01~~
<u>Ohio</u>	2022	0	0	0	0	0	0	0
	2023	0	4	0	0	0	0	4
~~South-Dakota~~	202 ~~14~~	~~14~~	0	0	0	0	0	~~14~~

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- tions	Col. 6 Non-Ren ewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Opera-tio ns – Other Reasons	Col. 9 Outlets at End of the Year
<u>South Dakota</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
~~Tennessee~~	~~2024~~	1	0	0	0	0	0	1
<u>Tennessee</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
~~Texas~~	~~2024~~	~~6~~ <u>1</u>	0	~~4~~ <u>0</u>	0	0	0	~~5~~ <u>1</u>
<u>Texas</u>	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
~~Virginia~~	~~2024~~	5	~~0~~ <u>1</u>	0	0	0	0	~~5~~ <u>6</u>
<u>Utah</u>	2022	~~5~~ <u>0</u>	0	0	0	0	0	~~5~~ <u>0</u>
	2023	~~5~~ <u>0</u>	0	0	0	0	0	~~5~~ <u>0</u>
	<u>2024</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
~~Washington~~ <u>n</u> <u>Virginia</u>	~~2024~~	~~0~~ <u>5</u>	0	0	0	0	0	~~0~~ <u>5</u>
	<u>2023</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2024</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
<u>Washington</u>	2022	0	0	0	0	0	0	0
	2023	0	11	2	0	0	0	9
Totals	~~2024~~	~~46~~ <u>9</u>	~~30~~ <u>0</u>	~~30~~ <u>0</u>	0	0	0	~~46~~ <u>9</u>
<u>Totals</u>	2022	46	1	2	0	0	0	45
	2023	45	38	4	0	0	0	79
	<u>2024</u>	<u>79</u>	<u>18</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95</u>

{Remainder of page intentionally left blank}

Table No. 4

**Status of Company-Owned Outlets
For years 202~~12~~ to 202~~34~~**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Arizona	2021	10	0	0	0	0	10
<u>Arizona</u>	2022	10	0	0	0	0	10
	2023	10	0	0	0	0	10
Colorado	2021	10	0	0	0	0	10
<u>Colorado</u>	2022	10	0	0	0	0	10
	2023	10	0	0	0	0	10
District-of Columbia	2021	22	0	0	0	0	22
<u>District of Columbia</u>	2022	22	0	0	1	0	21
	2023	21	0	0	0	0	21
Illinois	2021	21	0	0	0	0	21
<u>Illinois</u>	2022	111	0	0	2	0	109
	2023	109	1	0	2	0	108
Indiana	2021	9	0	0	0	0	10
<u>Indiana</u>	2022	9	0	0	0	0	9
	2023	9	0	0	0	0	9
Kansas	2021	4	0	0	1	0	3
<u>Kansas</u>	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
Kentucky	2021	1	0	0	0	0	1
<u>Kentucky</u>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Maryland	2021	29	0	0	2	0	27
<u>Maryland</u>	2022	27	0	0	1	0	26
	2023	26	0	0	1	12	13
Massachusetts	2021	6	0	0	0	0	6

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
<u>Massachusetts</u>	2022	6	0	0	0	0	6
	2023	6	0	0	1	0	5
~~Michigan~~	202 ~~14~~	~~30~~ 5	0	0	0	0	~~30~~ 5
<u>Michigan</u>	2022	30	0	0	0	0	30
	2023	30	0	0	1	0	29
~~Minnesota~~	202 ~~14~~	~~20~~ 9	~~0~~ 1	0	~~0~~ 1	0	~~20~~ 9
<u>Minnesota</u>	2022	20	0	0	0	0	20
	2023	20	0	0	0	0	20
~~Missouri~~	202 ~~14~~	~~1~~ 20	0	0	0	0	~~1~~ 20
<u>Missouri</u>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
~~New Jersey~~	202 ~~14~~	1	0	0	0	0	1
<u>New Jersey</u>	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
~~New York~~	202 ~~14~~	~~13~~ 0	0	0	0	0	~~13~~ 0
<u>New York</u>	2022	13	0	0	4	0	9
	2023	9	0	0	1	8	0
~~Ohio~~	202 ~~14~~	~~1~~ 60	0	0	0	0	~~1~~ 60
<u>Ohio</u>	2022	16	0	0	0	0	16
	2023	16	0	0	0	4	12
~~Oklahoma~~	202 ~~14~~	~~1~~ 2	~~0~~ 1	0	0	0	~~1~~ 2
<u>Oklahoma</u>	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
~~Oregon~~	202 ~~14~~	~~5~~ 2	0	0	0	0	~~5~~ 2
<u>Oregon</u>	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
~~Pennsylvania~~	202 ~~14~~	~~1~~ 5	0	0	0	0	~~1~~ 5
<u>Pennsylvania</u>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
~~Texas~~	202 ~~14~~	~~62~~ <u>1</u>	0	0	~~0~~ <u>1</u>	0	~~62~~ <u>0</u>
<u>Texas</u>	2022	62	0	0	4	0	58
	2023	58	0	0	0	0	58
~~Utah~~	202 ~~14~~	~~15~~ <u>8</u>	0	0	0	0	~~15~~ <u>8</u>
<u>Utah</u>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
~~Virginia~~	202 ~~14~~	~~22~~ <u>1</u>	0	0	0	~~0~~ <u>1</u>	~~22~~ <u>0</u>
<u>Virginia</u>	2022	22	0	0	0	0	22
	2023	22	0	0	0	0	22
~~Washington~~	202 ~~14~~	~~10~~ <u>22</u>	~~0~~ <u>1</u>	0	0	0	~~10~~ <u>23</u>
<u>Washington</u>	2022	10	0	0	0	0	10
	2023	10	0	0	1	9	0
~~Wisconsin~~	202 ~~14~~	~~14~~ <u>0</u>	0	0	0	0	~~14~~ <u>0</u>
<u>Wisconsin</u>	2022	14	0	0	0	0	14
	2023	14	0	0	0	0	14
~~Totals~~	202 ~~14~~	~~140~~ <u>0</u>	0	0	~~3~~ <u>0</u>	0	~~397~~ <u>14</u>
<u>Totals</u>	2022	397	0	0	13	0	384
	2023	384	1	0	7	33	345
	<u>2024</u>	<u>345</u>	<u>5</u>	<u>0</u>	<u>3</u>	<u>1</u>	<u>346</u>

Table No. 5

Projected Openings as of December ~~31~~29, 202~~34~~3

Column 1 State	Column 2 Franchise Agreements Signed But Outlets Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlets In The Next Fiscal Year
Arkansas	1	1	0
~~District of~~ ~~Columbia~~ <u>Florida</u> <u>a</u>	~~0~~ <u>3</u>	~~0~~ <u>8</u>	~~2~~ <u>0</u>

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
~~Florida~~	~~5~~	~~15~~	~~0~~
Illinois	1	~~23~~	~~40~~
Indiana	0	0	~~44~~
Kentucky	0	1	0
Maryland	0	1	0
Michigan	0	0	1
~~New York~~ Mississippi	~~40~~	~~21~~	0
New York	~~0~~	~~1~~	~~0~~
North Carolina	~~42~~	3	0
Ohio	0	~~42~~	1
South Carolina	~~01~~	~~42~~	0
~~Tennessee~~ Texas	0	1	~~01~~
Utah	~~1~~	~~2~~	~~0~~
~~Texas~~ Washingt on	0	~~40~~	1
Total	~~429~~	~~296~~	~~78~~

Exhibit J-1 lists our franchisees and Area Developers ~~(operational and non-operational)~~ and the addresses and telephone numbers of their Potbelly Shops as of December ~~31, 2023~~, 20234. Exhibit J-2 lists the names, city and state, and current business telephone numbers (or, if unknown, the last known home telephone or other contact numbers) of the franchisees who had outlets terminated, canceled, or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, from January 1, 20234 to December 31, 20234, or who did not communicate with us within 10 weeks of this disclosure document's original issuance date. This list includes franchisees that transferred their Potbelly Shops to third parties. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the Potbelly franchise system.

Item 21 FINANCIAL STATEMENTS

Exhibit G-1 contains ~~our~~the audited ~~financial statements as of December 31, 2023, December 25, 2022, and~~consolidated balance sheets of Potbelly Corporation as of December 29, 2024, and December 31, 2023, and related consolidated statements of operations, statements of equity and statements of cash flows for the years ended December

29, 2024, December 31, 2023, and December 25, 2022, ~~and December~~. Potbelly Corporation absolutely and unconditionally guarantees to assume our duties and obligations under the Franchise Agreement should we become unable to perform our duties and obligations under the Franchise Agreement. Potbelly Corporation's Guarantee of Performance is attached as Exhibit G-~~26, 2021~~.

Item 22

CONTRACTS

The following contracts/documents are exhibits:

- (a) Franchise Agreement — Exhibit B
- (b) Shop Development Area Agreement — Exhibit C
- (c) Principal's Agreement — Exhibit D
- (d) Lease Rider/Collateral Assignment of Lease — Exhibit E
- (e) Franchisee Representations — Exhibit H
- (f) State Riders to Franchise Agreement — Exhibit I
- (g) Form of General Release — Exhibit K
- (h) Asset Purchase Agreement — Exhibit L
- (i) Non-Traditional Program Addendum — Exhibit M

Item 23

RECEIPTS

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

EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Ex. A

EXHIBIT A

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

California

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

Los Angeles

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

Sacramento

~~2101 Arena Boulevard~~
~~651 Bannon Street, Suite 300~~
Sacramento, California 9583411
(916) ~~327-7585~~576-4941

San Diego

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

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8565

Hawaii

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 2053
Honolulu, Hawaii 96813
(808) 586-274422

Illinois

Chief – Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-~~4465~~1090

Indiana

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

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

Maryland

(state agency)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-20201
(410) 576-6360

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-20201
(410) 576-6360

Michigan

(state agency)

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 489133
(517) 335-7567/373-7117

(for service of process)

Corporations Division
Bureau of Commercial Services
Department of Labor and Economic Growth
P.O. Box 30054
Lansing, Michigan 48909

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101-2198
(651) 539-1600

New York

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Ave., 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(for other matters)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10271-0332/10005
(212) 416-8222

North Dakota

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue State Capitol
14th Floor
Bismarck, North Dakota 58505-0510
(701) 328-4712/910

(for service of process)

Securities Commissioner
600 East Boulevard Avenue State Capitol
14th Floor
Bismarck, North Dakota 58505-0510
(701) 328-4712/910

Oregon

~~Dept. of Consumer & Business Services~~

Department of Insurance and Finance

~~Division of Finance and Corporate Securities~~
Section

~~350 Winter Street NE, Room 410~~

Labor and Industries Building

Salem, Oregon 97310-13881

(503) 378-4140/387

Rhode Island

Division of Securities
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 22462-3049/582

South Dakota

Department of Labor and Regulation
Division of Insurance – Securities Regulation
124 S. Euclid, 2nd Floor
Pierre, South Dakota 57501
(605) 773-3563

Virginia

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

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

Washington

(for service of process)

State of Washington
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 41200
Olympia, Washington 98504-1200
(360) 902-876015

Wisconsin

Commissioner of Securities
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 2661-04489555

EXHIBIT B
FRANCHISE AGREEMENT

Ex. B

POTBELLY FRANCHISING, LLC

FRANCHISE AGREEMENT

Franchisee Name:

Agreement Date:

Shop Address:

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GUARANTY AND ASSUMPTION OF OBLIGATIONS

POTBELLY FRANCHISING, LLC **FRANCHISE AGREEMENT**

This Franchise Agreement (the “**Agreement**”) is made and entered into as of the _____ day of _____, 20____ (the “**Effective Date**”) (regardless of the dates of, but only upon, the parties’ full signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“**we**,” “**us**,” or “**our**”), and _____, whose principal business address is _____ (“**you**” or “**your**”).

1. INTRODUCTION, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.

A. INTRODUCTION.

(1) We and our affiliates have developed (and continue to develop and modify) a system for constructing, operating, identifying, and promoting Shops under the POTBELLY SANDWICH SHOP® trademark and related commercial symbols (collectively, the “**Marks**”) that prepare and sell sandwiches, soups, salads, shakes, desserts, and other food and beverage products (collectively, the “**Products**”). We have developed a franchise opportunity for Shops that sell the Products, use the Marks, and use our and our affiliates’ distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications (collectively, the “**Branded System**”), all of which we and our affiliates may improve, further develop, and otherwise periodically modify. Shops preparing and selling the Products, operating under the Branded System, and using the POTBELLY SANDWICH SHOP® Mark as their primary trade identity are referred to collectively in this Agreement as “**Potbelly Shops.**”

A Potbelly Shop’s Products are prepared according to specific recipes, standards, and procedures and use high quality ingredients, including certain proprietary items (collectively, “**Potbelly Trade Secret Products**”) and other ingredients (not constituting Potbelly Trade Secret Products) that are branded and/or packaged exclusively for Potbelly Shops (collectively, “**Potbelly Branded Products**”). (Potbelly Branded Products also are defined to include non-food products that are branded and/or packaged exclusively for Potbelly Shops.)

(2) The Marks have gained and will continue to gain public acceptance and goodwill, and new trademarks, service marks, and commercial symbols may be created, used, and licensed for Potbelly Shops. Our affiliate owns the Marks, the Confidential Information (defined in Section 6 below), and all aspects of the Branded System (collectively, the “**Intellectual Property**”) and has licensed the Intellectual Property to us to use in our Potbelly Shop franchise program.

(3) We grant franchises to operate a Potbelly Shop using the Intellectual Property and offering the Products and services we require and authorize (the “**Franchise System**”).

(4) As a Potbelly Shop franchisee, you must comply with this Agreement and all mandatory standards, specifications, operating procedures, and rules (collectively, “**System Standards**”) that we periodically prescribe for Potbelly Shops.

(5) You have applied for a franchise to operate a Potbelly Shop.

B. ACKNOWLEDGMENTS.

You acknowledge:

(1) That you have independently investigated the Potbelly Shop franchise opportunity and recognize that, like any other business, the nature of a Potbelly Shop will evolve and change over time.

(2) That an investment in a Potbelly Shop involves business risks that could result in the loss of a significant portion or all of your investment.

(3) That the business abilities and efforts of your owners and other principals, management, and staff are vital to your success.

(4) That attracting and retaining customers for your Potbelly Shop require you to make consistent marketing and promotional efforts, to sell high quality Products, to provide a high level of customer service, and to adhere strictly to our System Standards. You are committed to maintaining System Standards.

(5) That you have not received from us, and are not relying upon, any representations or guarantees, express or implied, of the potential volume, sales, income, or profits of a Potbelly Shop (except as provided in a financial performance representation included in Item 19 of our Franchise Disclosure Document), that any information you have acquired from other Potbelly Shop franchisees regarding their sales, income, profits, or cash flows was not information obtained from us, and that we make no representation about that information’s accuracy.

(6) That in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

(7) That you have represented to us, to induce our entry into this Agreement, that all statements you made and all information you gave us are accurate and complete and you made no misrepresentations or material omissions in obtaining the Franchise.

(8) That you and your guarantors have received as one document at one time a copy of the form of this Agreement, the exhibits hereto, and the applicable complete Franchise Disclosure Document not less than fourteen (14) days prior to the earlier of: (i) the date on which this Agreement or any other agreement relating thereto was executed, and (ii) the payment of any consideration by or on behalf of you relating to this

Agreement, and the franchise associated therewith (except, where applicable, any deposit permitted under applicable law).

(9) That you have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms are reasonably necessary for us to maintain high, uniform quality and service standards at each Potbelly Shop and to protect and preserve the goodwill of the Marks.

(10) That we may restrict your sources of Potbelly Trade Secret Products, Potbelly Branded Products, and other items, as provided in various sections of this Agreement.

(11) That we have not made any representation, warranty, or other claim regarding the Potbelly Shop franchise opportunity, other than those in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated the franchise opportunity, including by using your own business and legal advisors, and have relied solely upon those evaluations in deciding to sign this Agreement.

(12) That you have had the opportunity to ask any questions you have, and to review any appropriate materials of interest to you, concerning the Potbelly Shop franchise opportunity.

(13) That you have had the opportunity, and we have encouraged you, to have this Agreement and all related agreements and materials given or made available to you reviewed by your attorney.

(14) That you have a net worth that is sufficient to invest in the Potbelly Shop franchise opportunity and will have sufficient funds to meet all of your obligations under this Agreement.

C. ENTITY REQUIREMENTS.

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

(1) You have the authority to sign, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly exist in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of certain ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend (the wording of which we may specify) referring to those restrictions;

(3) Exhibit A to this Agreement completely and accurately identifies all of your owners and their interests in you as of the Effective Date;

(4) Each of your owners during the Term must sign a Guaranty and Assumption of Obligations, in the form attached at the end of this Agreement, undertaking personally to be bound, jointly and severally, by all provisions in this Agreement and any ancillary agreements between you and us. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised Exhibits A to reflect any permitted changes in the information that Exhibit A now contains;

(5) You must appoint and maintain throughout this Agreement's term a shareholder, member, or partner, depending on the Entity, to be your "**Managing Owner**," responsible for overseeing and supervising operation of the Shop (defined in Subsection D below). The Managing Owner as of the Effective Date is identified in Exhibit A. If your Managing Owner is not involved in the Shop's on-site, day-to-day operation, you also must appoint an "**Operator**," defined as an individual whom you hire to manage the Shop on-site on a day-to-day basis (or, if you operate more than one (1) Potbelly Shop, to oversee management and operation of all your Potbelly Shops), who reports to the Managing Owner, and who is eligible to participate in a long-term incentive plan (*e.g.*, cash bonus or equity grant). We must approve your proposed Operator, who must sign the form we require undertaking personally to be bound, jointly and severally, by the non-monetary obligations in this Agreement. You may replace the Operator as you deem appropriate, although a replaced Operator must relinquish any ownership interest in you, a replacement Operator must satisfactorily complete our training requirements, and you must identify for us and we first must approve any new or replacement Operator. An Operator may not at any time transfer his or her ownership interest in you except to you or any of your then-existing owners. The Operator as of the Effective Date, if applicable, is identified in Exhibit A. If your Managing Owner transfers his or her ownership interest in you during this Agreement's term, you agree to appoint a new Managing Owner (whom we must approve), and to have that new Managing Owner attend and satisfactorily complete the training we require for Managing Owners (the length and substance of which may depend on whether you operate only the Shop or operate multiple Potbelly Shops), within the timeframe we specify. Employees at the Shop are your employees and will be under your control in implementing and maintaining System Standards at the Shop; and

(6) The Shop and other Potbelly Shops, if applicable, will be the only business you operate (although your owners may have other, non-competitive business interests if they do not conflict with your obligations under this Agreement).

D. GRANT OF FRANCHISE.

You have applied for a franchise to operate a Potbelly Shop at _____ (the "**Site**"). (If you have not found a location for your Shop as of the Effective Date, the Site will be identified after you do so, as provided in Subsection 2.A. below.) Subject to this Agreement's terms, we grant

you a franchise (the “**Franchise**”) to operate a Potbelly Shop (the “**Shop**”) at the Site, and to use the Franchise System in its operation, for a ten (10) year term beginning on the earlier of the date the Shop opens for business (“**Shop Opening Date**”) or three hundred sixty (360) days from the Effective Date of this Agreement (the “**Term**”). The Term is subject to earlier termination under Section 14. You agree to operate the Shop in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 14. You may use the Site during the Term only for the Shop. You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use best efforts to promote the Shop. You may not engage in any delivery or catering activities away from the Site, or take customer orders “on-line” (*i.e.*, through the System Website or any other Electronic Media), unless and until we require you to do so or notify you in writing that you may do so (although we have no obligation to allow such activities by a certain date or at all). If we require or allow you to engage in any or all of these activities, you must comply with all System Standards for such activities, including without limitation, making available the Products identified as appropriate for delivery, using only the delivery service provider(s) we specify in writing for your Shop, and limiting the delivery services to any delivery area we specify to you in writing. You acknowledge and agree that any delivery and/or catering area we specify is not exclusive and we may engage, and/or allow other franchisees and third parties to engage, in any activities we desire within the delivery area without any restrictions (including allowing other Potbelly Shops and delivery service providers to provide delivery services in the delivery area). You further acknowledge and agree that any delivery area we specify is nothing more than the geographic boundaries in which you may deliver those Products approved for delivery from the Shop, and no other rights are granted to you whatsoever.

E. **RIGHTS WE RESERVE.**

Your rights under this Agreement are non-exclusive. That means that we (and any affiliates that we periodically have) retain the right during the Term to engage in any and all activities that we (and they) desire, at any time or place, whether or not those activities compete with your Shop. These unlimited rights include the right:

(1) To construct, develop, and operate, and grant to others the right to construct, develop, and operate, Potbelly Shops anywhere we want and on any terms and conditions we deem appropriate.

(2) To offer and sell Products and other items identified by the Marks or any other trademarks or service marks to any customers, wherever located or operating, and through any distribution channels (including, but not limited to, the Internet, grocery, specialty, and other retail stores, food trucks, and other points of distribution), wherever located or operating.

(3) To construct, develop, and operate, and grant to others the right to construct, develop, and operate, any types of stores or other foodservice businesses under any trademarks and service marks anywhere we want and on any terms and conditions we deem appropriate.

(4) To acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Potbelly Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;

(5) To be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Potbelly Shops, or by another business; and

(6) To engage in all other activities this Agreement does not expressly prohibit.

F. THE EXERCISE OF OUR JUDGMENT.

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

G. MODIFICATION OF FRANCHISE SYSTEM.

Because complete and detailed uniformity under many varying conditions might not be possible or practical, we specifically reserve the right and privilege, as we deem best, to vary System Standards for, and to provide different levels of service to, any franchisee based upon any conditions or factors that we consider important to that franchisee's successful operation. You have no right to require us to grant you a similar variation or accommodation or to provide the same level of service.

2. SITE SELECTION/SHOP CONSTRUCTION AND DEVELOPMENT.

A. SITE SELECTION.

If you have not yet secured a location for the Site as of the Effective Date, then within one hundred eighty (180) days after the Effective Date, you agree to purchase, or sign a lease or sublease for, a suitable location for the Shop within the following non-exclusive geographic area: _____ . You agree to obtain our written acceptance of the Shop's proposed location before signing any lease, sublease, or other document for the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. It is your responsibility to find a Site that satisfies our site selection criteria, unless we waive those criteria in a particular situation. We

will not unreasonably withhold our acceptance of a Site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of nearby businesses; other commercial characteristics; and size, appearance, and other physical characteristics. We will spend the time and effort, and incur the expense, reasonably required to consider sites you propose. We will accept or refuse your proposed Site within thirty (30) days after we receive the complete site report and other materials we request. After you find and secure the location, we will insert its address into Subsection 1.D. above, and it will be the Site.

If no Site is found by you and accepted by us within one hundred eighty (180) days after the Effective Date, then either we or you may terminate this Agreement upon written notice. ~~In that event, we will (except as provided in the following sentence) return to you all but Eight Thousand Dollars (\$8,000) of the initial franchise fee if you sign our then-current form of general release of claims. However, if you signed this Agreement in conjunction with a Shop Development Area Agreement we signed with you (or your affiliate) granting multi-Shop development rights and the full initial franchise fee due for the Shop already has been paid to us, we will not return to you any portion of that initial franchise fee if we terminate this Agreement because you fail to find an acceptable location for the Shop within the timeframe required under this Agreement or the Shop Development Area Agreement.~~

You acknowledge and agree that, if we recommend or give you information regarding a location proposed for the Site, that is not a representation, promise or warranty of any kind, express or implied, of the location's suitability for a Potbelly Shop or any other purpose or that the Shop will achieve a certain sales volume or a certain level of profitability at the Site. Similarly, our approval of a site and our rejection of other sites is not a representation, promise or warranty of any kind, express or implied, that an approved site will have a higher sales volume or be more profitable than a site which we did not approve. Our recommendation indicates only that we believe the location meets our then-acceptable criteria, unless we waive those criteria in a particular situation. Applying criteria that have appeared effective with other locations and sites might not accurately reflect the potential for all locations and sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a location and site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a location and site we recommend fail to meet your expectations. You acknowledge and agree that your acceptance of the Franchise was or will be based on your own independent investigation of a location's suitability for the Site. We are relying on your knowledge of the real estate market in your area and your ability to find a suitable location.

B. LEASE OR PURCHASE OF SITE.

We have the right to accept or refuse to accept the terms (including, but not limited to, lease or sublease payments or purchase price) of any lease, sublease or purchase agreement proposed for the Site (the "**Real Estate Agreement**") before you sign it. You must send us for review and comment a copy of the proposed final form of the Real Estate Agreement before you sign it. We also may request, and you must send to us, for review and comment earlier drafts of the proposed Real Estate Agreement. ~~You may not sign the Real Estate Agreement unless and until we have reviewed and accepted its final form and notified you in writing that you~~

~~may sign it. If you sign the Real Estate Agreement before we send you that notice, we will terminate this Agreement.~~

The Real Estate Agreement must contain the terms and provisions we reasonably require. If you lease the Site, we may require that (i) the lease be collaterally assigned to us (with the lessor's prior written consent) by a lease rider and/or collateral assignment agreement in form and substance reasonably acceptable to us in order to secure your performance of each and every liability and obligation to us under this Agreement, and (ii) the lease contains the provisions we require for site leases for Potbelly Shops.

You acknowledge that our review and acceptance of the Real Estate Agreement are not a guarantee or warranty, express or implied, of the successful operation or profitability of a Potbelly Shop at the Site. Our review and acceptance indicate only that we believe the Real Estate Agreement's terms meet our then-current criteria for a Potbelly Shop, unless we waive those criteria in a particular situation. Applying criteria appearing effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the Site we accepted or will accept fails to meet your expectations. You acknowledge that your acceptance of the Franchise was based on your own independent investigation of, or intent to investigate independently, the Site's suitability for the Shop.

If you lose the right to occupy the Site without your fault, or if the Site is destroyed, condemned, or otherwise rendered unusable, you may relocate the Shop to a new site acceptable to us. Any relocation will be at your sole expense, and we may charge you twenty percent (20%) of our then-current initial franchise fee for new franchisees for our involvement in the relocation process. If you choose to relocate, whether during the Term or in connection with your acquisition of a successor franchise (see Section 13 below), you agree, as a condition of that relocation, and within the timeframe we specify and at your own expense, to take all action we require to de-brand and de-identify the Shop's former Site so that it no longer is associated in any manner (in our opinion) with the Franchise System.

C. SHOP CONSTRUCTION AND DEVELOPMENT.

You are responsible for constructing and developing the Shop. We will give you template plans and drawings ("Plans") for a Potbelly Shop's physical structure, exterior elements, and interior layout. The Plans will include mandatory and suggested standards and specifications for, among other things, size, dimensions, design, image, decor, fixtures, equipment, signs, furnishings, and color scheme. However, the Plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for disabled persons. We do not require you to use our approved architect for creating the Plans. However, our approved architect must review and accept the Plans. If you choose to use an architect other than our approved architect, then we may charge you an architectural review fee of Two Thousand Dollars (\$2,000), which you must pay to us at the time of the review.

You must prepare, using our approved architectural and design services vendor, a Site survey and all required construction plans and specifications to suit the Site and make sure these plans and specifications comply with our requirements, the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions. You must send us for review and acceptance your Plans, Site survey and construction plans and specifications before you either submit them for permitting or begin constructing the Shop and all revised or “as built” plans and specifications during construction. Because our review is limited to ensuring your compliance with our design and layout requirements, we might not assess compliance with federal, state, or local laws and regulations, including the ADA. Such compliance is your responsibility.

Before you begin the Shop construction process, you must identify for us your proposed general contractor. That general contractor must have sufficient experience (in our opinion) constructing similar types of commercial restaurant properties. ~~We must accept your proposed general contractor in writing before you may hire the general contractor for the Shop’s construction. You may not hire any general contractor we reject.~~ We may inspect the Site during the Shop construction and development process. You (and not we) are responsible for the performance of architects, contractors, and subcontractors you hire to construct, develop, and maintain the Shop and for ensuring that sufficient insurance coverage is in place during the construction process.

You must do the following, at your own expense, to construct, develop, and begin operating the Shop:

- (1) secure all financing required to construct, develop, and operate the Shop;
- (2) obtain all required zoning, building, utility, sign, health, sanitation, business, and other permits and licenses;
- (3) build out the Shop’s space and decorate the Shop according to approved plans and specifications;
- (4) obtain all customary contractors’ sworn statements and partial and final lien waivers for construction, remodeling, decorating, and installation services;
- (5) purchase or lease, and install, all required fixtures, furniture, furnishings, signs, vehicles (if we require or allow you to provide delivery and catering services from your Shop), and equipment (including required computer, point-of-sale, and other electronic information systems and all equipment components and software necessary for you to accept and process our gift, loyalty and rewards cards and participate in our gift card, customer loyalty, rewards, affinity, and similar programs) (collectively, “**Operating Assets**”); and
- (6) purchase an opening inventory of required, authorized, and approved Potbelly Trade Secret Products and Potbelly Branded Products from us, our affiliates, or

other designated sources and other products, materials, and supplies from approved and designated sources.

D. OPERATING ASSETS.

You must use in operating the Shop only those Operating Assets that we designate or approve for Potbelly Shops as meeting our standards and specifications for quality, design, appearance, function, and performance. You may not install or use any unauthorized Operating Assets at the Shop. You agree to place or display at the Shop (interior and exterior) and on delivery/catering vehicles (if applicable) only the signs, emblems, lettering, logos, and display materials we periodically approve. You must purchase or lease approved brands, types, and models of Operating Assets only from suppliers we designate or approve (which may include and/or be limited to us and/or our affiliates).

E. COMPUTER SYSTEM.

You agree to obtain and use the computer hardware and software we specify, including required computer, point-of-sale, and other electronic information systems, a high-speed Internet connection, and all equipment components and software necessary for you to accept and process our gift, loyalty and rewards cards and participate in our gift card, customer loyalty, rewards, affinity, and similar programs (the “**Computer System**”). We may modify the Computer System’s specifications and components. Our modification of the Computer System’s specifications, and/or other technological developments or events, might require you to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over the remaining portion of the Term, you agree to obtain the computer hardware and software comprising the Computer System (and additions and modifications) and required service or support. Within ninety (90) days after we deliver notice to you, you must obtain the Computer System components we designate and ensure that your Computer System, as modified, is functioning properly. We have no obligation to reimburse you for any Computer System costs. You may not use any unapproved computer software or security access codes. You must give us all security access codes, although we will not have any access to employee- or employment-related information for your Shop’s employees.

We and our affiliates may condition any license to you of required or recommended proprietary software, and/or your use of technology developed or maintained by or for us, on your signing the software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of use of a click-through or other shrink-wrapped license agreement), we and our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you up-front and ongoing weekly, monthly, or other fees for any required or recommended proprietary software or technology licensed to you and for other maintenance, support, and access services we provide during the Term.

Despite the fact that you must buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third-party's computer system; (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded; and (4) complying at all times with the most current version of the Payment Card Industry Data Security Standards. You must provide us with, at a minimum, your annual Attestation of Compliance (“AOC”) demonstrating that you have completed all of the necessary actions to be PCI compliant. The Computer System must permit twenty-four (24) hours per day, seven (7) days per week electronic communications between you and us, including access to the Internet and our then-current System Website and Intranet (if applicable). We always will have unlimited, independent access to the Computer System, although we will not have any access to employee- or employment-related information for your Shop's employees.

You hereby consent to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or disclosed to us, whether by means of the Computer System or otherwise, in accordance with this Agreement. You will obtain such consents from third parties, including your customers, as are necessary in order to give effect to the foregoing.

F. **SHOP OPENING.**

You agree not to open the Shop for business to the public until:

(1) we notify you in writing that the Shop meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that the Shop complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations and is not a waiver of our right to require continuing compliance with our requirements, standards, and policies);

(2) required training (described in Subsection 4.A. below) is satisfactorily completed by all attendees;

(3) you have paid the initial franchise fee and other amounts then due to us and key suppliers;

(4) you obtain, and upon request send us copies of, all required licenses and permits; and

(5) you give us certificates for all required insurance policies.

You agree to comply with these conditions and open the Shop for business within three hundred sixty (360) days after the Effective Date (the “**Required Opening Date**”) (unless an earlier date

is specified in a Shop Development Area Agreement to which we and you (or your affiliate) are parties). We may terminate this Agreement if you fail to open the Shop for business by the Required Opening Date. If you begin operating the Shop before we notify you in writing that it meets our standards and specifications (as required in subparagraph (1) above), you must pay us Five Thousand Dollars (\$5,000) for each day the Shop operates without our acceptance. Alternatively, we may terminate this Agreement.

3. **FEES.**

A. **INITIAL FRANCHISE FEE.**

You agree to pay us a nonrecurring and, except as specifically provided in this Agreement, nonrefundable initial franchise fee of Forty Thousand Dollars (\$40,000). This fee must be paid, and is fully earned by us, when you sign this Agreement. We will credit toward the initial franchise fee any deposit you previously paid under a Shop Development Area Agreement, if applicable.

B. **ROYALTY FEE.**

You agree to pay us on Wednesday of each week (or, if applicable, on the next banking business day), in the manner provided in Subsection 3.J. below, a Royalty Fee (the “**Royalty**”) equal to six percent (6%) of the Shop’s ~~Gross-Sales~~**Total Revenue** (defined in Subsection D below) during the preceding week ending on Sunday (although we may change the day on which the week is deemed to end). The Royalty is not in exchange for any particular products, services, or assistance but instead is solely in consideration of our granting you the Franchise.

C. **ADVERTISING AND DEVELOPMENT FUND CONTRIBUTION.**

You agree to contribute to the Brand Fund (as defined in Subsection 9.B below) in the amounts that we prescribe at any time and from time to time. You agree to contribute three percent (3.0%) of the Shop’s ~~Gross-Sales~~**Total Revenue** (defined in Subsection D below), payable in the same manner as the Royalty. As set forth in Subsection 9.B below, we may, upon ninety (90) days’ prior notice to you, increase the Brand Fund contribution by up to an additional one percent (1%) of the Shop’s ~~Gross-Sales~~**Total Revenue** for a total of up to four percent (4%) of the Shop’s ~~Gross-Sales~~**Total Revenue**. The Brand Fund contributions will be administered and used as set forth in Subsection 9.B below.

D. **DEFINITION OF “~~GROSS-SALES~~**TOTAL REVENUE**”.**

As used in this Agreement, the term “~~Gross-Sales~~**Total Revenue**” means all revenue that you derive from operating the Shop, whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and also includes all proceeds from business interruption insurance, but (1) excludes all federal, state, and municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, (2) excludes revenue you derive from selling or issuing Potbelly gift, loyalty, or rewards cards (although revenue you derive from selling Products to customers who use those cards for payment is included in ~~Gross-Sales~~**Total Revenue**), and (3) is reduced by the amount of any documented refunds and credits

the Shop in good faith gives to customers (if those amounts originally were included in calculating ~~Gross Sales~~Total Revenue). If the Shop's cash receipts or other revenue-in-hand for any reason is less than the sales reflected on the Shop's point-of-sale system (for example, due to employee theft or other loss), "~~Gross Sales~~Total Revenue" will be deemed to mean the higher amount shown on the point-of-sale system.

E. TECHNOLOGY SERVICES FEE.

You agree to pay us a technology services fee (the "**Technology Services Fee**") to cover the costs of operating, support, maintenance and enhancements to our software and hardware systems and digital technology, including, without limitation, systems and tools used to increase efficiency of labor management and Shop operation, the Intranet, the System Website, digital technology, and the Computer System. You must pay the Technology Fee in the same manner as the Royalty. We reserve the right to change the amount of the Technology Fee described in this Section at any time upon notice to you.

~~F. SUBLEASE ADMINISTRATIVE FEE.~~

~~If we sublease the Premises to you, then we may charge you a sublease administrative fee of up to one percent (1%) of the rent payable by you under the sublease (the "Sublease Administrative Fee"). You must pay the Sublease Administrative Fee in the same manner as the Royalty. We reserve the right to change the amount of the Sublease Administrative Fee described in this Section at any time upon notice to you.~~

F. ~~G. LATE FEES AND INTEREST.~~

You agree to pay us a One Hundred Dollar (\$100) late fee for each required payment not made on or before its original due date and for each payment not honored by your financial institution. (You also must reimburse our bank charges for your dishonored payments.) This late fee is not interest or a penalty but compensates us for increased administrative and management costs due to your late payment. In addition, all amounts you owe us that are more than seven (7) days late will bear interest, accruing as of their original due date, at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your EFTA (defined below) automatically for late fees and interest. This Subsection is not our agreement to accept any late payments or our commitment to extend credit to, or otherwise finance your operation of, the Shop.

G. ~~H. APPLICATION OF PAYMENTS.~~

We may, despite your designation, apply any of your payments to any of your past due indebtedness to us and our affiliates. We may set off any amounts you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us or our affiliates due to our alleged nonperformance of any of our obligations under this Agreement.

H. ~~I.~~ METHOD OF PAYMENT.

Before your Shop opens for business, you must sign and deliver to us the documents we require to authorize us to debit your business checking or other bank account automatically for the Royalty, the Brand Fund contribution (defined in Subsection 9.B. below), and other amounts due under this Agreement or in connection with the Shop's operation, including amounts due for your purchases of Potbelly Trade Secret Products, Potbelly Branded Products, other items, and services from us, our affiliates and/or unaffiliated vendors (the "**Electronic Funds Transfer Account**" or "**EFTA**"). We will debit your EFTA for the Royalty and Brand Fund contribution by the close of business on each Wednesday (or, if applicable, on the next banking business day) on account of the previous week's ~~Gross Sales~~Total Revenue. We will debit the EFTA for other amounts you owe us, our affiliates and/or unaffiliated vendors on the day we specify. We may require you to pay for purchases electronically (and to initiate the electronic payment process) before we prepare for shipment and send you Potbelly Trade Secret Products, Potbelly Branded Products, and other items you order. You agree to deposit funds into the EFTA to cover our withdrawals and to report your ~~Gross Sales~~Total Revenue as we require.

If you fail to report the Shop's ~~Gross Sales~~Total Revenue, we may debit your EFTA for one hundred twenty percent (120%) of the last Royalty and Brand Fund contribution we debited (together with the late fee and interest noted in Subsection 3.H. above). If the amounts we debit from your EFTA are less than the amounts you actually owe us (once we have determined the Shop's actual ~~Gross Sales~~Total Revenue), we will debit your EFTA for the balance on the day we specify. If the amounts we debit exceed the amounts you actually owe us, we will credit the excess against the amounts due the following week.

We may require you to pay any amounts due to us and our affiliates under this Agreement, or otherwise due in connection with your Shop's operation, other than by automatic debit (e.g., by check or wire transfer) whenever we deem appropriate, and you must comply with our payment instructions. While we may, as noted above, debit the EFTA for amounts you owe unaffiliated vendors, we generally intend to do so only if you fail to pay those vendors as required.

4. TRAINING AND ASSISTANCE.

A. TRAINING.

(1) Initial Training.

(a) Now that you have signed this Agreement, we will conduct a training program for ~~you or your~~the Managing Owner, ~~your Operator (if your Managing Owner is not involved in the Shop's on-site, day-to-day operation), and General Manager (the person you designate as your most senior leader if your Managing Owner or Operator, as applicable, is not involved in the Shop's on-site, day-to-day operation)~~ at no additional charge. ~~If you meet o~~Our preferred franchisee profile, our training program is scheduled to be approximately six (6) weeks, and ~~you or your~~the Managing Owner must also attend a four (4)-day owner training course at a designated training Potbelly Shop.

Training must occur before your Shop opens. Training focuses on our philosophy, System Standards, and the material aspects of operating a Potbelly Shop, excluding aspects relating to labor relations and employment practices. ~~It is held at a designated training facility of our choice at our corporate headquarters and/or an operating~~ These training programs are held at a certified training location and/or designated training Potbelly Shop we designate.

Required training attendees must ~~satisfactorily~~ complete to our satisfaction the full training program for their respective roles and pass applicable operations and proficiency tests. You must pay all travel and living expenses, wages, and workers' compensation insurance costs that your attendees incur during training. ~~You must substitute for your General Manager if they are not qualified to hold their positions and pay our then-current fee to train their replacements.~~ If we determine that ~~you, your~~ the Managing Owner ~~(or Operator, as applicable)~~ cannot ~~satisfactorily~~ complete initial training to our satisfaction (and he or she, or a replacement, cannot satisfactorily complete a repeat training program), we may terminate this Agreement. The initial franchise fee is not refundable. After the initial training, your Shop always must have on staff a trained General Manager ~~(if you or your Operator, as applicable, is not involved in the Shop's on-site, day-to-day operation)~~, so that the quality of the Products and the Potbelly brand is maintained. If a trained General Manager leaves your employment for any reason, you must appoint and begin training a replacement General Manager within thirty (30) days.

(b) ~~You, or your~~ The Managing Owner ~~(or Operator, as applicable)~~ may request additional or repeat training at the end of the initial training program if he or she does not feel sufficiently trained to operate a Potbelly Shop. We and you will jointly determine the duration of any additional training, which is subject to our personnel's availability. You must pay our then-current charges for additional or repeat training. However, if ~~you or your~~ the Managing Owner ~~(or Operator, as applicable)~~ satisfactorily completes our initial training program, and does not expressly inform us at the end of the program that he or she does not feel sufficiently trained to operate a Potbelly Shop, he or she will be deemed to have been trained sufficiently to operate a Potbelly Shop.

(c) When the Shop is ready to open for business, we will send an "opening team" to the Shop for at least five (5) days but potentially up to twelve (12) days, as we deem best under the circumstances, to assist with the grand opening process (typically starting before and continuing after opening) and to help train your supervisory employees on our philosophy and System Standards and not matters relating to labor relations and employment practices. We will pay for the opening team's wages and travel, hotel, and living expenses during this grand opening period. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase in order to protect our brand quality, excluding training relating to labor relations and employment practices, you must pay our personnel's daily charges (including

wages) and travel, hotel, and living expenses. (If this is your second or subsequent Potbelly Shop, we need not provide our full opening team on-site assistance because you already will have experience operating a Potbelly Shop.)

(d) All Shop employees in customer contact positions must be able to speak, read, write, and understand the English language fluently so they can pass the portions of our training program (which is conducted in English) related to their positions and communicate clearly with customers and other third parties.

(2) **Ongoing Training.** We may require ~~you, your~~the Managing Owner, ~~Operator, and/or General Manager~~ to attend and ~~complete~~ satisfactorily complete up to eight (8) days of supplemental training during each year of the Term at the times and locations we designate. We may charge reasonable registration or similar fees for these courses. Besides attending supplemental training, at least one of your representatives (whom we approve) must, at our request, attend an annual convention of all Potbelly Shop franchisees for up to three (3) days at a location we designate. You must pay our then-current convention fee and all costs to attend.

If you choose during the Term to designate a new Managing Owner (~~or Operator, as applicable) or General~~, the new ~~Managering, each~~ Owner must satisfactorily complete, within the timeframe we specify, our then-current training program ~~for his or her position~~. Your trained personnel may provide this training if we previously have certified them to do so. Otherwise, training must be completed at our designated training Shop. We may charge reasonable fees for this training. You must pay all travel and living expenses incurred during all training courses and programs. Any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue providing that specific training or advice, all of which we periodically may discontinue and modify. You must relieve any of your personnel, who we reasonably believe do not satisfy our minimum qualifications for the positions they hold, from performing their duties at the Shop, in which case you must hire replacement personnel and arrange for their training (typically within thirty (30) days).

B. **GENERAL GUIDANCE.**

We may advise you periodically regarding the manner in which, based on your reports or our evaluations and inspections, operations at the Shop promote and enhance the quality of the Potbelly brand. We may provide recommendations to you with respect to:

(1) standards, specifications, and operating procedures and methods that Potbelly Shops use;

(2) purchasing required and authorized Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and arranging for their distribution to you;

(3) advertising and marketing materials and programs;

- (4) supervisory employee training; and
- (5) administrative, bookkeeping, accounting, and inventory control procedures.

We may provide recommendations to you in our operations manual (“**Operations Manual**”); in bulletins or other written materials; by Electronic Media and Intranet; by telephone consultation; and/or at our office or the Shop. If you request and we agree to provide, or we believe you need, additional or special guidance, assistance, or training during the Term, excluding aspects relating to labor relations and employment practices, as those are solely your responsibility as the employer, you agree to pay our then applicable charges, including our personnel’s daily charges (including wages) and travel, hotel, and living expenses. “Electronic Media” means the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, including an Intranet, and materials (such as CD ROMs and USB data storage devices) facilitating the electronic communication of information. An “**Intranet**” means an internal network that we design and administer for the Potbelly system through which members of the Potbelly system may, in compliance with our terms of use and other System Standards (see Subsection 9.F. below), communicate with each other and through which we may circulate updates to the substance of the Operations Manual and other Confidential Information. We have no obligation to maintain the Intranet indefinitely and may dismantle it at any time without liability to you.

C. **OPERATIONS MANUAL.**

We will give you access during the Term to one (1) copy of our Operations Manual, which may consist of and is defined to include audio, video, computer software, other Electronic Media and/or written and other tangible materials. The media and materials comprising the Operations Manual contain System Standards, information on your other obligations under this Agreement, and various recommendations. We may modify the substance of the Operations Manual periodically to reflect changes in System Standards and your other operating requirements. For purposes of this Agreement, all written instructions or communications we or our affiliates provide to all, or a substantial number of, Potbelly Shop franchise owners concerning aspects or modifications to the Branded System shall be deemed part of the Operations Manual. You agree to keep your access codes to, the information in, and the tangible materials comprising the Operations Manual current and in a secure location at the Shop. Only your Managing Owner (or Operator, as applicable) and General Manager may have access to the Operations Manual (unless we agree otherwise in writing). We must know the identities of all people with access to the Operations Manual. For purposes of enforcing our rights or your obligations, our master version of the Operations Manual controls in case of a dispute over its contents. You agree that the Operations Manual’s contents are confidential. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual (except as we allow for training and operating purposes).

We may, at our option, post some or all of the substance of the Operations Manual on the Intranet, which is deemed to be part of the Operations Manual. If we do so, you must monitor

and access the Intranet for updates to the substance of the Operations Manual and System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on the Intranet will be a part of Confidential Information (defined in Section 6 below). We may require you to return a portion or the entire copy of the Operations Manual given to you in paper or other tangible form after we post some or all of the substance of the Operations Manual on the Intranet. If your copy of or access to the Operations Manual is lost due to your own fault, you must reimburse us for all costs we incur to give you a replacement copy or enable you to regain access.

D. DELEGATION OF PERFORMANCE.

We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether they are our affiliates, agents, or independent contractors with whom we contract to perform these obligations. If we do so, the third-party designees must perform the delegated functions for you in compliance with this Agreement.

5. MARKS.

A. OWNERSHIP AND GOODWILL OF MARKS.

Our affiliate has licensed us to use the Marks in franchising, developing, and operating Potbelly Shops. Your right to use the Marks is derived only from this Agreement and is limited to your operating the Shop during the Term in compliance with this Agreement and all System Standards. Your unauthorized use of the Marks is a breach of this Agreement and infringes our and our licensor's rights in the Marks. Your use of the Marks and any goodwill established by that use are exclusively for our and our licensor's benefit. This Agreement does not confer any goodwill or other interests in the Marks upon you (other than your right to operate the Shop in compliance with this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after the Term contest or assist any other person in contesting the validity, or our and our licensor's ownership, of the Marks.

B. LIMITATIONS ON YOUR USE OF MARKS.

You agree to use the Marks as the Shop's sole identification, except that you must identify yourself as its independent owner, operator, and manager in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you), (3) in offering or selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with Electronic Media (except as provided in Subsection 9.F. of this Agreement), or (5) in any other manner we have not expressly authorized in writing. If we discover your unauthorized use of the Marks, we may require you to destroy all offending items (with no reimbursement from us).

You may not use any Mark in advertising the transfer, sale, or other disposition of the Shop or an ownership interest in you without our prior written consent, which we may grant or

deny as we deem best. You must display the Marks prominently as we prescribe at the Shop and on vehicles, apparel, forms, advertising and marketing, supplies, and other materials we designate. To the extent you use any Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of employees at the Shop and that we, as the franchisor of Potbelly Shops, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You must obtain an acknowledgment (in the form we specify or approve) from all Shop employees that we and our affiliates are not their employer. You must give the notices of trade and service mark registrations we specify and obtain any fictitious or assumed name registrations required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark or any confusingly similar trademark, and not to communicate with any person other than us, our licensor, and our respective attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our licensor may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other proceeding concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our and our licensor's attorneys, are necessary or advisable to protect and maintain our and our licensor's interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our and our licensor's interests in the Marks. We will reimburse your costs for taking any requested action.

D. DISCONTINUANCE OF USE OF MARKS.

If it becomes advisable at any time in our opinion for us and/or you to modify, discontinue using and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Mark, you agree to comply with our directions within a reasonable time after we deliver notice to you. We and our licensor need not reimburse your direct expenses for changing the Shop's signs, your lost revenue due to any modified or discontinued Mark, or your expenses in promoting a modified or substitute trademark or service mark. Our rights in this Subsection D apply to any and all of the Marks (and any portion of any Mark) this Agreement authorizes you to use. We may exercise these rights at any time and for any reason, business or otherwise, we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages, claims, and expenses you incur or for which you are liable in any proceeding challenging your right to use any Mark under this Agreement, provided your use has been consistent with this Agreement, the Operations Manual, and System Standards communicated to you and you have timely notified us of, and comply with our

directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

6. **CONFIDENTIAL INFORMATION.**

We and our affiliates possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), relating to developing and operating Potbelly Shops, including (without limitation):

- (1) site selection criteria;
- (2) specifications for Potbelly Trade Secret Products and Potbelly Branded Products;
- (3) training and operations materials, manuals, and software;
- (4) methods, formats, standards, specifications, systems, procedures, Product preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Potbelly Shops;
- (5) marketing and advertising programs and materials for Potbelly Shops;
- (6) identity of suppliers of Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and services;
- (7) computer software or similar technology that is proprietary to us, our affiliates, or the Franchise System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;
- (8) knowledge of the operating results and financial performance of Potbelly Shops other than the Shop;
- (9) customer and member solicitation, communication and retention programs, along with data and information used or generated in connection with those programs;
- (10) all data and other information generated by, or used in, the operation of the Shop, including customer names, addresses, phone numbers and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the Computer System or that visitors to the Shop (including you and your personnel) provide to the System Website;
- (11) graphic designs and related intellectual property; and

(12) future business plans relating to Potbelly Shops and the Potbelly franchise opportunity, including expansion and development plans.

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify during the Term while operating the Shop, and that Confidential Information is proprietary, includes our and our affiliates' trade secrets, and is disclosed to you only on the condition that you agree, and you hereby do agree, that you:

- (a) will not use Confidential Information in any other business or capacity;
- (b) will keep confidential each item deemed to be a part of Confidential Information, both during and after the Term;
- (c) will not make unauthorized copies of any Confidential Information disclosed via Electronic Media or in written or other tangible form;
- (d) will adopt and implement reasonable procedures to prevent unauthorized use and disclosure of Confidential Information, including, without limitation, restricting its disclosure to Shop personnel and others needing to know the Confidential Information to operate the Shop and using non-disclosure agreements with those having access to Confidential Information. We have the right to review and pre-approve the forms of non-disclosure agreements you use and to be a third-party beneficiary of those agreements with independent enforcement rights. You must keep copies of those agreements and send them to us upon request. Our right to review and pre-approve them is solely to ensure that you adequately protect Confidential Information. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices; and
- (e) will not sell, trade or otherwise profit in any way from the Confidential Information (including by selling or assigning any customer names, addresses, phone numbers, e-mail contact information, or related data), except using methods that we may have authorized or approved in our sole judgment.

Confidential Information does not include information, knowledge, or know-how that you can demonstrate lawfully came to your attention before we disclosed it to you; that, when we disclosed it to you, already had lawfully become generally known in the sandwich preparation or frozen confection categories of the foodservice industry through publication or communication by others (without violating an obligation to us or our affiliates); that, after we disclose it to you, lawfully becomes generally known in the sandwich preparation or frozen confection categories of the foodservice industry through publication or communication by others (without violating an obligation to us or our affiliates); or that you independently develop without access to or reliance on our Confidential Information. However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove one of the exclusions in this paragraph.

All ideas, concepts, techniques, and materials relating to a Potbelly Shop, whether or not protectable intellectual property and whether created by or for you or your owners or Shop employees, must be promptly disclosed to us and will be deemed to be our and our affiliates' sole and exclusive property, part of the Franchise System, and works made-for-hire for us and our affiliates. To the extent any item does not qualify as a "work made-for-hire" for us and our affiliates, by this paragraph you assign ownership of and all related rights to that item to us and our affiliates, hereby waive all moral rights in that item, and hereby agree to take whatever action (including signing assignment or other documents) we request to evidence our and our affiliates' ownership or to help us and our affiliates obtain intellectual property rights in the item.

7. EXCLUSIVE RELATIONSHIP.

You acknowledge that we have granted you the Franchise in consideration of and reliance upon both your agreement to deal exclusively with us in the sandwich preparation and frozen confection categories of the foodservice industry. You therefore agree that, during the Term, neither you, any of your direct or indirect owners, nor any of such owners' spouses will:

- (a) have any direct or indirect controlling interest as an owner – whether of record, beneficial, or otherwise – in a Competitive Business (defined below), wherever located or operating;
- (b) have any direct or indirect non-controlling interest as an owner – whether of record, beneficial, or otherwise – in a Competitive Business, wherever located or operating (except that less than a two percent (2%) equity ownership interest in a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not violate this clause);
- (c) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
- (d) divert or attempt to divert the Shop's business or customers to a Competitive Business; or
- (e) engage in any other activity that might injure the goodwill of the Marks and Franchise System.

The term "Competitive Business" means (i) any fast-casual restaurant that derives more than twenty percent (20%) of its revenue from the sale of (a) baked, oven-style, conveyor oven-style, or un-baked "sub-style" sandwiches, submarine, hoagie, Italian beef, or hero-type sandwiches, pita sandwiches, flatbread sandwiches, or cheese-steak sandwiches, or (b) smoothies, milkshakes, ice cream, and other frozen confection items, or (ii) any business granting franchises or licenses to others to operate the type of business specified in clause (i) (other than a Potbelly Shop operated under a franchise agreement with us). Competitive Business for purposes of this Agreement shall include, but not be limited to, Blimpie, Corner Bakery Café, Firehouse Subs, Jersey Mike's, Jimmy John's, McAlister's Deli, Panera Bread, Quizno's, Schlotzky's, Subway, Tropical Smoothie Café and Which Wich.

Your officers, directors, Operator, General Managers, and key-holding supervisory employees must sign reasonable noncompetition covenants appropriate for their positions to protect Confidential Information and the competitiveness of Potbelly Shops. We have the right to review and pre-approve the forms of non-competition covenants you use and to be a third-party beneficiary of those covenants with independent enforcement rights. You must send us copies upon request. Under no circumstances will we control the forms or terms of employment agreements you use with Shop employees or otherwise be responsible for your labor relations or employment practices. To give effect to your obligations in this Section 7, you acknowledge that neither you, any of your direct or indirect owners, nor any of such owners' spouses will seek to violate this Section 7 directly or through any other person (as defined in Subsection 17.L.) with whom you or any of the other restricted parties are acting in concert or participating in connection with the prohibited activities. We may enforce this Section 7 by taking action against you, the other restricted parties, and all other persons with whom you are acting in concert or participating in connection with the prohibited activities.

You must disclose to us in writing the specific details of any investment in any other restaurant or food-related business or franchise held by you, any of your owners, or any of your or your owners' spouses.

8. **SYSTEM STANDARDS.**

A. **COMPLIANCE WITH SYSTEM STANDARDS.**

You acknowledge and agree that operating and maintaining the Shop in compliance with System Standards are essential to preserve the goodwill of the Marks and all Potbelly Shops. Therefore, you agree to operate and maintain the Shop at all times in compliance with all System Standards, as we periodically issue, modify, and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the Franchise System's or the Shop's best interests. Although we retain the right to establish and periodically modify System Standards, you retain the right to control, and responsibility for, the Shop's management and operation and implementing and maintaining System Standards at the Shop. System Standards may regulate any and all of the following:

(1) the Shop's design, layout, decor, appearance, and lighting; periodic maintenance, cleaning, and sanitation; periodic remodeling, painting, and decorating; replacing obsolete or worn-out improvements and Operating Assets; and using interior and exterior signs, emblems, lettering, and logos. (If the appearance or condition of the Shop or Operating Assets does not at any time meet our standards, we will notify you and identify the action you must take to correct the deficiency. If you fail to correct the deficiency within thirty (30) days after we deliver notice, we may enter the Shop and take the required action for you, in which case you must immediately reimburse all of our costs and pay us our then-current per-day fee.);

(2) types, models, and brands of required Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, other food and beverage products, and supplies and minimum standards and specifications you must satisfy;

(3) required and/or authorized Products, Potbelly Trade Secret Products, Potbelly Branded Products, and services; unauthorized and prohibited food and beverage products and services; and purchase, storage, preparation, handling, and packaging procedures and techniques, and inventory requirements, for Products, Potbelly Trade Secret Products, and Potbelly Branded Products. We always have the right to approve or disapprove in advance all items and services to be used or sold by the Shop. We may withdraw our approval of previously authorized Products and services;

(4) designated and approved suppliers of Operating Assets, Potbelly Trade Secret Products, Potbelly Branded Products, and other items and services. In the case of Potbelly Trade Secret Products and Potbelly Branded Products, suppliers will be limited to us, our affiliates and/or other specified exclusive sources, and you must acquire Potbelly Trade Secret Products and Potbelly Branded Products during the Term only from us, our affiliates and/or the other specified exclusive sources at the prices we or they decide to charge. We and our affiliates may mark up and profit on the sale of such goods and services. (We restrict your sources of Potbelly Trade Secret Products and Potbelly Branded Products to protect trade secrets and other intellectual property rights, assure quality, assure a reliable supply of products meeting our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.)

In the case of Operating Assets, services, and items other than Potbelly Trade Secret Products and Potbelly Branded Products, suppliers may at our option be limited to us, our affiliates and/or other specified exclusive sources, in which case you must (at our direction) acquire such Operating Assets, other items, and services (including gift, loyalty, rewards, and affinity card processing services, quality assurance services, music network provider services, “mystery” and “secret” shopper services, and consumer satisfaction survey processes) during the Term only from us, our affiliates and/or the other specified exclusive sources at the prices we or they decide to charge. We have the absolute right to limit the suppliers with whom you may deal;

(5) supply and supplier approval procedures and criteria for items and services you need to operate your Shop but that we allow you to obtain from sources other than us, our affiliates and/or other specified exclusive sources. If you want the Shop to use any product brand, ingredient, supply, or service we have not yet approved as meeting our minimum standards and specifications, or to buy any item or service from a supplier we have not yet approved or designated, you first must notify us and, at our request, submit samples and other information we require to determine whether the item, service, or supplier meets our standards and specifications. We may inspect the proposed supplier’s facilities and charge you or the supplier a reasonable fee for the inspection and evaluation. We need not approve your request and do not intend to approve a request if we already have designated specific items, services and/or suppliers or otherwise have restricted the supply system. We also have the right to re-inspect any supplier’s products, services, and facilities and to revoke our approval of any item, service, or supplier;

(6) terms and conditions of the sale and delivery of, and terms and methods of payment for, Potbelly Trade Secret Products, Potbelly Branded Products, and other items

and services you obtain from us and affiliated and unaffiliated suppliers. This includes our and our affiliates' right to establish an electronic product ordering system and require your payment electronically before we prepare for shipment and send you Potbelly Trade Secret Products, Potbelly Branded Products, and other items you order. We and our affiliates have the right not to sell you any Potbelly Trade Secret Products, Potbelly Branded Products, or other items and not to provide you with services, or to do so only on a "cash-on-delivery" or other basis, if you are in default under any agreement with us or our affiliates (and have been notified of that default in writing but have failed to cure that default within the required timeframe, if applicable). You may not use any unapproved products as replacements;

(7) our and our affiliates' right (without liability) to consult with your suppliers about your account status with them and to advise those suppliers and others with whom you, we, our affiliates, and other franchisees deal that you are in default under any agreement with us or our affiliates (but only if we have notified you of that default in writing and you have failed to cure that default within the required timeframe, if applicable);

(8) our and our affiliates' right to receive payments, rebates, or other material consideration from suppliers on account of their actual or prospective dealings with us, our affiliates, you, and other franchisees and to use all amounts received without restriction for any purposes we and our affiliates deem appropriate (unless we and our affiliates agree otherwise with the supplier);

(9) sales, marketing, advertising, and promotional programs and materials and media used in these programs. You must participate in, and comply with the requirements of, any special promotional programs we implement;

(10) using and displaying the Marks at the Shop and on vehicles, apparel, paper and plastic products, forms, and other materials;

(11) issuing and honoring/redeeming gift certificates, coupons, and gift, loyalty, rewards and affinity cards and administering gift card and other customer loyalty, rewards, affinity, and similar programs. You must participate in, and comply with the requirements of, our gift card and other customer loyalty, rewards, affinity, and similar programs (including our issuing and honoring/redemption procedures and giving us all customer-specific information you receive or generate from operating the Shop, which customer-specific information we will be deemed to own). We may keep any prepaid amounts that are not used by customers to the extent allowed by applicable law;

(12) staffing the Shop as necessary to operate the Shop in compliance with System Standards and employee dress and appearance. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You must communicate clearly with Shop employees in your employment agreements, human resources manuals, written and electronic

correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of Potbelly Shops, and our affiliates are not their employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. Shop employees are under your control at the Shop;

(13) days and hours of operation (including your obligation to operate the Shop every day of the week except as we otherwise allow);

(14) using proprietary software, the System Website, and Intranet;

(15) participating at your own expense in our market research and testing and in product and service development programs;

(16) your complying with our customer complaint resolution procedures and our commitment to a 100% customer satisfaction policy and reimbursing us promptly if we resolve a customer complaint because you fail to do so as or when we require;

(17) your participating as we require (including by paying required dues and expenses) in any franchisee advisory or other councils we establish for the Franchise System;

(18) accepting credit and debit cards, other payment systems, and check verification services;

(19) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, product mix, financial performance, and condition; and giving us copies of tax returns and other operating and financial information for the Shop, but excluding employee- and employment-related information;

(20) types, amounts, terms, and conditions of insurance coverage required for the Shop; our and our affiliates' protection and rights under insurance policies as additional named insureds for claims arising from the Shop's operation; required and impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage; our right to obtain insurance coverage for the Shop at your expense if you fail to do so; our right to defend claims; and similar matters relating to insured and uninsured claims;

(21) catering and delivery services and on-line customer ordering (to the extent we require or allow you to engage in these activities), including utilizing only the delivery service provider(s) we specify in writing for your Shop;

(22) your complying with our quality assurance, "mystery shop," and music network programs, including using and paying our designated third-party service providers;

(23) to the extent allowed by applicable law, your participating as we require in discount programs, giveaways, brand initiatives and other promotions. You acknowledge and agree that periodic discounts, giveaways, brand initiatives and other promotions are an integral part of the System. Therefore, you agree to offer and participate in such discounts, giveaways, brand initiatives and other promotions at your sole cost and expense, in accordance with our specifications. You further agree to honor the discounts, giveaways, brand initiatives and other promotions offered by other Potbelly Shop franchise owners under any such program we establish, as long as such compliance does not contravene any applicable law, rule or regulation;

(24) to the extent allowed by applicable law, the minimum, maximum, and other prices for the Shop's Products, including restrictions on your use of coupons and other Product price discounting practices. This includes (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered by the Shop; recommending retail prices; advertising specific retail prices for some or all products or services sold at the Shop; to engage in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which the Shop may charge the public for the products and services it offers. We may engage in any such activity either periodically or throughout the Term. Further, we may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge that the prices we prescribe or suggest may or may not optimize the revenues or profitability of the Shop and you irrevocably waive any and all claims arising from the establishment or suggestion of the Shop's retail prices;

(25) use of social media in connection with your Shop's operation or otherwise referencing the Potbelly ~~S~~system ("social media" includes personal blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like ~~Twitter~~X, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools); and

(26) any other aspects of operating and maintaining the Shop that we determine are useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Potbelly Shops.

System Standards we prescribe and communicate to you in any of the media and materials comprising the Operations Manual are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

You acknowledge how important it is for you to operate the Shop in full compliance with this Agreement and our System Standards. You further acknowledge that your deviation from any contractual requirement, including any System Standard, is a violation of this Agreement and will trigger incalculable administrative and management costs for us to address the violation (separate and apart from any damages your violation might cause to the Potbelly ~~S~~system, our business opportunities, and the goodwill associated with the Marks). Therefore, you agree that,

to compensate us for our incalculable administrative and management costs due to your operational violations, you must pay us Two Hundred Fifty Dollars (\$250) for each deviation from a contractual requirement, including any System Standard, cited by us (the “**Non-Compliance Fee**”). (The Non-Compliance Fee does not apply to payment defaults for which we may charge late fees and interest under Subsection 3.H. above.) We and you deem the Non-Compliance Fee to be a reasonable estimate of our administrative and management costs and not a penalty. We may debit your EFTA for Non-Compliance Fees or set off monies otherwise due and payable to you to cover the payment of Non-Compliance Fees. We must receive the Non-Compliance Fee within five (5) days after we notify you that we are charging it due to your violation. We need not give you a cure opportunity before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not prevent us from seeking to recover damages to the Potbelly **S**ystem, our business opportunities, or the goodwill associated with the Marks due to your violation, seeking injunctive relief to restrain any subsequent or continuing violation and/or formally defaulting you and terminating this Agreement under Section 14.B.

B. MODIFICATION OF SYSTEM STANDARDS.

We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may obligate you to invest additional capital in the Shop and/or incur higher operating costs. You agree to implement any changes in System Standards within the reasonable time period we request, whether they involve refurbishing or remodeling the Shop, buying new Operating Assets, adding new Products and services, or otherwise modifying the nature of the Shop’s operations, as if they were part of this Agreement as of the Effective Date. However, (1) except for changes in the Computer System, the Shop’s exterior and interior signage (including menu-boards), and kitchen equipment (including conveyor ovens and coolers/freezers) (the amounts for and timing of which are not limited), (2) except for expenditures required by the Lease, sublease or applicable law (the amounts for and timing of which are not limited), and (3) except as provided in Section 12.C.(11) in connection with a transfer, we will not obligate you to invest in capital modifications more than once during any seven (7) year period during the Term to change the Shop’s flooring, wall treatments, lighting fixtures, and other structural elements.

C. COMPLIANCE WITH APPLICABLE LAWS AND GOOD BUSINESS PRACTICES.

At all times during the Term, you must secure and maintain all licenses, permits, and certificates required for the Shop’s operation and operate the Shop in full compliance with all applicable laws, ordinances, and regulations, including government regulations relating to occupational hazards, health, environment, employment, workers’ compensation and unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales and service taxes. Your advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. The Shop must in all dealings with customers, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You agree not to engage in any business or advertising practice that could injure our business and the goodwill associated with the Marks, the Branded System,

and other Potbelly Shops. You must notify us in writing immediately if (a) any legal charge is asserted against you or the Shop (even if there is no formal proceeding), (b) any action, suit, or proceeding is commenced against you or the Shop, (c) you receive any report, citation, or notice regarding the Shop's failure to comply with any licensing, health, cleanliness, or safety standard, or (d) any bankruptcy or insolvency proceeding or an assignment for the benefit of creditors is commenced by or against you or the Shop.

9. MARKETING.

Potbelly Shops must engage in, and prepare materials for, various marketing, advertising, customer relationship management ("CRM"), public relations, and brand building and protection activities and programs we deem appropriate to enhance the Potbelly brand (collectively, "Marketing"). We describe this Marketing below. Besides the market introduction program described in Subsection 9.A., you must pay us, at the same time and in the same manner as the Royalty, the Brand Fund contribution described in Subsection 9.B. You also have the local Marketing obligations (including area brand cooperatives) described in Subsections 9.C. and D. Your total required Marketing obligations under Subsections 9.B., 9.C., and 9.D. will not exceed five percent (5%) of the Shop's ~~Gross Sales~~Total Revenue.

A. MARKET INTRODUCTION.

You must conduct a market introduction program for your Shop in compliance with our guidelines beginning before and continuing ~~sixfor ninety~~ (690) monthsdays after the Shop opens for business. ~~You must spend on this program, which we will help you develop, at least Twenty-Five Thousand Dollars (\$25,000), as we deem best based on your particular market. You must send us a written introductory marketing program, which shows how you intend to spend this money, at least~~We will calculate your required spend under the program based on the market type i.e., (i) an existing market (defined as a market containing at least 5 Potbelly Shops at the time your Shop opens) must spend at least Ten Thousand Dollars (\$10,000); and (ii) a new market (defined as a market containing 4 or less Potbelly Shops at time your Shop opens) must spend at least Fifteen Thousand Dollars (\$15,000). We will work with you to create an approved opening plan as well as provide support for any additional marketing opportunities that we approve in writing. We will provide you with a spending tracker for the market introduction program to complete and submit to us within ninety (90) days ~~before~~after your Shop opens. ~~At our request, you must pay us the anticipated costs of the market introduction program, which we then will spend on your behalf.~~

B. BRAND FUND.

Recognizing the value of advertising and marketing to the goodwill and public image of Potbelly Shops, we have established a brand fund (the "Brand Fund") for the advertising, marketing, and public relations programs and materials we deem appropriate. You agree to contribute to the Brand Fund the amounts we require as set forth in Subsection 3.C above.

You currently must contribute to the Brand Fund three percent (3%) of the Shop's ~~Gross Sales~~Total Revenue for Marketing. Potbelly Shops owned and operated by us and our affiliates

are not obligated to contribute to the Brand Fund. We may designate a separate entity as we deem appropriate in our sole discretion to operate and administer the Brand Fund. Any such entity will have all of the rights and duties as specified in this Section. We will direct all Marketing that the Brand Fund finances, with sole control over the creative concepts, graphics, materials, media, and endorsements used and their geographic, market, and media placement and allocation. The Brand Fund may pay for creating, preparing, and producing marketing, advertising and public relations materials and concepts; developing, implementing, operating, and maintaining a System Website, an Intranet, and/or related strategies; and administering national, regional, multi-regional, and local Marketing, including, without limitation, purchasing advertising (including digital media/marketing), conducting research, using agencies and other advisors to provide assistance, and supporting public relations, market research, and other advertising, promotion, and marketing activities. We have the right to collect for deposit into the Brand Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Potbelly Shops and with whom we have agreed that we will so deposit these allowances. (These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes, and which we and our affiliates therefore may use for any purposes we and they deem appropriate, as provided in Subsection 8.A above.)

We may, upon ninety (90) days' prior notice to you, increase your required Brand Fund contribution by up to an additional one percent (1%) of the Shop's ~~Gross Sales~~Total Revenue for a total of up to four percent (4%) of the Shop's ~~Gross Sales~~Total Revenue. Your minimum required expenditures under this Section 9.B and under Sections 9.C. and 9.D. below will not exceed, in the aggregate, five percent (5%) of the Shop's ~~Gross Sales~~Total Revenue.

We will account for the Brand Fund separately from our other monies (although we have no obligation to keep Brand Fund contributions in a separate bank account) and not use the Brand Fund for any of our general operating expenses. However, we may use the Brand Fund to pay for expenses we incur in activities reasonably related to directing the Brand Fund and its programs, including, without limitation, conducting market research, public relations, creating, preparing, and producing advertising, promotion, CRM, graphic design, and marketing materials, collecting and accounting for Brand Fund contributions, and taxes we must pay on Brand Fund contributions we receive; reasonable salaries and benefits of personnel who manage and administer the Brand Fund; a management fee for us (or an affiliate); the Brand Fund's other administrative costs; travel expenses of personnel while they are on Brand Fund business; meeting costs; overhead relating to Brand Fund business; and franchisee conferences.

The Brand Fund is not our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund contributions for the contributors' benefit and use contributions only for the purposes described in this Subsection. We do not owe any fiduciary obligation to you for administering the Brand Fund or any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund contributions in that year, borrow from us or our affiliates (paying reasonable interest) to cover deficits, pay back outstanding principal amounts borrowed in prior years from us or third parties, or invest any surplus for future use. If we spend less than the total of all Brand Fund contributions received during any fiscal year, we may accumulate the sums for use in later years. We will use all interest earned on Brand Fund contributions to pay costs before using the Brand Fund's other assets. At the end of our fiscal year, we will determine

whether there are unused Brand Fund contributions and, if so, either roll over those unused contributions for use during the following fiscal year or return those unused contributions to the Brand Fund's contributors in proportion to their respective contributions during the preceding fiscal year.

We will prepare an annual, unaudited statement of Brand Fund collections and expenses and either give you a copy of the statement upon written request or post the statement on the Intranet. We may have the Brand Fund audited annually, at the Brand Fund's expense, by an independent certified public accountant we select. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have the rights and duties specified in this Subsection.

We intend the Brand Fund to maximize recognition, and enhance system protection, of the Marks and increase patronage of Potbelly Shops. Although we will try to use the Brand Fund to develop Marketing materials and execute Marketing activities and programs benefiting all Potbelly Shops, we need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund contributions by Potbelly Shops operating in that geographic area or that any Potbelly Shop benefits directly or in proportion to its Brand Fund contributions from the development of Marketing materials or the execution of Marketing activities and programs. The Brand Fund will not be used principally to develop materials and programs to solicit franchisees. However, media, materials, and programs, including the System Website, prepared using Brand Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads.

We have the right, but no obligation, to use collection agents and institute legal proceedings at the Brand Fund's expense to collect Brand Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this Subsection, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

We may at any time defer or reduce a Potbelly Shop franchise owner's contributions and, upon thirty (30) days' prior written notice to you, reduce or suspend Brand Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will at our option spend all remaining Brand Fund monies on permitted Marketing or distribute all unspent monies to Brand Fund contributors in proportion to their respective Brand Fund contributions during the preceding fiscal year.

C. YOUR LOCAL MARKETING.

Except as provided below, you must spend a minimum of one percent (1%) of the Shop's ~~Gross Sales~~Total Revenue each year of the Term to market and promote your Shop locally (the "Local Marketing Spend"). You must, by the deadlines we specify, present to us annually (or on the quarterly or other basis we specify) for our prior written approval your plan for use of the Local Marketing Spend in the upcoming year (or quarter or other timeframe). You may engage only in the Shop-level advertising, marketing, and promotion activities, and use only the materials and media, we pre-approve. If you use an advertising or media agency, you may use either any agency we use or another agency you select but that we pre-approve in writing after

you send us the information we reasonably request about the agency. We may approve or disapprove that agency as we deem best. We may rescind our approval of the agency (1) immediately if we determine that it no longer meets our brand standards or brand approval requirements or (2) any time, and for any or no reason, upon ninety (90) days' prior written notice to you.

You must send us, at the time and in the manner we prescribe (including with receipts), an accounting of your actual expenses for Shop-level advertising, marketing, and promotion for the period we specify. We may designate during the Term which expenses will, or will not, count toward your Local Marketing Spend.

Your local Marketing must follow the pre-approved plan and our guidelines. All Marketing materials you develop for your Shop must contain notices of the System Website's domain name in the manner we designate. Except as described below in connection with the System Website, you may not develop, maintain, provide mutual links to, or authorize any website mentioning or describing you or the Shop or displaying any of the Marks. Your Marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethical Marketing and the Marketing policies we periodically prescribe.

Before you use them, you must send us or our designated agency for pre-approval samples of all Marketing materials we have not prepared or approved within the previous one (1) year period. If you do not receive written disapproval within fifteen (15) days after we or our designated agency receives the materials, they are deemed to be disapproved. You may not use any Marketing materials that we have not approved or have disapproved. You must cease using any materials we previously approved within thirty (30) days after we notify you that they no longer may be used. Your minimum required expenditures under Sections 9.B, 9.C., and 9.D. will not exceed, in the aggregate, five percent (5%) of the Shop's ~~Gross Sales~~Total Revenue.

D. AREA BRAND COOPERATIVE.

If the general market area in which the Shop is located encompasses (in our opinion) at least three (3) Potbelly Shops (including your Shop and other Potbelly Shops owned by franchisees, us, or our affiliates) and we believe that collaborative brand building activities among all franchisees (and us and our affiliates) in that area are appropriate to promote Potbelly Shops, you agree at our request to form a cooperative or collaborative brand building association (an "**Area Cooperative**") with other franchisees and us and/or our affiliates to advertise, market, and promote collectively Potbelly Shops in that general market area. We will control the Area Cooperative's organization, formation, and governance, including preparation of bylaws. The Area Cooperative will begin operating on the date we specify. The Area Cooperative's members will include all Potbelly Shops operating in that area. If an Area Cooperative has been established as of the Effective Date for the general market area in which the Shop is located, you automatically become a member of that Area Cooperative when you sign this Agreement (although voting rights and contributions do not begin until your Shop opens and begins operation).

Each Area Cooperative will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Area Cooperative's purpose is, with our

approval, to administer advertising programs and develop promotional materials for the area the Area Cooperative covers.

If an Area Cooperative is or has been established, you agree (1) to join, participate in, sign the documents we require to become a member of, and actively support the Area Cooperative in compliance with its governing documents, and (2) to contribute a specific percentage of the Shop's ~~Gross-Sales~~Total Revenue to the Area Cooperative. The maximum Area Cooperative contribution during a fiscal period may not exceed the then-currently-designated Local Marketing Spend. Area Cooperative contributions will be credited toward your Local Marketing Spend (but not toward the Brand Fund contribution). If Potbelly Shops operated by us and our affiliates are members of the Area Cooperative, they will contribute a proportionate amount of their ~~Gross-Sales~~Total Revenue to the Area Cooperative's expenses.

The Area Cooperative must, by the deadlines we specify, present to us annually (or on the quarterly or other basis we specify) for our prior written approval its plan for use of Area Cooperative contributions in the upcoming year (or quarter or other timeframe). The Area Cooperative will present a Marketing plan having the approval of at least fifty-one percent (51%) of the Potbelly Shops that are members of the Area Cooperative. After we have approved the plan, the Area Cooperative may propose for our prior written approval a change in the percentage of ~~Gross-Sales~~Total Revenue to be contributed by Potbelly Shops for the plan. If we approve that change (although we have no obligation to do so), the Area Cooperative may implement that change only if at least seventy percent (70%) of the Potbelly Shops that are members of the Area Cooperative vote for the change. (As noted above, your minimum required expenditures under Sections 9.B., 9.C., and 9.D. will not exceed, in the aggregate, five percent (5%) of the Shop's ~~Gross-Sales~~Total Revenue. We may, upon ninety (90) days' prior notice to you, adjust the percentages among the various required expenditures throughout the Term.)

Each Potbelly Shop in the Area Cooperative will have one (1) vote regarding the Area Cooperative's administration, contributions, operation, and expenditures. If the Area Cooperative's members cannot agree on any aspect of the Area Cooperative's administration, contributions, operation, or expenditures and the disagreement continues for twenty (20) days after written notice to us that a disagreement exists, we have the authority to resolve the matter. Our decision will be final and binding on all Area Cooperative members. In any event, we may, whenever we deem best, control the operation, contributions, expenditures, and all other aspects of the Area Cooperative.

You agree to send us and the Area Cooperative any reports we require. The Area Cooperative will operate only to advertise, market, and promote Potbelly Shops located in the Area Cooperative's general market area. The Area Cooperative and its members may not use any Marketing plans or materials without our prior written consent, and all activities must comply with our guidelines.

E. SYSTEM WEBSITE.

We have established a system website (1) to advertise, market, and promote Potbelly Shops and the Products (and/or the Potbelly Shop franchise opportunity), (2) through which to

operate on-line product ordering and other fulfillment systems, and (3) for any other purposes we consider appropriate or necessary for Potbelly Shops, the Products or the Franchise System (the “**System Website**”). We will create a separate interior webpage (accessible only through the System Website which we control) which references your Shop. You must give us the information we request to create your interior webpage on the System Website. By giving us the information, you represent that the information is accurate and not misleading and does not infringe any other party’s rights. We will own all intellectual property and other rights in the System Website, your interior webpage, and all information they contain (including, without limitation, the log of “hits” by visitors and any personal or business data that visitors supply).

We will control, and may use Brand Fund contributions to develop, maintain, operate, update, and market, the System Website, including your interior webpage. We will update the information on your interior webpage, if any, or add information we approve as frequently as we deem appropriate. You must notify us whenever any information on your interior webpage changes or is not accurate. You must pay our then-current fee for us to create an interior webpage for your Shop or as we otherwise require to maintain and operate the System Website’s various features and functions (if, or to the extent, the Brand Fund does not pay for these costs). We have sole control over all information on the System Website, including your interior webpage.

We will maintain your interior webpage only while you are in substantial compliance with this Agreement and all System Standards. If you are in material default of any obligation under this Agreement or System Standards, we may, in addition to our other remedies, temporarily suspend your interior webpage until you fully cure the default. We will permanently terminate interior webpage upon this Agreement’s expiration or termination.

All Marketing materials you develop for the Shop must contain notices of the System Website’s domain name(s) in the manner we designate. You may not develop, maintain, link to, or authorize any other website mentioning or describing you or the Shop or displaying any of the Marks.

F. **INTRANET.**

We may, at our option, establish and maintain an Intranet. We will establish System Standards for the Intranet’s use. These System Standards will address, among other things, (1) restrictions on using abusive, slanderous, or otherwise offensive language in electronic communications, (2) restrictions on communications among franchisees endorsing or encouraging breach of any franchisee’s franchise agreement, (3) confidential treatment of materials we transmit via the Intranet, (4) password protocols and other security precautions, (5) grounds and procedures for our suspending or revoking a franchisee’s access to the Intranet, and (6) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet. We expect to adopt and adhere to a reasonable privacy policy. However, as the Intranet’s administrator, we have the right to access and view any communication posted on the Intranet. You acknowledge that the Intranet and all communications posted to it are our property, free of any privacy or privilege claims that you or any other person may assert.

After we notify you that the Intranet has become functional, you must buy and install all necessary additions to the Computer System, as provided in Subsection 2.E. above, and establish and continually maintain electronic connection with the Intranet allowing us to send messages to and receive messages from you. Your obligation to maintain connection with the Intranet applies during the entire Term (unless we dismantle the Intranet or suspend your access). You must contribute reasonable amounts on an annual, quarterly, monthly, or other basis toward the cost of developing and maintaining the Intranet. If you fail to pay when due any required amount, or fail to comply with any Intranet System Standard, we may (in addition to any other rights we reserve in this Agreement, including those under Subsection 3.H.) temporarily suspend your access to any so-called chat room, bulletin board, list-serve, or similar feature the Intranet includes until you fully cure the breach.

10. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

In order to assure consistency and reliability with respect to the various forms of financial reporting you must make to us, you agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we require from time to time. The records and information contained in this system will not include any records or information relating to Shop employees, as you control exclusively your labor relations and employment practices. During the Shop's first year of operation, you must use an outsourced accounting service we specify to ensure your preparation of required reports and financial statements accurately and in our desired format. If, after that first year, you choose to use an accounting firm that we have not specified, that firm must accept electronic files prepared in accordance with our Franchise Data Exchange documentation. If you do not comply with our accounting, recordkeeping, and reporting obligations any time after the Shop's first year of operation, we once again may require you to use a specified outsourced accounting service. You must use a Computer System to maintain sales data and other information and to generate the reports we require. You agree to give us in the manner and format we periodically prescribe:

- (a) weekly reports of the Shop's ~~Gross Sales~~ Total Revenue, discounts, net sales, product mix, transaction count, average ticket, and productivity;
- (b) within fifteen (15) days after the end of each fiscal month or other accounting period, the operating statements, unaudited financial statements, statistical reports, and other information we request regarding you and the Shop covering the previous fiscal month or other accounting period and the fiscal year-to-date;
- (c) within forty-five (45) days after the end of each fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for the Shop as of the end of that fiscal year (all unaudited);
- (d) within forty-five (45) days after the end of each fiscal year, an annual budget for the current fiscal year; and
- (e) within fifteen (15) days after our request, exact copies of federal and state income tax returns, sales tax returns, purchase records, and other forms, records, books, and information

we periodically require regarding the Shop and the Franchise (other than employee records for Shop employees, as you control exclusively your labor relations and employment practices).

The “fiscal year” period referenced in clauses (b) and (c) will be our then-current fiscal year, which generally begins and ends other than on a calendar-year basis. The “fiscal month” or other “accounting period” referenced in clause (b) means the monthly period we designate in the Operations Manual or otherwise communicate to you (currently a 4-, 4-, 5-week accounting period). It generally is different from a calendar-month period. Your monthly and annual reports must align with our fiscal periods. You must certify and sign, or otherwise validate, each report and financial statement in the manner we prescribe. We may disclose data derived from these reports. We also may, as often as we deem appropriate (including on a daily, continuous basis), independently access the Computer System and retrieve all information regarding the Shop’s operation (other than Shop employee records, as you control exclusively your labor relations and employment practices).

You agree to preserve and maintain all records in a secure location at the Shop during the Term and for at least five (5) years after their preparation (or longer if required by law), including, but not limited to, sales checks, purchase orders, invoices, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers. We may require you to prepare audited financial statements annually during the remaining portion of the Term if (i) we ever send you formal notice of default regarding your failure to comply with your reporting or payment obligations, (ii) you understate the Shop’s ~~Gross-Sales~~Total Revenue three (3) times or more over an eighteen (18) fiscal-month period by more than two percent (2%) on each occasion (whether or not we send you formal notice of default), or (iii) you understate the Shop’s ~~Gross-Sales~~Total Revenue by more than five percent (5%) on any one occasion (whether or not we send you formal notice of default).

11. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT THE SHOP.

To determine whether you and the Shop are complying with this Agreement and all System Standards, we and our designated agents and representatives (including quality assurance auditors and “mystery” or “secret” shoppers) may at any time and without prior notice to you:

- (1) inspect the Shop;
- (2) photograph the Shop and observe, video, and monitor (electronically or otherwise) its operation for consecutive or intermittent periods we deem necessary;
- (3) remove samples of any Products and supplies (including Potbelly Trade Secret Products and Potbelly Branded Products);
- (4) interview the Shop’s supervisory personnel and customers; and
- (5) inspect and copy any books, records, and documents regarding the Shop’s operation that we maintain the authority to control and/or remedy (i.e., excluding records

relating to labor relations and employment practices, as you control exclusively labor relations and employment practices for Shop employees).

You agree to cooperate fully with us and our agents and representatives in these activities. We may hire outside consultants and vendors to perform certain types of audits. If we exercise any of these rights, we will not interfere unreasonably with the Shop's operation. If we (or our agents or representatives) inspect the Shop and determine that it is not operating in compliance with this Agreement and all System Standards, and we then must re-inspect the Shop to determine whether you have corrected the operating deficiencies, we may require you to pay us up to Two Thousand Five Hundred Dollars (\$2,500) for each follow-up inspection of the Shop after the first follow-up inspection. You agree to present to your customers the evaluation forms we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by or for us. We agree to share the survey results with you. You acknowledge that any evaluation or inspection that we or our designated agents or representatives conduct is conducted in order to protect our interests in the Branded System and Marks and is not intended to exercise, and does not constitute, in whole or in part, control over the day-to-day operation of the Shop and you agree to never contend otherwise.

B. OUR RIGHT TO AUDIT.

We may at any time during your business hours, and without prior notice to you, examine your and the Shop's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records (other than those records that we have no authority to control and/or remedy, such as the employee records of Shop employees, as you control exclusively your labor relations and employment practices). You must cooperate fully with our representatives and independent accountants in any examination. We may require you to send records off-site for our review. If an examination discloses an understatement of the Shop's ~~Gross Sales~~ Total Revenue, you must pay us, within fifteen (15) days after receiving the examination report, the Royalty, Brand Fund contribution, and other monies due on the understated amount, our late fee, and interest on the understated amount from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or if our examination reveals a Royalty or other understatement exceeding two percent (2%) of the amount you actually reported to us for the period examined, you must reimburse our costs for the examination, including, without limitation, the charges of attorneys and independent accountants and our employees' travel expenses, room and board, and compensation. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

A. BY US.

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular owner, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement or any interest therein and any other agreement to a third party without restriction or

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

B. BY YOU.

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (and your owners) and that we have granted you the Franchise in reliance upon our perceptions of your (and your owners') collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither this Agreement (or any interest in this Agreement), the Shop or substantially all of its assets, an ownership interest in you (regardless of its size), a controlling ownership interest in an Entity with an ownership interest in you, nor actual management control of the Shop's operation may be transferred without our prior written approval, which we will not unreasonably withhold or delay if (assuming we do not exercise our right of first refusal under Subsection 12.G. below, if applicable) the transfer conditions contained in this Section 12 are satisfied. A transfer of the Shop's ownership, possession, or management control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our required approval is a breach of this Agreement and has no effect, meaning that you (and your owners) will continue to be obligated to us for all of your obligations under this Agreement.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in:

- (1) this Agreement;
- (2) you;
- (3) the Shop or substantially all of its assets or its management control; or
- (4) your owners (if they are Entities).

An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (c) any sale of a security convertible to an ownership interest;

(d) transfer of an interest in you, this Agreement, the Shop or all or substantially all of its assets, or your owners in a divorce, insolvency, or Entity dissolution proceeding or otherwise by operation of law;

(e) if one of your owners, or an owner of one of your owners, dies, a transfer of an interest in you, this Agreement, the Shop or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(f) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the Shop, or your transfer, surrender, or loss of the Shop's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the Shop's assets (not including this Agreement) to a lender financing your acquisition, development and/or operation of the Shop without obtaining our prior written approval. You may not pledge this Agreement (to someone other than us), an ownership interest in you (regardless of its size), or a controlling ownership interest in an Entity with an ownership interest in you unless, as a condition of that pledge, the pledgee agrees not to exercise its secured party rights without first satisfying any conditions we reasonably impose at that time to ensure the Shop's continued operation in compliance with this Agreement and all System Standards and no violation of any material provision of this Agreement, including, but not limited to, Section 7 above.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

If you (and your owners) are in substantial compliance with this Agreement, then, subject to this Section 12's other provisions (including our right of first refusal under Subsection 12.G. below, if applicable), we will approve a transfer satisfying all of this Subsection's requirements. We have the right to pre-approve the transfer of a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) other than to an Operator. We expect to approve such a transfer if the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and meet our then applicable standards for Potbelly Shop franchisees (including no ownership interest in or performance of services for a Competitive Business), the new owner signs our Guaranty and Assumption of Obligations, and you pay us a transfer fee of Five Hundred Dollars (\$500), which is due when you request transfer approval and is nonrefundable whether or not the transfer actually occurs. If the new owner of the non-controlling ownership interest (i) fails for any reason to sign the Guaranty and Assumption of Obligations, or (ii) would violate the Guaranty and Assumption of Obligations immediately upon its signing because of certain activities in which the new owner then engages or has engaged, or (iii) has engaged in any dishonest, unethical, immoral, or similar conduct as a result of which his or her association with you and the Shop could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks, the proposed transfer to the new owner may not take place despite anything to the contrary contained in this Section 12.

If the proposed transfer is of this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, or is one of a series of transfers

(regardless of the time period over which these transfers take place) in the aggregate transferring this Agreement or a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you, then all of the following conditions must be met before or concurrently with the proposed transfer's effective date:

(1) the transferee has the necessary business experience, aptitude, and financial resources to operate the Shop, completes our then-current form of franchise application, and otherwise is qualified under our then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including the transferee and its affiliates are in substantial operational compliance, at the time of the application, under all other franchise agreements for Potbelly Shops to which they then are parties with us);

(2) you have paid all Royalties, Brand Fund contributions, and other amounts owed to us, our affiliates, and third-party vendors; have submitted all required reports and statements; and have not violated any material provision of this Agreement or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the transfer's proposed effective date;

(3) neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business, wherever located or operating;

(4) the transferee's managing owner (or operator, as applicable) and general manager (if different from your Managing Owner or Operator, as applicable), satisfactorily complete required training within the timeframe we specify;

(5) ~~(4)~~ the transferee has the right to occupy the Shop for the expected franchise term (whether by Lease assignment or sublet);

(6) ~~(5)~~ any applicable agency or host or authority with jurisdiction over the Shop (such as an airport or an educational institution, if any) approves the transfer of this Agreement to the transferee;

(7) ~~(6)~~ the transferee must (if the transfer is of this Agreement), or you must (if the transfer is of a controlling ownership interest in you or in an Entity owning a controlling ownership interest in you), sign our then-current forms of franchise agreement and related documents ("related documents" include the Guaranty and Assumption of Obligations), any and all of the provisions of which, including the Royalty and Brand Fund contribution, may differ materially from any and all of those contained in this Agreement, provided, however, that the term of the new franchise agreement signed will be equal to this Agreement's unexpired Term;

(8) ~~(7)~~ you or the transferee pays us a transfer fee equal to (a) fifty percent (50%) of our then-current initial franchise fee ~~charged to new franchisees~~ if the transferee is not then an existing Potbelly Shop franchisee, or (b) twenty percent (20%) of

our then-current initial franchise fee ~~charged to new franchisees~~ if the transferee is then an existing Potbelly Shop franchisee. Under both (a) and (b), one-half (½) of the transfer fee is due to us when you request transfer approval and is not refundable, whether or not the transfer actually occurs. No transfer fee is due if, upon a spouse's death, that spouse's interest in this Agreement and the Shop, or ownership in you, is transferred to the surviving spouse;

(9) ~~(8)~~ you (and, if applicable, your transferring owners) sign our ~~then-current~~ then-current form of general release of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents (except for our indemnification obligations under Subsection 16.D. below);

(10) ~~(9)~~ we accept the transferee's capital structure and the proposed purchase price and payment terms to satisfy us that they are not likely to affect adversely the transferee's operation of the Shop;

(11) ~~(10)~~ if you or your owners finance any part of the purchase price, you and/or your owners agree that (a) the transferee's obligations under promissory notes, agreements, or security interests reserved in the Shop are subordinate to the transferee's obligation to pay Royalties, Brand Fund contributions, and other amounts due to us, our affiliates, and third-party vendors and otherwise to comply with this Agreement, and (b) you must obtain our pre-approval and satisfy any conditions we then reasonably impose in order to take back the Shop upon the transferee's default under any seller-financing documents (you do not under any circumstances have the automatic right to take back the Shop upon the transferee's default);

(12) ~~(11)~~ (a) you have corrected existing Shop deficiencies of which we have notified you on a punch-list or in other communications, and/or (b) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, and refurbish the Shop, irrespective of the limitations in Section 8.B. above (which will not apply in the transfer context), according to our then-current requirements and specifications for Potbelly Shops within the time period we specify following the transfer's effective date (we will advise the transferee, before the transfer's effective date, of the specific actions it must take and the time period within which it must do so);

(13) ~~(12)~~ you and your transferring owners (and your owners' spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities proscribed in Subsection 15.D. below; and

(14) ~~(13)~~ you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Potbelly Shops you lawfully own and operate) identify yourself or themselves in any business as a current or former Potbelly Shop or as one of our franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Potbelly Shop for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol suggesting or indicating a connection or association with us.

You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you and that our contact with potential transferees to protect our business interests will not constitute improper or unlawful conduct. You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding your operation of the Shop, and to withhold consent to economically questionable transactions. You waive any claim that the action we take in good faith to protect our business interests in connection with a proposed transfer constitutes a breach of contract or tortious interference with contractual or business relationships. We have the sole right to determine whether the transfer conditions above have been satisfied. We may review all information regarding the Shop you give the proposed transferee, correct any information we believe is inaccurate, and give the proposed transferee copies of any reports you have given us or we have made regarding the Shop. In addition, you agree to reimburse us, upon our demand at any time before or after the intended effective date of the proposed transfer, for any costs we incur in connection with any proposed transfer that is subject to the immediately preceding conditions (1) through (14), regardless of whether the proposed transfer actually transpires.

D. TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY.

Despite Subsection C above, if you are in substantial compliance with this Agreement, you may transfer this Agreement to another Entity conducting no business other than the Shop and, if applicable, other Potbelly Shops, in which your current owners maintain management control, and of which you and/or your current owners own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Shop's assets are owned, and the Shop's business is conducted, only by that single Entity. The Entity must expressly assume all of your obligations under this Agreement. Transfers of ownership interests in the Entity are subject to Subsections B and C above. You will remain liable under this Agreement as if the transfer to the Entity did not occur. You must immediately give us all information regarding the Entity that we request and pay us with your transfer request (before the transfer will be deemed effective) a Five Hundred Dollar (\$500) transfer fee.

E. DEATH OR DISABILITY.

(1) **Transfer Upon Death or Disability.** Upon your Managing Owner's death or disability, the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must transfer the Managing Owner's ownership interest in you to a third party (which may be the Managing Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12. Failure to transfer the Managing Owner's ownership interest in you within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment, or condition that is

reasonably expected to prevent or actually does prevent the Managing Owner from fulfilling his or her responsibilities as Managing Owner.

(2) **Operation Upon Death or Disability.** Upon the Managing Owner's death or disability, a new Managing Owner must be appointed and satisfactorily complete our required training program for Managing Owners within thirty (30) days. If the Shop is not being managed properly (in our judgment) any time after the Managing Owner's death or disability, we may, but need not, assume the Shop's management (or appoint a third party to assume its management). If we assume the Shop's management (or appoint a third party to do so), the manager will not exercise direct or indirect control over the working conditions of the Shop's employees, except to the extent such indirect control is related to our legitimate interest in protecting the quality of the Products and the Potbelly brand. All funds from the Shop's operation while it is under our (or the third party's) management will be kept in a separate account to which all expenses will be charged. We may charge you (in addition to the Royalty, Brand Fund contribution, and other amounts due under this Agreement) the manager's then-current daily salary plus our direct expenses while the Shop is under our (or the third party's) management. We (or a third party) have a duty to use only reasonable efforts and, if we are not grossly negligent and do not commit an act of willful misconduct, will not be liable to you or your owners for any debts, losses, lost or reduced profits, or obligations the Shop incurs, or to any of your creditors for any products, other assets, or services the Shop purchases, while we (or a third party) manage it.

F. EFFECT OF CONSENT TO TRANSFER.

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

G. OUR RIGHT OF FIRST REFUSAL.

If you, one of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you at any time determines to sell or transfer (i) an interest in this Agreement and the Shop or (ii) an ownership interest in you or a controlling ownership interest in the Entity with an ownership interest in you (except to or among your current owners or between a current owner and his or her immediate family member, which are not subject to this Subsection) in a transaction that otherwise would be allowed under Subsections 12.B. and C above, you (or your owners) must obtain from a responsible and fully disclosed buyer, and promptly send us, a true and complete copy of a bona fide, signed written offer (which may include a letter of intent) relating to an interest in you (or in the Entity with an ownership interest in you) or in this Agreement and the Shop. The offer must include details of the proposed sale's payment terms and the financing sources and terms for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed

buyer must submit with its offer the transfer fee referenced in Subsection 12.C.(7) above and an earnest money deposit equal to five percent (5%) or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Subsections B and C above and therefore could not proceed. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Subsection.

We may, by written notice (the “**ROFR Exercise Notice**”) delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

- (1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held Entity);
- (2) our (or our designee’s) credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);
- (3) we will have up to sixty (60) additional days to close the transaction after delivering the ROFR Exercise Notice;
- (4) we must receive, and you and your owners must make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including, without limitation, representations and warranties regarding:
 - (a) ownership and condition of and title to ownership interests and/or assets;
 - (b) your and your owners’ authorization to sell, as applicable, any ownership interests or assets without violating any law, contract, or requirement of notice or consent;
 - (c) liens and encumbrances relating to ownership interests and/or assets;
 - (d) validity of contracts and the liabilities, contingent or otherwise, of the Entity whose assets or ownership interests are being purchased; and
 - (e) indemnities for all actions, events, and conditions that existed or occurred in connection with the Shop before the closing of our purchase; and

(5) if the price offered to you or your selling owner(s) for the interest proposed to be transferred includes all or a portion of the transfer fee referenced in Subsection 12.C.(7) above, we or our designee may reduce the purchase price we must pay (if we exercise the right of first refusal) by the amount of that transfer fee (or portion of the transfer fee).

Once you or your selling owner(s) submits the offer and related information to us triggering the start of the thirty (30) day decision-period referenced above, the offer is irrevocable for that thirty (30) day period. This means that we have the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if you or your selling owner(s) changes your, his, her, or its mind during that period and prefers after all not to sell the particular interest that is the subject of the offer. You and your selling owner(s) may not withdraw or revoke your offer for any reason during the thirty (30) days, and we (or our designee) may exercise the right to purchase the particular interest in accordance with this Subsection's terms.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Subsection 15.D. below.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Subsections B and C above. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Subsections B and C above, you (or your owners) may not move forward with the transfer at all.

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

H. PUBLIC OFFERINGS.

You (and your owners) may not, without our prior written consent (which we may grant or withhold for any or no reason), attempt to raise or secure funds by selling or offering to sell any ownership interest in you or in an Entity with an ownership interest in you (including, without limitation, common or preferred stock, bonds, debentures, membership interests, or general or limited partnership interests), regardless of its size, in a public offering for which a registration statement must be filed with the Securities Exchange Commission or with any similar state regulatory authority having jurisdiction over the sale of securities where registration is required as a condition of the sale of securities in that state. If we choose to consent to that transaction, then in addition to all other conditions we may require you to satisfy (as provided in this Section 12 and elsewhere in this Agreement), we may require you to pay us at least Ten Thousand Dollars (\$10,000), or any greater amount of which we advise you, plus our

out-of-pocket expenses, to review the offering materials prepared for the transaction. However, our review will be only to ensure your appropriate use of the Marks and your accurate description of our and your relationship and respective rights and obligations under this Agreement. Our review will not opine on the transaction's substantive aspects or the legal adequacy of the offering materials.

13. **EXPIRATION OF THIS AGREEMENT.**

A. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.**

When this Agreement expires:

(1) if you (and each of your owners) have substantially complied with this Agreement, and operated the Shop in substantial compliance with System Standards, during the Term; and

(2) if you (and each of your owners) are, both on the date you notify us in writing of your election to acquire a successor franchise (as provided in Subsection 13.B. below) and on the date on which the successor franchise term is scheduled to commence, in substantial compliance with this Agreement and all System Standards; and

(3) provided you maintain possession of the Site and agree (regardless of cost) to remodel and/or expand the Shop, add or replace improvements and Operating Assets, and otherwise modify the Shop as we require to comply with System Standards then applicable for new Potbelly Shops;

you may acquire, at our option, (i) one successor franchise to operate the Shop as a Potbelly Shop for a term commencing immediately upon the expiration of this Agreement and expiring ten (10) years from that date, or (ii) a first successor franchise to operate the Shop as a Potbelly Shop for a term commencing immediately upon the expiration of this Agreement and expiring five (5) years from that date. (We need not grant you a successor franchise if you cannot maintain possession of the Site and therefore would need to secure a substitute site for the Shop.) To evaluate whether you have “substantially complied” with this Agreement, and operated the Shop in substantial compliance with System Standards, during the Term, we may consider the grade your Shop received on each Annual Shop Review we performed during the Term. If your Shop did not receive our minimum required passing grade on the Annual Shop Review during three (3) consecutive fiscal years, or during any five (5) fiscal years (whether or not consecutive), of the Term, that means you did not “substantially comply” with this Agreement, regardless of the quality of the Shop’s operation at any other time (including the final one (1) or two (2) years of the Term). In that case, we need not, as provided below, grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during the Term under Subsection 14.B.

You must sign the franchise agreement we then use to grant franchises for Potbelly Shops (modified as necessary to reflect that it is for a successor franchise), any and all of the provisions of which, including the Royalty and Brand Fund contribution, may differ materially from any and all of those contained in this Agreement. If your successor franchise is for a ten (10) year term,

you must pay us a successor franchise fee equal to twenty-five percent (25%) of our then-current initial franchise fee for new franchisees. If your successor franchise is for a five (5) year term, your successor franchise fee will be twelve and one-half percent (12.5%) of our then-current initial franchise fee for new franchisees.

If we choose to grant you a first five (5) year successor franchise under clause (ii) above, you will have the right to acquire a second successor franchise to operate the Shop as a Potbelly Shop, the term of which will commence immediately upon the expiration of the first successor franchise term and expire five (5) years from that date, if you have complied as of the end of the first successor franchise term with the same conditions for a successor franchise grant as those described in this Section 13 with respect to the first successor franchise grant. Otherwise, you will have no right to acquire a second successor franchise. In connection with your acquisition of a second successor franchise, you must sign the franchise agreement we then use to grant franchises for Potbelly Shops (modified as necessary to reflect that it is for a second successor franchise, including that no further successor franchises will be granted), any and all of the provisions of which, including the Royalty and Brand Fund contribution, may differ materially from any and all of those contained in this Agreement and the franchise agreement you sign in connection with your acquisition of the first successor franchise.

If you (and each of your owners) did not substantially comply with this Agreement during the Term or are not, both on the date you notify us in writing of your election to acquire a successor franchise and on the date on which the successor franchise term is scheduled to commence, in substantial compliance with this Agreement and all System Standards, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during the Term under Subsection 14.B.

B. GRANT OF A SUCCESSOR FRANCHISE.

You agree to give us written notice of your election to acquire a successor franchise no more than two hundred seventy (270) days and no less than one hundred eighty (180) days before this Agreement is scheduled to expire. We will give you written notice of our decision (“**Our Notice**”):

- (1) to grant you a successor franchise;
- (2) to grant you a successor franchise on the condition that you correct existing deficiencies of the Shop or in your operation of the Shop; or
- (3) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during the Term or were not in substantial compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise.

We will not unreasonably withhold or delay our consent to a successor franchise if the conditions specified in this Section 13 have been satisfied. If applicable, Our Notice will:

(a) describe the remodeling, expansion, improvements and/or modifications required to bring the Shop into compliance with then applicable System Standards for new Potbelly Shops; and

(b) state the actions you must take to correct operating deficiencies and the time period in which you must correct those deficiencies.

If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your material compliance with this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If Our Notice states that you must cure certain deficiencies of the Shop or its operation as a condition to a successor franchise, we will give you written notice of our decision not to grant you a successor franchise, based upon your failure to cure those deficiencies. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

C. AGREEMENTS/RELEASES.

If you satisfy all of the other conditions for a successor franchise (whether this relates, if applicable, to the first or second successor franchise), you and your owners must sign the forms of franchise agreement and any related documents we then customarily use to grant franchises for Potbelly Shops (modified as necessary to reflect that it is for a successor franchise), any and all of the provisions of which, including the Royalty and Brand Fund contribution, may differ materially from any and all of those contained in this Agreement and, if applicable, the franchise agreement you sign in connection with your acquisition of the first successor franchise. You and your owners further agree to sign our then-current form of general release of any and all claims against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns (except for our indemnification obligations under Subsection 16.D. below). We will consider your or your owners' failure to sign these agreements and releases and deliver them to us for acceptance and countersigning (together with the successor franchise fee) within the timeframe we specify to be your election not to acquire a successor franchise.

14. TERMINATION OF AGREEMENT.

A. BY YOU.

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver to us written notice of the material failure or, if we cannot correct the failure within thirty (30) days, do not give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time (which may extend beyond that thirty (30) days), you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination. (The time period during which we may cure any alleged material default after your delivery of notice is called the “**Cure Period**”). However, if we send you written notice during the Cure Period indicating that either (1) we do not agree that we have

materially failed to comply with this Agreement or (2) we have fully corrected the failure, then you may not terminate this Agreement. If you disagree with our position and still wish to terminate this Agreement, you must commence an arbitration proceeding seeking a declaration of your right to terminate this Agreement.

This Agreement will remain in full force and effect during the arbitration proceeding (unless we terminate it under Subsection 14.B. below). If the arbitrator determines that we are in material default, or that we did not fully correct a material default, we will have an additional thirty (30) days following the arbitrator's ruling to correct the failure. If we fail to do so, you may terminate this Agreement immediately upon delivery of written notice.

Your termination of this Agreement other than according to this Subsection 14.A. will be deemed a termination without cause and a breach of this Agreement.

B. BY US.

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the Shop;

(2) you do not locate, and sign a Real Estate Agreement for, an acceptable location for the Site within one hundred eighty (180) days after the Effective Date;

(3) your Managing Owner (or Operator, as applicable) and/or General Manager do not satisfactorily complete the initial training program;

(4) you do not open the Shop for business on or before the Required Opening Date, or you open the Shop for business before we notify you in writing that the Shop meets our standards and specifications;

(5) you (a) abandon the Shop, meaning that you have deserted, walked away from, or closed the Shop under circumstances leading us to conclude that you have no intent to return to the Shop, regardless of the number of days passing since the apparent abandonment, or (b) fail actively and continuously to operate the Shop (a failure to operate the Shop for over five (5) consecutive days will be deemed a default under this clause (b), except where closure is due to fire, riot, flood, acts of terrorism, or natural disaster and you notify us within five (5) days after the particular occurrence to obtain our written approval to remain closed for an agreed upon amount of time as is necessary under the circumstances before you will be required to re-open);

(6) you surrender or transfer control of the Shop's operation without our prior written consent;

(7) you or any of your owners is or has been convicted by a trial court of, or pleads or has pleaded guilty or no contest to, a felony, crime involving moral turpitude, or

any other crime which we reasonably believe adversely affects the Branded System's reputation or the goodwill associated with the Marks;

(8) you fail to maintain required insurance coverage and do not correct the failure within ten (10) days after we deliver to you written notice of that failure;

(9) you fail to maintain any licenses or permits required to operate the Shop, as a result of which you are legally obligated to cease operations, and you fail to secure those licenses and permits within the timeframe mandated by law;

(10) you or any of your owners engages in any dishonest, unethical, immoral, or similar conduct as a result of which your (or his or her) association with the Shop (or the owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks;

(11) you, any of your owners, or the owner of a controlling ownership interest in an Entity with an ownership interest in you makes or attempts to make an unauthorized assignment of this Agreement, the Shop, an ownership interest in you, or a controlling ownership interest in an Entity with an ownership interest in you, interferes with our right of first refusal under Subsection 12.G., or violates Subsection 12.H.;

(12) you lose the right to occupy the Site due to your Lease or sublease default;

(13) you lose the right to occupy the Site (but not because of your Lease or sublease default), or the Shop is damaged to such an extent that you cannot operate the Shop at the Site over a thirty (30) day period, and you fail both to relocate the Shop to a substitute site we accept and to begin operating the Shop at that substitute site within one hundred eighty (180) days from the first date on which you could not operate the Shop at the Site;

(14) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(15) you make any representation or warranty on our behalf that has not been specifically authorized in writing by us;

(16) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate the Shop in an unsafe manner, and do not begin to cure the violation immediately after delivery of notice (from us or any government agency) and correct the violation within the timeframe mandated by us or, if applicable, the law or government agency;

(17) you fail to pay us (or our affiliates) any amounts due under this Agreement or otherwise and do not correct the failure within ten (10) days after we deliver to you written notice of that failure;

(18) you fail to pay any vendors to the Franchise System (other than us and our affiliates) any amounts due for your purchases from them and do not correct the failure within thirty (30) days after the vendor delivers to you written notice of that failure, unless (a) you are in good faith contesting your liability for those amounts, (b) you tell us in writing the reason for your non-payment, and (c) we agree that you have a legitimate reason for the non-payment (although we may, but have no obligation to, pay the vendor by debiting your EFTA);

(19) you fail to pay when due any federal or state income, employment, service, sales, or other taxes due on the Shop's operation, unless you are in good faith contesting your liability for those taxes or you have received an extension from the applicable government agency of the time within which to make payment;

(20) you understate the Shop's ~~Gross Sales~~ Total Revenue (a) three (3) times or more during a thirty-six (36) fiscal-month period by more than two percent (2%) on each occasion or (b) by more than ten percent (10%) on any one occasion;

(21) you interfere with our right to inspect the Shop, or observe or videotape its operation, as provided in Section 11;

(22) the Shop fails three (3) quality assurance audits during a twelve (12) consecutive fiscal-month period;

(23) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive fiscal-month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any six (6) consecutive fiscal-month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(24) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; the Shop is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or the Shop is not vacated within thirty (30) days following the order's entry;

(25) you or any of your owners fail to comply with Section 19 of this Agreement, or your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities;

(26) your Shop does not receive our minimum required passing grade on the Annual Shop Review during three (3) consecutive fiscal years, or during any five (5) fiscal years (whether or not consecutive), of the Term;

(27) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver to you written notice of the failure; or

(28) we have sent a notice of termination under any other franchise agreement for a Potbelly Shop between you (or any of your affiliates) and us, regardless of the reason for such termination.

C. OUR ALTERNATE REMEDIES UPON YOUR DEFAULT.

In addition to, and without limiting, our other rights and remedies under this Agreement, any other agreement or applicable law, upon the occurrence of any event giving rise to our right to terminate this Agreement under the preceding Subsection B, we may instead elect, at our sole option and upon delivering you written notice, to take any or all of the following actions without terminating this Agreement:

(1) temporarily remove information concerning the Shop from any website or extranet operated for the network Potbelly Shops, and/or restrict your or the Shop's participation in other programs or benefits offered on or through any such website or extranet;

(2) require you to engage a third party accounting firm we approve to conform to the bookkeeping, accounting, reporting and recordkeeping system requirements and formats we prescribe;

(3) require you to pay us Five Hundred Dollars (\$500) for each day the condition giving rise to our right to terminate continues to exist to help offset our increased administrative expenses associated with your failure to comply with the terms of this Agreement;

(4) suspend your and the Shop's right to participate in any advertising, marketing, promotional, or public relations programs that we or the Brand Fund provide, authorize, or administer; or

(5) assume, or appoint a third party to assume, management of the Shop in the manner provided in Subsection 14.F below.

D. CROSS DEFAULT.

Any default or breach by you (or any of your owners), or your affiliate (or any of your owner's affiliates) of any other agreement with us or our affiliate will be considered an event of default under this Agreement, and any default or breach by you (or any of your owners) of this Agreement will be considered an event of default or breach by you under any and all agreements

between us or our affiliate and you (or any of your owners), or your affiliate (or any of your owner's affiliates). If the nature of the default under any other agreement would have been considered an event of default under this Agreement, then we or our affiliate will have the right to terminate all other agreements between us or our affiliate and you (or any of your owners), or your affiliate (or any of your owner's affiliates) in accordance with the termination provisions of this Agreement.

E. FAILURE TO CURE MAY BE DEEMED TERMINATION BY YOU.

Your failure to cure timely any breach by you of this Agreement about which we have provided you notice (and opportunity to cure, if applicable) pursuant to Subsection B above, including but not limited to your failure to pay overdue Royalties, Brand Fund contributions, or any other amounts due and owing to us or our affiliates under this Agreement, may be irrevocably deemed a unilateral rejection and termination by you of this Agreement and all related agreements between you and us or our affiliates, even if we ultimately issue a formal notice of such termination, and you shall never contend or complain otherwise.

F. ASSUMPTION OF MANAGEMENT.

We have the right (but no obligation), under the circumstances described below, to assume the Shop's management (or to appoint a third party to assume its management) for any time period we deem appropriate. If we (or a third party) assume the Shop's management under clause (2) below, the manager will not exercise direct or indirect control over the working conditions of the Shop's employees, except to the extent such indirect control is related to our legitimate interest in protecting the quality of the Products and the Potbelly brand. In addition, if we assume the Shop's management (or appoint a third party to do so), you must pay us (in addition to the Royalty, Brand Fund contributions and other amounts due under this Agreement) the manager's then-current daily salary plus our direct expenses for up to sixty (60) days after we assume management. We (or the third party) will have a duty to use only reasonable efforts and, if we are not grossly negligent and do not commit an act of willful misconduct, will not be liable to you or your owners for any debts, losses, lost or reduced profits, or obligations the Shop incurs, or to any of your creditors for any supplies, products, or other assets or services the Shop purchases, while we (or the third party) manage it. If we (or a third party) assume the Shop's management under clauses (1) or (3) below, we (or the third party) may retain all, and need not pay you or otherwise account to you for any, ~~Gross Sales~~ Total Revenue generated while we (or the third party) manage the Shop.

We (or a third party) may assume the Shop's management under the following circumstances: (1) if you abandon or fail actively to operate the Shop; (2) if you fail to comply with this Agreement, including any System Standard, and do not cure the failure within the time period we specify in our notice to you, but only for as long as it takes us, using reasonable commercial efforts, to correct the failure that you failed to cure; or (3) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the Shop's assets under Subsection 15.E. below. Exercising our management rights will not affect our right to terminate this Agreement under Subsection 14.B. above.

15. **OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

A. **PAYMENT OF AMOUNTS OWED TO US.**

(1) You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date we determine the amounts due to us, the Royalties, Brand Fund contributions, late fees and interest, and other amounts owed to us (and our affiliates) that then are unpaid. If we terminate this Agreement on any ground specified under Section 14.B., or if you terminate this Agreement without cause, before the Term's scheduled expiration date, you also will be liable to us for lost future royalties to which we would have been entitled, but for the termination, had you operated for the remaining portion of the Term in compliance with this Agreement.

(2) If this Agreement is terminated before its Term expires pursuant to Subsections 14.B, 14.D, or 14.E above, then you acknowledge and confirm that we will suffer and incur substantial damages because this Agreement did not continue for the Term's full length. Accordingly, you agree to pay us for all damages, costs, expenses, attorneys' and experts' fees directly or indirectly related thereto, including, without limitation, lost Royalties, lost Brand Fund contributions, lost profits, loss of goodwill and damage to our Marks and reputation, lost opportunities, travel and personnel costs, expenses that we may incur in developing or finding another franchisee to develop a new Potbelly Shop at the site, and any other lost payments or benefits we would have received for the balance of the Term after the effective date of termination (collectively, "**Brand Damages**"). You further acknowledge and agree that your obligation to pay Brand Damages resulting from early termination shall be in addition to (not in lieu of) your post-termination obligations to pay other amounts due as of the date of termination (as contemplated under the preceding Subsection (1) above) and to otherwise comply with the entirety of Section 14 hereof, and that the Brand Damages shall not be deemed a penalty for early termination but instead reasonable compensation to us for your failure to perform under this Agreement during the remainder of the Term.

(3) Your foregoing payment obligations arising under Subsections (1) and (2) above will give rise to, and remain until paid in full, a lien in our favor: (i) against any and all assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the Shop at the time of termination or expiration; and (ii) against any payment obligation you may allege we have to you, any of your money we are holding, or any other amounts of yours which are otherwise in our possession on or after the effective date of termination or expiration. Our rights and your obligations under this Subsection shall survive termination or expiration of this Agreement until they are satisfied or later expire by their terms.

B. **MARKS.**

When this Agreement expires or is terminated:

(1) you may not directly or indirectly at any time or in any manner (except with other Potbelly Shops you lawfully own and operate) identify yourself in any business as a current or former Potbelly Shop or as one of our current or former franchisees; use any Mark, any colorable imitation of a Mark, or other indicia, trade dress, or distinguishing features of a Potbelly Shop for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol indicating or suggesting a connection or association with us;

(2) you agree to discontinue the use of any website and social media used in connection with the Shop or otherwise referring to the Marks or Potbelly Shops;

(3) you agree, within fifteen (15) days, to cancel all fictitious or assumed name or equivalent registrations covering your use of any Mark;

(4) if we do not have or do not exercise an option to purchase the Shop's assets under Subsection E below, you agree, at your own cost and without any payment from us for such items, to deliver to us, to make available to us for pick-up, or to destroy (at our option), in any case within twenty (20) days, all signs, sign-faces, sign-cabinets, Marketing materials, forms, and other materials we request containing any Mark or otherwise identifying or relating to a Potbelly Shop. If you fail to do so voluntarily when we require, we and our representatives may enter the Shop at our convenience and remove these items without liability to you, the landlord, or any other third party for trespass or any other claim. You must reimburse our costs of doing so;

(5) if we do not have or do not exercise an option to purchase the Shop's assets under Subsection E below, you agree, within the timeframe we specify and at your own expense, to take the closing, de-identification, and de-branding steps, and make the alterations to the Shop's trade dress, interior design, menu-board placement, and equipment and furniture layout and configuration, we specify in our Operations Manual (or otherwise then communicate to you) to distinguish the Shop clearly from its former appearance and from other Potbelly Shops in order to prevent public confusion and protect the Marks and our Branded System. If you fail to do so voluntarily when we require, we and our representatives may enter the Shop at our convenience and take this action without liability to you, your landlord, or any other third party for trespass or any other claim. We need not compensate you or the landlord for any alterations. You must reimburse our costs of de-identifying the Shop; and

(6) you agree, within fifteen (15) days, to notify the telephone company and all telephone directory publishers (both web-based and print) of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings and email addresses associated with any Mark; to authorize, and not to interfere with, the transfer of these numbers and directory listings to us or at our direction (including pursuant to a Conditional Assignment of Telephone Number(s), in the form

attached as Exhibit B, previously signed by you); and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events.

C. CONFIDENTIAL INFORMATION.

When this Agreement expires or is terminated, you must immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications we have licensed to you or that otherwise are proprietary to us or the Franchise System) in any business or otherwise and return to us all written or tangible copies of the Operations Manual and any other confidential materials to which we gave you access. You may not sell, trade, or otherwise profit in any way from any Confidential Information after the expiration or termination of this Agreement.

D. COVENANT NOT TO COMPETE.

Upon

- (1) our termination of this Agreement according to its terms and conditions,
- (2) your termination of this Agreement without cause, or
- (3) expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise, or if we do not offer you a successor franchise because you failed to satisfy the conditions for a successor franchise set forth in Section 13),

you and your owners agree that neither you nor they will have any direct or indirect (*e.g.*, through a spouse, sibling, child, or parent) interest as an owner (whether of record, beneficial, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (defined in Section 7 above) located or operating:

- (a) at the Site or within seven (7) miles of the Site;
- (b) within five (5) miles of any other Potbelly Shop in operation or under construction on the Effective Date and still in operation on the effective date of termination or expiration; or
- (c) within five (5) miles of any other Potbelly Shop in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which the restricted person begins to comply with this Subsection.

You and each of your owners will be bound by these competitive restrictions for two (2) years beginning on the effective date of this Agreement's termination or expiration. However, if you or any of your owners do not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for the non-compliant party will not start to run until the date on which that party begins to comply with the competitive restrictions (whether or

not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Subsection and will resume when that person resumes compliance. These restrictions also apply after transfers, as provided in Subsection 12.C.(12) above. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Therefore, our enforcing the covenants made in this Subsection will not deprive you or your owners of your personal goodwill or ability to earn a living.

To give effect to the obligations above, you and your owners agree that neither you nor they will seek to violate this Subsection 15.D. through any other person with whom you or they are acting in concert or participating in connection with the prohibited activities. We may enforce this Subsection 15.D. by taking action against you, your owners, and all other persons with whom you or your owners are acting in concert or participating in connection with the prohibited activities.

E. **OUR RIGHT TO PURCHASE SHOP'S ASSETS.**

During the Term, if there is a proposed transfer of the Shop and this Agreement, substantially all of the Shop's assets, an ownership interest in you, or a controlling ownership interest in an Entity with an ownership interest in you, Section 12 will apply to the proposed transfer. However, under the circumstances listed below, we have the right to acquire the Shop's assets upon the termination or expiration of this Agreement. This Subsection 15.E. survives the termination or expiration of this Agreement.

(1) **Exercise of Option.**

Upon

- (a) our termination of this Agreement according to its terms and conditions,
- (b) your termination of this Agreement without cause, or
- (c) expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise, or if we do not offer you a successor franchise because you failed to satisfy the conditions for a successor franchise set forth in Section 13),

we have the option, exercisable by giving you written notice (a "**Purchase Notice**") before or within thirty (30) days after the date of termination or expiration, (i) to purchase the Shop's assets and (ii) to exercise the rights under subparagraph (2) below. We have the unrestricted right to assign this purchase option and our rights under subparagraph (2) to another party.

We (and our assignee) are entitled to all customary warranties and representations in our asset purchase, including, without limitation, representations and warranties as to authorization; non-contravention of laws or contract; ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; liabilities affecting the assets,

contingent or otherwise; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Shop before the closing of our purchase.

(2) **Right to Occupy Site.**

If you or your affiliate leases the Site, you or your affiliate agrees (at our option) within sixty (60) days after we deliver to you a Purchase Notice:

- (a) to assign the Lease for the Site to us; or
- (b) to sublease the Lease for the Site to us for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

(3) **Purchase Price.**

The purchase price for the Shop's assets will be their fair market value, although fair market value will not include any value for:

- (a) the Franchise or any rights granted by this Agreement;
- (b) goodwill attributable to our Marks, brand image, and other Intellectual Property; or
- (c) participation in the network of Potbelly Shops.

We may exclude from the assets purchased any Operating Assets or other items that are not reasonably necessary (in function or quality) to the Shop's operation or that we have not approved as meeting System Standards; the purchase price will reflect these exclusions. We will identify the exclusions in the Purchase Notice. We and you must work together in good faith to agree upon the assets' fair market value within fifteen (15) days after we deliver a Purchase Notice. If we and you cannot agree on fair market value within this fifteen (15) day period, fair market value will be determined by the appraisal process described in subparagraph (4) below.

(4) **Appraisal.**

If we and you cannot agree on the assets' fair market value, fair market value will be determined by one (1) independent accredited appraiser upon whom we and you agree, who, in conducting the appraisal, will be bound by the criteria specified in subparagraph (3). You and we agree to select the appraiser within fifteen (15) days after we deliver our Purchase Notice (if we and you have not agreed on fair market value before then). You and we will share equally the appraiser's fees and expenses. The appraiser must complete his or her appraisal within twenty-one (21) days after his or her appointment. The purchase price will be the appraised value. If we and you cannot agree on the appraiser, he or she will be chosen by the American Arbitration Association.

(5) **Closing.**

We (or our assignee) will pay the purchase price at the closing, which will take place not later than forty-five (45) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase the Shop's assets. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you and your owners owe us and our affiliates. At the closing, you must deliver instruments transferring to us (or our assignee):

- (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;
- (b) all of the Shop's licenses and permits that may be assigned or transferred; and
- (c) the Lease assignment or sublease, as applicable.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we (or our assignee) and you will close the sale through an escrow. You and your owners agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns. If we exercise our rights under this Subsection 15.E., you and your owners agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Subsection 15.D. above.

F. **CONTINUING OBLIGATIONS.**

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

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. Nor are we the employer or joint employer of the Shop's employees. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Shop personnel, and others as the Shop's independent owner, operator, and manager under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising and marketing, and other materials we periodically require. We and our affiliates will not exercise direct or indirect control over the working conditions of Shop personnel, except to the extent such indirect control is related to our legitimate interest in protecting the quality of the Products

or the Potbelly brand. We and our affiliates do not share or codetermine the terms and conditions of employment of Shop employees or affect matters relating to the employment relationship between you and Shop employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. To that end, you agree to identify yourself conspicuously in all dealings with Shop personnel as the employer of such personnel and that we, as the franchisor of Potbelly Shops, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all Shop employees that we and our affiliates are not their employer.

None of your employees or other personnel will be considered to be our employees or personnel. Neither you nor any of your employees or personnel whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee or personnel for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, provincial, or federal governmental agency. We will not have the power to hire or fire your employees or personnel. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees or personnel for qualification to perform certain functions for the Shop does not directly or indirectly vest in us the power to hire, fire or control any such employee. You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of the Shop and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the Branded System which we are required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of the Shop, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of the Shop.

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

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

C. TAXES.

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, employment, or other taxes, whether levied upon you or the Shop, due to the business you conduct (except for our own income taxes). You must pay these taxes and reimburse us for any taxes we must pay to any taxing authority on account of either your

operation or payments you make to us (except for our own income taxes). Without limitation of the foregoing, you agree to pay us an amount equal to all federal, state, local, and foreign (i) sales, use, excise, privilege, occupation, or any other transactional taxes, and (ii) any other taxes or similar exactions no matter how designated (excluding only taxes imposed on us for the privilege of conducting business and calculated with respect to our net income, capital, net worth, gross receipts, or some other basis or combination thereof, but not excluding any gross receipts taxes imposed on us for your payments intended to reimburse us for expenditures incurred for your benefit and on your behalf) that are imposed on us or required to be withheld by you in connection with the receipt or accrual of service fees, royalties, or any other amounts payable by you to us under this Agreement. Any additional required payment pursuant to the preceding sentence must be made in an amount necessary to provide us with after-tax receipts (taking into account any additional payments required under this Agreement) equal to the same amounts we would have received under the provisions of this Agreement had such additional tax liability or withholding not been imposed or required.

D. INDEMNIFICATION.

You agree to indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) incurred as a result of a claim threatened or asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Shop’s operation; the business you conduct under this Agreement; your noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to the Shop’s employees; or your breach of this Agreement. You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings, including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct, and willful wrongful omissions. However, you have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or our failure to compel you to comply with this Agreement.

You agree to give us and the Indemnified Parties written notice of any action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any of the Indemnified Parties within three (3) days of your actual or constructive knowledge of it. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other remedial, corrective, or other actions. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense

of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by the Indemnified Parties to you enumerating such costs, expenses and attorneys' fees.

For purposes of this indemnification and hold harmless obligation, "Losses" include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party, with its own counsel and at your expense, may defend and otherwise respond to and address any claim threatened or asserted or inquiry made, or action, investigation, or proceeding brought (instead of having you defend it with your counsel, as provided in the preceding paragraph), and, in cooperation with you, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible (except as provided in the last sentence of the preceding paragraph).

Your obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its or their Losses, in order to maintain and recover from third parties fully a claim against you under this Section. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section. Your or any of the other Indemnified Parties' undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnified Parties and to hold us and any of the Indemnified Parties harmless.

17. **ENFORCEMENT.**

A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant restricting competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable if modified, you and we agree that the covenant may be "blue penciled" or reformed and then enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to grant a successor franchise, or some other action this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of

this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision entirely. You agree to be bound by any promise or covenant imposing the maximum duty the law permits that is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. WAIVER OF OBLIGATIONS.

We and you may in writing unilaterally waive or reduce any contractual obligation of or restriction upon the other, effective upon delivery of written notice to the other or another effective date stated in the waiver notice. Any waiver granted is without prejudice to any other rights we or you have, is subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand strict compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice varying from this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Potbelly Shops; the existence of franchise agreements for other Potbelly Shops containing provisions differing from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or payment of Royalties, Brand Fund contributions, and other amounts due afterward.

C. COSTS AND ATTORNEYS' FEES.

If we incur costs and expenses to enforce our rights or your obligations under this Agreement because you have failed to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree to reimburse us for all costs and expenses we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Your obligation to reimburse us arises whether or not we begin a formal legal proceeding against you to enforce this Agreement.

If we do begin a formal legal proceeding against you to enforce this Agreement, the reimbursement obligation applies to all costs and expenses we incur preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements).

D. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.

You may not withhold payment of any amounts owed to us or our affiliates due to our alleged nonperformance of our obligations under this Agreement or for any other reason. You specifically waive any right you have at law or in equity to offset any monies you owe us or our affiliates or to fail or refuse to perform any of your obligations under this Agreement. You agree to submit all claims, unless otherwise resolved by our and your mutual agreement, to arbitration as provided in Subsection 17.F. below.

E. RIGHTS OF PARTIES ARE CUMULATIVE.

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

F. ARBITRATION.

You and we agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective owners, shareholders, officers, directors, partners, members, managers, agents and/or employees, and you (and/or your owners, guarantors, affiliates and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between you and us or you and our respective affiliates;
- (2) our relationship with you;
- (3) the scope and validity of this Agreement or any other agreement between you (or your owner) and us (or our affiliate), or any provision of any such agreements, and the validity and scope of the arbitration obligation under this Subsection, which the parties acknowledge is to be determined by arbitrators and not a court; or
- (4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (“AAA”). The arbitration proceedings will be conducted by one (1) arbitrator if the amount of the claim is Seven Hundred Fifty Thousand Dollars (\$750,000) or less, or three (3) arbitrators if the amount of the claim is more than Seven Hundred Fifty Thousand Dollars (\$750,000). If there is one (1) arbitrator, the arbitrator shall be appointed by the AAA. If there are three (3) arbitrators, the claimant shall appoint one (1) arbitrator in its notice of arbitration and statement of claim; the respondent shall appoint one (1) arbitrator in its statement of defense, and the third arbitrator, who shall act as the Chairman, shall be appointed

by the two (2) arbitrators appointed by the parties within thirty (30) days of the appointment of the second arbitrator. If any arbitrators are not appointed within these time periods, the AAA shall make the appointments. Except as this Subsection 17.F. otherwise provides, the arbitration proceedings will be conducted according to the then current commercial arbitration rules of the AAA. All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed. The arbitrators will have no authority to select a different hearing locale other than as described in the prior sentence. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq.*). Except as expressly provided otherwise in the remainder of this Section 17, judgment upon the arbitrator(s)' award may be entered in any court of competent jurisdiction.

The arbitrators have the right to award or include in their award any relief which they deem proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs for us (consistent with our rights under Subsection 17.C. above), provided that the arbitrators may not declare any Mark generic or otherwise invalid or, except as expressly provided in Subsection 17.I. below, award any exemplary, punitive, treble, or other forms of multiple damages against the other (you and we hereby waive to the fullest extent the law permits, except as expressly provided in Section 17.I. below, any right to or claim for any exemplary, punitive, treble, or other forms of multiple damages against the other). All aspects of the arbitration, including statements made and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

Except as expressly limited by Subsection 17.K. below, you and we will be bound by the provisions of any limitation on the time period in which claims must be brought under applicable law or this Agreement, whichever expires earlier. In any arbitration proceeding, each party must submit or file any claim constituting a compulsory counterclaim (as defined by the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim not submitted or filed as required is forever barred. The arbitrators may not consider any settlement discussions or offers made by either party. We reserve the right, but have no obligation, to advance your share of the costs (excluding attorneys' fees) of any arbitration proceeding in order for the proceeding to take place and by doing so are not deemed to have waived or relinquished our right to seek the recovery of these costs under Subsection 17.C. above.

You and we agree that pre-hearing discovery will be limited to requests for, and exchange of, documents relevant to the dispute and five (5) depositions per side, including expert and opinion witnesses. No deposition may exceed eight (8) hours without the parties' agreement or the arbitrators' order. Any party has the right to file pre-hearing motions to dispose of some or all of the claims.

You and we agree that arbitration will be conducted on an individual basis, and not on a joint, collective, or class-wide basis, and that an arbitration proceeding between us and our affiliates, and our and their respective owners, shareholders, members, partners, officers, directors, managers, agents and/or employees, and you (and/or your owners, guarantors, affiliates and/or employees) may not be consolidated or joined with any other arbitration proceeding between us and any other person. Despite the foregoing or anything to the contrary contained in

this Subsection 17.F. or Subsection 17.A., if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Subsection, then all parties agree that this arbitration clause will not apply to that dispute and the dispute will be resolved in a judicial proceeding in a court permitted under Subsection 17.H. of this Agreement and in accordance with this Section 17 (excluding this Subsection F.).

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

This Subsection's provisions are intended to benefit and bind certain third-party non-signatories (*i.e.*, our and our affiliates' respective owners, officers, directors, agents and/or employees and your owners, guarantors, affiliates and/or employees). This Subsection continues in full force and effect after and notwithstanding this Agreement's expiration or termination.

G. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY ILLINOIS LAW REGULATING THE OFFER AND SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SUBSECTION.

H. CONSENT TO JURISDICTION.

SUBJECT TO THE ARBITRATION OBLIGATIONS IN SUBSECTION F ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION LOCATED CLOSEST TO WHERE WE HAVE OUR PRINCIPAL BUSINESS ADDRESS AT THE TIME THE ACTION IS COMMENCED, AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE

THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE IN WHICH YOUR SHOP IS LOCATED.

I. WAIVER OF EXEMPLARY DAMAGES AND JURY TRIAL.

EXCEPT FOR OUR AND YOUR OBLIGATION TO INDEMNIFY THE OTHER FOR THIRD-PARTY CLAIMS UNDER SUBSECTION 16.D., WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT THE LAW PERMITS ANY RIGHT TO OR CLAIM FOR ANY EXEMPLARY, PUNITIVE, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US. WE AND YOU EACH ACKNOWLEDGE THAT WE AND YOU MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.

J. BINDING EFFECT.

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

K. LIMITATIONS OF CLAIMS.

Except for the parties' indemnification obligations under Subsection 16.D., claims arising from your unauthorized use of our and our affiliate's intellectual property, and claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a legal proceeding (in the required or permitted forum) is commenced within two (2) years from the date on which the violation, act, or conduct giving rise to the claim occurs, regardless of when the party asserting the claim knew or should have known of the facts giving rise to the claim.

L. LIMITED LIABILITY FOR OUR RELATED PARTIES.

You agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, owner, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement; (ii) any claim against us based on, in respect of, or by reason of, the relationship

between you and us, or (iii) any claim against us based on any alleged unlawful act or omission of ours.

M. COVENANT OF GOOD FAITH.

If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law will imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties hereto that is inherent in this Agreement) grants us the judgment to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests; (ii) any judgment we exercise will be based on our assessment of our own interests and balancing those interests against the interests of our franchise owners generally, and specifically without considering your individual interests or the individual interests of any other particular franchise owner; (iii) we will have no liability to you for the exercise of our judgment in this manner, so long as the judgment is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation will substitute its judgment for our judgment so exercised.

N. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which, together with System Standards and other obligations contained in the Operations Manual (which we may periodically modify, as provided in this Agreement) or otherwise communicated to you, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, and no oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or the Shop (any understandings or agreements reached by you and us, or any representations made by us, before this Agreement are superseded by this Agreement). You may not rely on any alleged oral or written understandings, agreements, or representations not contained in this Agreement. However, nothing in this Agreement or any related agreement is intended to disclaim our representations in our Franchise Disclosure Document. We may rely on representations you made in your franchise application materials and any representations document or similar questionnaire you and/or your owners signed before signing this Agreement to confirm and acknowledge your understanding of the risks of entering into this Agreement and the absence of any improper or misleading statements made by us.

Any policies we periodically adopt and implement to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions requiring our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. For purposes of determining affiliation, “control” means the power to direct or cause the direction of management and policies. If two or more Entities at any time are the owners of the Franchise and the Shop, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficial, or otherwise) or voting rights in you or an Entity with an ownership interest in you (or a transferee of this Agreement and the Shop or an ownership interest in you or an Entity with an ownership interest in you), including, without limitation, any person with a direct or indirect interest in you (or a transferee), this Agreement, the Franchise and/or the Shop and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “controlling ownership interest” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, whether a “controlling ownership interest” is involved must be determined both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). “Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days means calendar days and not business days. The term “Shop” includes all the assets of the Potbelly Shop you operate under this Agreement, including its revenue and the Lease. The words “include” and “including” are meant to be illustrative and not exhaustive and are deemed to be read in all cases as “including, without limitation” and/or “including but not limited to.” This Agreement may be signed in multiple copies, each of which will be deemed an original.

O. MULTIPLE FORMS OF AGREEMENT.

You acknowledge and agree that there may be more than one form of franchise agreement in effect between us and our various Potbelly Shop franchise owners; those other agreements may contain provisions that may be materially different from the provisions contained in this Agreement; and you are not entitled to rely on any provision of any other agreement with other Potbelly Shop franchise owners whether to establish course of dealing, waiver, or estoppel, or for any other purpose.

18. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed delivered:

- (a) at the time delivered by hand;
- (b) in the case of the Royalty and other amounts due, at the time we actually receive payment via the EFTA;
- (c) one (1) business day after transmission by facsimile (if the sender has confirmation of successful transmission) or electronic mail;
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice to us must be sent to the address specified on the first page of this Agreement, although we may change this address for notice by giving you fifteen (15) days' prior notice by any of the means specified in subparagraphs (a) through (e) above. Any notice we send you may be sent to the one (1) person identified on Exhibit A at the email or postal address specified on Exhibit A. You may change the person and/or address for notice only by giving us fifteen (15) days' prior notice by any of the means specified in subparagraphs (a) through (e) above.

Any required report we do not actually receive during regular business hours on or before the date due (or postmarked by postal authorities at least two (2) days before then for reports unrelated to payments due under this Agreement) will be deemed delinquent.

19. **COMPLIANCE WITH ANTI-TERRORISM LAWS AND OTHER LAWS.**

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with all applicable legislation, laws, regulations, rules, ordinances, administrative orders, decrees and policies of any court, arbiter, government, governmental agency, department, or similar organization that are in effect from time to time pertaining to: (a) the various anti-terrorism, economic sanctions, and anti-money laundering and narco-trafficking laws, regulations, orders, decrees and guidelines of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), (b) the USA PATRIOT Act (Title III of Pub. L. 107-56, signed into law October 26, 2001), as amended, (c) the provisions of United States Executive Order 13224, (d) the U.S. Prevention of Corruption Act 1988, (e) the U. S. Foreign Corrupt Practices Act, 15 U.S.C. Section 78dd-2, (e) relevant multilateral measures such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention Against Corruption, (f) bribery and anti-corruption laws, (g) the laws against money laundering, and (h) the laws against facilitating or supporting persons who conspire to commit these and other crimes against any person or government. You immediately shall notify us in writing if a potential violation of any of the foregoing legislation, laws, regulations, rules, ordinances, administrative orders, decrees and/or policies has occurred or is suspected to have occurred. You immediately shall provide us with copies of any communication to or from any such agency, government, or commission that relates to or affects this Agreement, the Shop, or the Marks. Any failure to comply with this Section by you or your owners, or any blocking of your or your owners' assets under any of such laws, legislation,

regulations, orders, decrees and/or policies shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 14.B (22) above.

20. **ELECTRONIC MAIL.**

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (“**Official Senders**”) to you during the Term.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders’ transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

The consent given in this Section 20 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 18 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

21. **ELECTRONIC SIGNATURES.**

The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an “I Accept” or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

~~*{Remainder of page intentionally left blank}*~~

IN WITNESS WHEREOF, the parties have signed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

FRANCHISEE

By: _____
[Signature]

[Name of Franchisee]

Name: _____
[Print Name]

By: _____
[Signature]

Title: _____

Name: _____
[Print Name]

DATED: _____

Title: _____

DATED: _____

EXHIBIT A

**TO THE FRANCHISE AGREEMENT
BETWEEN POTBELLY FRANCHISING, LLC**

AND _____
DATED _____, 20

**Effective Date: This Exhibit A is current and complete
as of _____, 20**

You and Your Owners

1. **Formation and Principals.** You were incorporated or formed on __, under the laws of the State of _____. You confirm that you have not conducted business under any name other than your corporate, limited liability company, or partnership name. The following is a list of your managing members, directors, and officers, as applicable, as of the effective date shown above:

Name of Each Managing Member/Director/Officer

Position(s) Held

2. **Owners.** The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name

Percentage/Description of Interest

(a)		
(b)		
(c)		
(d)		

Exhibit A-1

3. **Name and Address of Person to Receive Notices for Franchisee.**

(a) Name: _____

(b) Postal Address: _____

(c) E-mail Address: _____

4. **Identification of Managing Owner.** Your Managing Owner as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Managing Owner without our prior written approval.

5. **Identification of Operator.** Your Operator as of the Effective Date is _____.

POTBELLY FRANCHISING, LLC,
an Illinois limited liability company

FRANCHISEE

By: _____
[Signature]

[Name of Franchisee]

Name: _____
[Print Name]

By: _____
[Signature]

Title: _____

Name: _____
[Print Name]

DATED: _____

Title: _____

DATED: _____

EXHIBIT B

**TO THE FRANCHISE AGREEMENT
BETWEEN POTBELLY FRANCHISING, LLC**

AND _____ **DATED** _____, 20

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBER(S)

This Assignment relates to *[name of Franchisee]*: _____

Shop Address: _____

Telephone and Facsimile Number(s) *[all numbers to be inserted after Franchisee obtains phone service]*: _____

For valuable consideration, the Franchisee identified above (“**Franchisee**”) assigns and transfers to POTBELLY FRANCHISING, LLC, an Illinois limited liability company (“**Company**”), all of Franchisee’s rights and interests in each and all of the telephone numbers that Franchisee has obtained and/or will obtain for its Potbelly Shop (the “**Numbers**”). Franchisee authorizes Company to file this Assignment with the telephone company that issued the Numbers to establish Company’s claim to, and right to designate the user of, the Numbers. Franchisee acknowledges that Company may insert the Numbers into the space above as soon as they have been identified and that Franchisee need not re-sign or initial this Assignment after the Numbers have been inserted in order for this Assignment to be in full force and effect. By signing below, Franchisee intends that this Assignment be fully enforceable immediately according to its terms. Franchisee irrevocably appoints Company as Franchisee’s agent and attorney-in-fact to (i) sign and deliver any Transfer of Service Agreement or comparable document the telephone company requires to transfer the rights in the Numbers from Franchisee to Company or its designee, and (ii) cancel and revoke any call-forwarding or similar instructions Franchisee has issued to the telephone company with respect to any of the Numbers, with full power to sign Franchisee’s name and otherwise to act in Franchisee’s name, place and stead. Franchisee agrees to reimburse Company for the full amount of any local service and long distance charges the telephone company requires Company to pay to obtain the Numbers. Franchisee represents and warrants to Company that Franchisee will obtain the Numbers in its own name and will be the person of record the telephone company will recognize as registered user or “owner” of the Numbers until Company exercises its right under this Assignment.

FRANCHISEE NAME

By: _____
Signature

Name: _____
Name

Title: _____

Date: _____

Exhibit B-1

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20__, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by POTBELLY FRANCHISING, LLC (“**us,**” “**we,**” or “**our**”), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“**Franchisee**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in Sections 17, 18, and 19 of the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any legal or equitable remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence we 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 (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions) and afterward for so long as any performance is or might be owed under the Agreement by Franchisee or its owners and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this Guaranty, for the express purpose that none of the undersigned will be deemed a “creditor” of Franchisee under any applicable bankruptcy law with respect to Franchisee’s obligations to us; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, all presentments, demands, and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notice of default to any party with respect to the

indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he or she may be entitled.

We have no present or future duty to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation and to discover from us or require us to disclose to the undersigned any financial or other information concerning Franchisee, any other guarantor, or any collateral securing any of Franchisee's obligations to us.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we are entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned must reimburse us for any of the above-listed costs and expenses we incur even if we do not commence a judicial or arbitration proceeding.

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

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP IN FRANCHISEE
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

EXHIBIT C
SHOP DEVELOPMENT AREA AGREEMENT

Ex. C

POTBELLY FRANCHISING, LLC

**POTBELLY SANDWICH SHOP
SHOP DEVELOPMENT AREA AGREEMENT**

DEVELOPER

AREA

POTBELLY FRANCHISING, LLC
POTBELLY SANDWICH SHOP
SHOP DEVELOPMENT AREA AGREEMENT

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EXHIBIT A – TERM AND DEVELOPMENT AREA

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EXHIBIT C – DEVELOPER INFORMATION

POTBELLY FRANCHISING, LLC

POTBELLY SANDWICH SHOP SHOP DEVELOPMENT AREA AGREEMENT

This Potbelly Sandwich Shop Development Area Agreement (this “SDAA”) is made and entered into by and between Potbelly Franchising, LLC, an Illinois limited liability company with its principal business address at ~~111 North Canal~~ 500 West Madison Street, Suite ~~325~~ 1000, Chicago, Illinois 60661 (“Franchisor,” “we” or “us”), and _____, a(n) _____ with its principal address at _____ (“Developer” or “you”), as of the date signed by us and set forth opposite our signature on this SDAA (the “Effective Date”).

1. INTRODUCTION.

1.01 Potbelly Sandwich Shops. We and our Affiliates own, operate and franchise Potbelly Shops (defined below in Section 1.04), which prepare and sell sandwiches, soups, salads, shakes, desserts, and other food and beverage products (collectively, the “Products”). We have developed a franchise opportunity for Potbelly Shops that sell the Products, use the Marks, and use our and our Affiliates’ Branded System, all of which we and our Affiliates may improve, further develop, and otherwise periodically modify.

1.02 Your Acknowledgments. You have read this SDAA and our Franchise Disclosure Document. You understand the terms of this SDAA and accept them as being reasonably necessary to maintain the uniformity of our high-quality standards at all Potbelly Shops to protect and preserve the goodwill of the Marks and the integrity of the Branded System. You have conducted an independent investigation of the business contemplated by this SDAA and recognize that the restaurant industry is highly competitive, with constantly changing market conditions. You recognize that the nature of Potbelly Shops may change over time, that an investment in Potbelly Shops involves business risks and that the success of the venture is largely dependent on your own business abilities, efforts and financial resources. You have not received or relied on: (a) any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this SDAA; or (b) any promises that any parent company or Affiliate will back us up financially or otherwise guarantee our performance.

1.03 Your Representations. You and your Owners, if applicable, represent and warrant to us that: (a) neither you nor any of your Owners have made any untrue statement of any material fact or have omitted to state any material fact in obtaining the rights granted hereunder; (b) neither you nor any of your Owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise fully and accurately disclosed in your franchise application submitted to us; and (c) the execution and performance of this SDAA will not violate any other agreement to which you or any of your Owners may be bound. You recognize that we have approved your franchise application in reliance on all of the statements you and your Owners have made in connection therewith.

1.04 Certain Definitions. The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this SDAA 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 an entity, whether through ownership of voting securities, by contract or otherwise.

“Competitive Business” – Any (i) any fast-casual restaurant that derives more than 20% of its revenue from the sale of (a) baked, oven-style, conveyor oven-style, or un-baked “sub-style” sandwiches, submarine, hoagie, Italian beef, or hero-type sandwiches, pita sandwiches, flatbread sandwiches, or cheese-steak sandwiches, or (b) smoothies, milkshakes, ice cream, and other frozen confection items, or (ii) any business granting franchises or licenses to others to operate the type of business specified in clause (i) (other than a Potbelly Shop operated under a franchise agreement with us). Competitive Business for purposes of this SDAA shall include, but not be limited to, Blimpie, Corner Bakery Café, Firehouse Subs, Jersey Mike’s, Jimmy John’s, McAlister’s Deli, Panera Bread, Quizno’s, Schlotzky’s, Subway, Tropical Smoothie Café, and Which Wich.

“Confidential Information” – Our proprietary and confidential information relating to the development and operation of Potbelly Shops, including: (1) site selection criteria and layouts, designs and other plans and specifications for Potbelly Shops; (2) ingredients, recipes and related information concerning any food items we authorize; (3) training and operations materials and manuals; (4) methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Potbelly Shops; (5) marketing, promotional and advertising research and programs for Potbelly Shops; (6) identity of suppliers, and knowledge of specifications and pricing for authorized food products, materials, supplies and equipment, we authorize; (7) any computer software or similar technology which is proprietary to us or the Branded System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (8) knowledge of operating results and financial performance of Potbelly Shops, other than Potbelly Shops you own; (9) graphic designs and related intellectual property; (10) customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; (11) all data and other information generated by, or used in, the operation of your Potbelly Shops, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the computer hardware and/or operating software (including point-of-sale equipment and software) we specify for use at your Potbelly Shops or that visitors to your Potbelly Shops (including you and your personnel) provide to the Website (defined below) for the network of Potbelly Shops; (12) future business plans relating to Potbelly Shops and the Potbelly Sandwich Shop® franchise opportunity, including expansion and development plans; and (13) any other information that we reasonably designate as confidential or proprietary.

“Development Business” – The entity and business you conduct under this SDAA for development of Potbelly Shops, including all assets of the development business (if any) and all rights and obligations under this SDAA.

“Potbelly Shops” – Shops we or any of our Affiliates own, operate or franchise that use the Marks and Branded System.

“Franchise Disclosure Document” – The most recent version of franchise disclosure document for Potbelly Shops that we or our designee delivered to you, your Owners, and/or your authorized representative.

“Immediate Family” – Spouse, legally-recognized domestic partners, parents, siblings, and children, whether natural or adopted, including any particular member thereof as may be referenced individually.

“Marks” – All trademarks, service marks, trade dress, and other commercial symbols that we currently authorize, or may in the future authorize, to identify, promote, and operate Potbelly Shops and/or any services or products offered by Potbelly Shops.

“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.

“Branded System” – The distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications, and the Marks, all of which we may improve, further develop, or otherwise modify at any time and from time to time.

“Website” – An interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the internet and World Wide Web home pages.

2. DEVELOPMENT RIGHTS.

2.01 Term. Unless sooner terminated in accordance with Section 8, the term of this SDAA (the “Term”) starts on the Effective Date and expires on the expiration date set forth in Exhibit A. You have no right to renew or extend your rights under this SDAA.

2.02 Development Fee. In consideration of our execution of this SDAA, you agree to pay us a development fee equal to the sum of \$40,000 for your first Potbelly Shop and \$20,000 times the aggregate number of additional franchised Potbelly Shops which you are required to establish and operate pursuant to this SDAA (the “Development Fee”). The Development Fee is payable in full when you sign this SDAA and will be fully earned when paid. You recognize that we have incurred administrative and other expenses in relation to this SDAA, and that our development opportunities have been lost or curtailed as a result of the territorial rights granted to you in this SDAA. Therefore, we will not refund the Development Fee in whole or in part, under any circumstance.

The Development Fee will be applied against the initial franchise fee that will be payable under the franchise agreements for each of your Potbelly Shops (each, an “Initial Franchise Fee”). Each Initial Franchise Fee will be reduced by the amount of the Development Fee you paid for that Potbelly Shop, that is, by \$40,000 for your first Potbelly Shop and by \$20,000 for your second and subsequent Potbelly Shops. The Initial Franchise Fee against which the Development Fee will be credited will be our then-current Initial Franchise Fee for each Potbelly Shop opened under this SDAA. You will pay the remaining balance (if any) of the Initial Franchise Fee for each Potbelly Shop to be opened pursuant to this SDAA on the date you sign the franchise agreement for the Potbelly Shop.

2.03 Development Rights. During the Term, and provided you and your Affiliates are in compliance with this SDAA and all other agreements with us or any of our Affiliates (including franchise agreements signed pursuant to this SDAA), then we will:

(a) grant to you, in accordance with Section 3, at least that cumulative number of franchises for Potbelly Shops set forth in Exhibit B, all of which are to be located within the geographical area described in Exhibit A (the “Development Area” or “Area”); and

(b) neither operate (directly or through an Affiliate), nor grant any third party the right to operate, any Potbelly Shop located within the Development Area, except for:

(1) Potbelly Shops you will develop pursuant to this SDAA for which you or your Affiliate will sign future franchise agreements for each such location;

(2) Potbelly Shops already open (or under commitment to open) as of the Effective Date;

(3) Potbelly Shops or other restaurants using any part or all of the Branded System and/or Marks at “Non-Traditional Venues” within the Development Area, such as hospitals or medical centers, airports, public or private schools, universities or college campuses, airport terminals, train or bus stations, convention centers, exhibition halls, amusement parks, fairgrounds, sports arenas, military bases, state or national parks, hotels, lodges, country clubs, social clubs, resorts, casinos, theaters, food trucks, or any other similar site or venue that generates customer flow that is independent from the general customer traffic flow of the surrounding area (collectively, “Non-Traditional Venues”);

(4) restaurants that we purchase (or as to which we purchase the rights as franchisor) that are part of another franchise system or chain, regardless of whether such restaurants are converted to operate using any of the Marks and/or any or all of the Branded System or whether such restaurants operate under other trademarks, service marks or trade dress and/or use other operating systems; or

(5) restaurants operated, licensed, or franchised by another business in the Development Area that may acquire us or our Affiliates (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of transaction) and may provide products and services similar to those provided by Potbelly Shops, including the operation, licensing, or franchising of Competitive Businesses, in the Development Area.

2.04 Development Obligations. You agree to exert your best efforts to fully develop the market potential for Potbelly Shops in the Development Area. Without limiting the foregoing, you agree to open and operate in the Development Area, in accordance with and pursuant to franchise agreements you or your Affiliates will sign, the incremental and total cumulative number of Potbelly Shops set forth in Exhibit B by the corresponding dates and timelines set forth therein (collectively, Exhibit B is referred to as the “Development Schedule”). In addition to our other rights and remedies under this SDAA and applicable law, we may delay your development of additional Potbelly Shops within the Area for the time period we deem best if we believe in our sole judgment, that you (or your Affiliate) are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you (or your Affiliate) developed and opened your most recent Potbelly Shop, to develop, open and/or operate the additional Potbelly Shops in full compliance with our standards and specifications. We may delay additional development for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Development Schedule (unless we are willing to extend the Development Schedule proportionately to account for the delay).

2.05 Failure to Fulfill Development Obligations. If you fail to adhere to the Development Schedule in Section 2.04 and Exhibit B by either: (1) failing to meet the requirements for the incremental number of Potbelly Shops to be developed (and opened under franchise agreements) during the development period, (2) failing to meet the lease control dates or number of new leases under control, or (3) failing to meet the requirements for the cumulative number of Potbelly Shops developed (and operating under franchise agreements) by the end of the development period, then this will constitute a material breach of this SDAA, which, unless you cure it as provided in Section 8.02 of this SDAA, will result in this SDAA being terminated immediately.

Termination of this SDAA for this reason will not be a termination (constructive or otherwise) of any franchise agreement(s) entered into by you and us under which you have already commenced the operation of the franchised Potbelly Shops covered by the franchise agreement(s) if you have fully

performed and otherwise been in compliance with all of your obligations under the franchise agreement(s) in question. You will lose both the right to develop the undeveloped Potbelly Shops in the Development Area and the Development Fee attributable to the undeveloped Potbelly Shops, and we may operate or franchise Potbelly Shops within the undeveloped balance of the Development Area without in any way being in violation of this SDAA. This remedy of ours will be in addition to whatever other remedies we may have at law or in equity.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS SDAA AND THAT YOUR RIGHTS UNDER THIS SDAA ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT FULLY COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE DEVELOPMENT SCHEDULE. WE MAY ENFORCE THIS SDAA STRICTLY.

2.06 Reservation of Rights. Except as expressly provided in this SDAA with respect to the Development Area, we and all of our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of our rights and discretion with respect to the Marks, the Branded System and Potbelly Shops anywhere in the world, and the right to engage in any business whatsoever, including the right to: (a) construct, develop and operate, and grant others the right to construct, develop and operate, Potbelly Shops anywhere we want and on any terms and conditions we deem appropriate; (b) offer and sell products and other items identified by the Marks or any other trademarks or service marks to any customers, wherever located or operating, and through any distribution channels (including, but not limited to, the Internet, grocery, specialty, and other retail stores, food trucks, and other points of distribution), wherever located or operating; (c) construct, develop, and operate, and grant to others the right to construct, develop, and operate, any types of stores or other foodservice businesses under any trademarks or service marks anywhere we want and on any terms and conditions we deem appropriate; (d) acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Potbelly Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (e) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Potbelly Shops, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area); (f) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Potbelly Shops, or by another business; and, (g) engage in all other activities this SDAA does not expressly prohibit.

3. GRANT OF FRANCHISES.

3.01 Site Selection Assistance. We will furnish you with our standard site selection criteria for Potbelly Shops, as we may establish at any time and from time to time. We also will provide such on-site evaluation of sites proposed pursuant hereto as we deem necessary or appropriate. We will not conduct site selection activities for you. In granting you the development rights under this SDAA, we are relying on your knowledge of the real estate market in the Area and your ability to locate and access sites.

3.02 Applications for Franchises. We will grant franchises to you for the operation of that cumulative number of Potbelly Shops set forth in Exhibit B and located within the Development Area, subject to the following conditions:

(1) You must submit to us, in accordance with procedures we establish from time to time, a complete application for a franchise and site application form for each site for a Potbelly Shop 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 Potbelly Shops. Such site application shall include a description of each proposed site, including a summary of traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses, along with a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site.

(2) We will accept or reject each site for which you submit to us complete applications in accordance with Section 3.02(1) and, if we accept such site, we will do so by delivering our standard franchise site package. Our site acceptance letter, 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 decision and, if the site is accepted, deliver a site acceptance letter to you, within 30 days after we acknowledge receipt of the complete site report and any other materials we have requested. In deciding whether to accept or reject a site you propose, we may consider such factors as we, in our sole discretion, deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, access, visibility, location of other restaurants and food establishments (including other Potbelly Shops) and size, condition, configuration, appearance and other physical characteristics of the site. However, we have the absolute right not to accept any site not meeting these criteria. You acknowledge and agree that, if we suggest, approve, or give you information regarding a site, our action is not a representation or warranty of any kind, express or implied, of the site's suitability for a Potbelly Shop or any other purpose. We do not represent that we, or any of our Affiliates, owners, employees or agents, have special expertise in selecting sites. Our action indicates only that we believe that the site meets our then acceptable criteria and not that a Potbelly Shop will be profitable or successful at the site. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we suggest or approve for the location of a Potbelly Shop fails to meet your expectations. Accordingly, you acknowledge and agree that your decision to develop and operate a Potbelly Shop at any site is based solely on your own independent investigation of the suitability of the site for a Potbelly Shop.

(3) 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 the development and operation of any Potbelly Shop you propose, as well as any then-existing Potbelly Shops you and your Affiliates own. All such information shall be verified by you and your Owners as being complete and accurate in all 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 Potbelly Shop. We may refuse to grant you a franchise for a Potbelly Shop if you fail to demonstrate sufficient financial and management capabilities to properly develop and operate the proposed Potbelly Shop and the then existing Potbelly Shops you and your Affiliates own. We will evaluate such financial and management capabilities in accordance with standards we use to establish Potbelly Shops in other comparable market areas.

(4) Upon our acceptance of a proposed site, and provided you have demonstrated the requisite financial and management capabilities, all as above required, if you have not yet signed a franchise agreement for that Potbelly Shop, then you agree within the time period we specify (but no later than the date specified in the Schedule) to sign a franchise agreement (and related documents) for that Potbelly Shop and to pay us the remaining portion of the initial franchise fee due thereunder.

(5) You must request not less than 60 days before you plan to execute a franchise agreement for the franchise to be conveyed, and we will deliver to you, a copy of our then-current applicable Potbelly Shop Franchise Disclosure Document, including our then-current applicable Potbelly franchise agreement (collectively, the “Disclosure Document”). Promptly upon receipt of the Disclosure Document, you must acknowledge receipt by executing the Receipt form prescribed in the Disclosure Document and promptly returning the Receipt to us. We will offer you a franchise to operate a Potbelly Shop at the proposed site by delivering to you our then-current form of standard franchise agreement, together with all standard ancillary documents (including exhibits, riders, collateral assignments of leases, Owner guarantees and other related documents) that we then customarily use in granting franchises for the operation of Potbelly Shops in the state in which the Potbelly Shop is to be located, modified so that the Initial Franchise Fee will be reduced by the amount of the Development Fee you paid for that Potbelly Shop as provided in Section 2.02. 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, with payment of the initial fees required thereunder. If we do not receive the fully executed franchise agreement and payment of the required initial franchise fee due thereunder, we may revoke our offer to grant you a franchise to operate a Potbelly Shop at the proposed site and may revoke our acceptance of the proposed site.

(6) We have the right to accept or refuse to accept the terms (including, but not limited to, lease payments or purchase price) of any lease or purchase agreement proposed for a site (the “Real Estate Agreement”) before you sign it. You must send us for review and comment, a copy of the proposed final form of Real Estate Agreement before signing it. We also may request, and you must send us, for review and comment, earlier drafts of the proposed Real Estate Agreement. You (or your Owner or Affiliate) may not sign the Real Estate Agreement unless and until we have reviewed and accepted its final form and notified you in writing that it may be signed. If you (or your Owner or Affiliate) sign the Real Estate Agreement before we send that notice, we may revoke our offer to grant you a franchise to operate a Potbelly Shop at the proposed site and may revoke our acceptance of the proposed site.

The Real Estate Agreement must contain the terms and provisions we reasonably require. If you lease the site, we may require that (i) the lease be collaterally assigned to us (with the lessor’s advance written consent) by a lease rider and/or collateral assignment agreement in form and substance reasonably acceptable to us in order to secure your performance of each and every liability and obligation to us under our franchise agreement, and (ii) the lease contain the provisions we require for site leases for Potbelly Shops.

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 in which the Development Area is located; (b) you have the authority to execute and deliver this SDAA and to perform your obligations hereunder; (c) you have provided to us true and complete copies of your articles of incorporation, partnership agreement, bylaws, subscription agreements, and all other then current documents relating to your ownership, organization, capitalization, management and control, any or all of which documents we may require to recite (or be amended to recite) that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this SDAA; (d) your activities are restricted to those necessary solely for the development, ownership and operation of Potbelly Shops in accordance with this SDAA and any other agreements entered into with us or any of our Affiliates; and

(e) all certificates representing direct or indirect legal or beneficial ownership interests in you, whether now or hereafter issued, must bear a legend in conformity with applicable law reciting or referring to such restrictions.

4.02 Disclosure of Ownership Interests. You and each of your Owners represent, warrant and agree that Exhibit C is current, complete, and accurate as of the Effective Date. You agree to furnish promptly to us all information necessary to revise or amend that Exhibit C (as thereafter revised and signed by you) so that Exhibit C is at all times current, complete and accurate. We may require (at our option) that each person who is or becomes an Owner (and each of their spouses) execute an agreement, in a form we prescribe, undertaking to be bound jointly and severally by the terms of this SDAA. Each Owner must be an individual acting in his individual capacity, unless we waive this requirement.

4.03 Approved Affiliates. If your Owners establish a new legal entity to operate one or more of the Potbelly Shops to be developed pursuant to this SDAA and that new legal entity's ownership is completely identical to your ownership, that legal entity automatically will be considered an "Approved Affiliate" without further action. However, if the new legal entity's ownership is not completely identical to your ownership, you first must seek our approval for that new entity to operate the proposed Potbelly Shop as an Approved Affiliate. We may refuse any such request if you and/or your Owners do not own and control at least 75% of the new entity's ownership interests and retain management control of the Potbelly Shop proposed to be owned by the new entity.

5. RELATIONSHIP OF THE PARTIES.

5.01 Independent Contractors.

Neither this SDAA nor the dealings of the parties pursuant to this SDAA shall create any fiduciary relationship or any other relationship of trust or confidence. Franchisor and Developer, as between themselves, are and shall be independent contractors. Nothing contained in this SDAA, 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. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, personnel 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 require at any time and 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.

We and you acknowledge and agree that this SDAA (and the relationship of the parties which arises from this SDAA) grants us the right 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. You understand and agree that we may operate and change the Branded System and our business in any manner that is not expressly and specifically prohibited by this SDAA. Unless expressly provided otherwise in this SDAA, we may make any decision, or exercise any of our rights and/or discretion under this SDAA, according to our judgment of what is in the best interests of us, our Affiliates, the Branded System, or the network of Potbelly Shops, without regard to: (a) whether other reasonable or even arguably preferable alternative decisions or actions were feasible; (b) whether our

decision or action promotes our financial or other individual interest; (c) whether our decision or action applies differently to you and any one (1) or more other franchisees; or (d) whether our decision or the exercise of our rights is adverse to your individual interests or the individual interests of any other particular franchisees. We will have no liability to you for any such decision or exercise of our rights.

5.02 Indemnification. You agree to indemnify, defend, and hold harmless us, our Affiliates, and our and their respective owners, shareholders, members, directors, officers, employees, agents, successors, and assignees (the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the development of Potbelly Shops under this SDAA, your business activities conducted under or arising from this SDAA, or your breach of this SDAA. You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings, including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct, and willful wrongful omissions. However, you have no obligation to indemnify or hold harmless an Indemnified Party for any claims, obligations, and damages to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those obligations and damages relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or our failure to compel you to comply with this SDAA.

For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this SDAA’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subsection.

5.03 Marks. You acknowledge that we own the Marks and that you are not granted the right under this SDAA to use the Marks. Your right to use the Marks arises solely from franchise agreements that you will enter into with us for the opening and operation of Potbelly Shops. 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 as an electronic media identifier, such as a web site, web page, or domain name) not explicitly authorized in writing by us.

5.04 No Subfranchising and Sublicensing Rights. This SDAA does not give you any right to franchise, license, sublicense, or sublicense others to operate Potbelly Shops. Only you (and/or your Approved Affiliates) may construct, develop, open and operate Potbelly Shops pursuant to this SDAA.

6. RESTRICTIVE COVENANTS.

6.01 Confidential Information. We will disclose parts of our Confidential Information solely for your use in the operation of the business contemplated by this SDAA. The Confidential Information is proprietary and includes our trade secrets. During and after the Term: (a) you may not use the Confidential Information in any other business or capacity (as you hereby acknowledge that such prohibited use would be an unfair method of competition); (b) you must exert your best efforts to maintain the confidentiality of the Confidential Information, regardless of its format or medium of transmission to you; (c) you may not make unauthorized copies of any portion of the Confidential Information; and (d) you must implement all commercially reasonable procedures we prescribe at any time and from time to time to prevent unauthorized use or disclosure of the Confidential Information, including requiring your managers and assistant managers, and any other of your personnel who attends training or who has the ability to access our Confidential Information, to sign nondisclosure agreements in a form we prescribe or approve and delivering those agreements to us.

6.02 In-Term Covenants. You acknowledge that we have granted you development rights in the Development Area in consideration of, and reliance upon, your agreement to deal exclusively with us. You therefore agree that, during the Term and any successor franchise term, neither you, any of your Owners, nor any of your or your Owners' spouses will:

(a) have any direct or indirect controlling interest as an owner – whether of record, beneficial, or otherwise – in a Competitive Business, wherever located or operating;

(b) have any direct or indirect non-controlling interest as an owner – whether of record, beneficial, or otherwise – in a Competitive Business, wherever located or operating (except that less than a two percent (2%) equity ownership interest in a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not violate this clause);

(c) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(d) divert or attempt to divert any actual or potential business or customer of any Potbelly Shop to a Competitive Business;

(e) divert or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee or agent of any Competitive Business, wherever located or operating; or

(f) engage in any other activity that might injure the goodwill associated with the Marks and Branded System.

6.03 Procurement of Additional Covenants. You agree to require and obtain the execution of a non-disclosure and non-competition agreement, as we may require at our sole discretion, from all of the following persons:

(a) Before employment or any promotion, any manager of your activities in the Development Area, any personnel you employ who have received or will receive training from us, and all other persons to whom you grant access to Confidential Information; and

(b) If you are a business entity, all Owners having direct or indirect legal or beneficial ownership interests in you; all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you.

You shall procure all such Nondisclosure and Non-Competition Agreements required by this subsection no later than ten (10) days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within ten (10) days after such individual or entity's attains such status) and shall furnish to us copies of all executed Nondisclosure and Non-Competition Agreements within ten (10) days following their execution.

7. ASSIGNMENT.

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

7.02 No Assignment By Developer. You and your Owners acknowledge that we are granting you development rights under this SDAA based on our perception of your and your Owners' individual and collective character, skill, business acumen, financial capability and ability to develop (and to operate under franchise agreements) future Potbelly Shops according to our standards. These rights are personal to you and your Owners. Therefore, neither you nor your Owners may assign this SDAA, any of your ownership interests, any interest in the Development Business, any development rights to a Potbelly Shop, or any other right granted to Developer under this SDAA. Any assignment by your or your Owners in violation of this Section 7 will be null, void and of no force or effect. Notwithstanding the foregoing, we will not unreasonably withhold or delay approval of an assignment that arises pursuant to Subsections 7.03 or 7.04 below.

7.03 Assignment to a Newly Formed Entity. We will not unreasonably withhold or delay our consent to your assignment to another entity that you form solely for the convenience of entity ownership, providing that at least the following conditions are met (in addition to any additional conditions we may then require):

1. The entity is newly formed and the requirements of Section 4 above (entitled "Your Organization and Management").

2. Each individual involved in the new entity has the same proportionate ownership interest in the new entity as he or she had in the Development Business before the assignment.

3. You and the new entity sign an agreement with us under which you and the new entity are jointly and severally liable for all the obligations under this SDAA and bound by all the terms, conditions and covenants of this SDAA.

7.04 Assignment Upon Death or Disability. Upon your death or disability, you, or your managing Owner's executor, administrator, conservator, guardian, or other personal representative must

transfer you, or your managing Owner's, ownership interest in you to a third party (which may be your heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability and is subject to all the terms and conditions applicable to transfers in this Section. Failure to transfer your, or your managing Owner's, interest in you within this time period, is a breach of this SDAA. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you, or your managing Owner, from fulfilling his or her responsibilities as managing Owner.

8. TERMINATION OF THE SDAA.

8.01 Immediate Termination. You are in material breach of this SDAA, and we may deem this SDAA terminated immediately and without providing additional notice to you, at our sole determination, 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 a final judgment against you in the amount of twenty-five thousand dollars (\$25,000) 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; 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; or if your assets, property or interests are "blocked" under any law or regulation relating to terrorist activities or if you are otherwise in violation of any such law or regulation.

8.02 Termination Upon Notice. In addition to our right to terminate pursuant to other provisions of this SDAA or under applicable law, we may terminate this SDAA, effective upon delivery of notice of termination to you:

- (a) if you fail to meet any part of the Development Schedule;
- (b) if you or any of your Owners or Affiliates make an unauthorized transfer or assignment of the Development Rights;
- (c) if you or any of your Owners or Affiliates make any material misstatement or omission in the application for the development rights conferred by this SDAA or in any other information provided to us, or are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the goodwill associated with the Marks;
- (d) if you or any of your Owners or Affiliates make any unauthorized use or disclosure of the Confidential Information;
- (e) if you or any of your Owners or Affiliates fail to comply with any other provision of this SDAA and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you;
- (f) if you or any of your Owners engage in any dishonest, unethical, immoral or similar conduct as a result of which your (or his or her) association with the Potbelly Shops or Branded System (or the Owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks;

(g) if any franchise agreement between us and you (or your Affiliate) for a Potbelly Shop is terminated by us in compliance with its terms or by you (or your Affiliate) for any (or no) reason, even if that other franchise agreement was not signed pursuant to your rights under this SDAA;

(h) if you or any of your Owners or Affiliates are in breach of any franchise agreement or other agreement with us or our Affiliates such that we or our Affiliates have the right to terminate the franchise agreement or such other agreement, whether or not we or they elect to exercise such right of termination;

(i) if you fail to pay any vendors with respect to the Development Business (other than us and our Affiliates) any amounts due for your purchases from them; or

(j) if we determine that any applicable federal or state legislation, regulation or rule, which is enacted, promulgated or amended after the Effective Date, may have an adverse effect on our rights, remedies or discretion in franchising Potbelly Shops.

We have no obligation whatsoever to refund any portion of the Development Fee upon any termination, except that we will refund the unapplied portion of the Development Fee paid pursuant to Section 2.02 only in the event of a termination pursuant to Section 8.02(j).

8.03 Alternative Remedy Upon Default. In addition to, and without limiting, our other rights and remedies under this SDAA, any other agreement or applicable law, upon the occurrence of any event giving rise to our right to terminate this SDAA under the preceding Subsections 8.01 and 8.02, we may instead elect, at our sole option and upon delivering providing you written notice, to (1) operate or grant franchises to operate Potbelly Shops within the Development Area, in which case the restrictions on us or our Affiliates under Section 2 above will not apply to the Development Area; (2) grant you an extension under the Development Schedule for such time period and for a nonrefundable extension fee equal to the balance of the Initial Franchise Fees for the number of Potbelly Shops remaining to be opened under the Development Schedule; and/or (3) temporarily or permanently reduce the size of the Development Area, in which case the restrictions on us or our Affiliates under Section 2 above will not apply in any geographic area removed from the preceding territorial boundaries.

8.04 Cross-Default. Any default or breach by you (or any of your Owners) or your Affiliate (or any of your Owner's Affiliates) of any other agreement with us or our Affiliate will be considered an event of default under this SDAA, and any default or breach by you (or any of your Owners) of this SDAA (except for a default as a result of your failure to comply with the Development Schedule set forth in Exhibit B) will be considered an event of default or breach by you under any and all agreements between us or our Affiliate and you (or any of your Owners) or your Affiliate (or any of your Owner's Affiliates). If the nature of the default under any other agreement would have been considered an event of default under this SDAA, then we or our Affiliate will have the right to terminate all other agreements between us or our Affiliate and you (or any of your Owners) or your Affiliate (or any of your Owner's Affiliates) in accordance with the termination provisions of this SDAA.

9. EFFECT OF TERMINATION AND EXPIRATION.

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

9.02 Post-Term Covenants. For a period of two (2) years, starting on the effective date of termination or expiration of this SDAA, you and your Owners are prohibited from directly or indirectly (such as through an Immediate Family member) owning a legal or beneficial interest in, or rendering

services or giving advice to: (a) any Competitive Business operating within the Development Area; (b) any Competitive Business operating within a radius of five (5) miles of any Potbelly Shop (whether franchised or Affiliate or company-owned), whether in operation or under construction on the effective date of termination or expiration; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business. You acknowledge that we have a protectable legal interest in the Branded System, customers of Potbelly Shops and the goodwill associated with the Marks and that the non-competition covenants contained in this Section and Section 6.02 are necessary elements to their protection and are an integral part of this SDAA. 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, so that enforcement of the covenants contained in this Section will not deprive you of your personal goodwill or ability to earn a living. If you 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 be tolled during the period(s) of time that the covenant is breached and/or we seek to enforce it, and will continue in effect for a period of two (2) years after the date of order enforcing the covenant.

10. MISCELLANEOUS.

10.01 Severability and Substitution of Provisions. Except as expressly provided to the contrary in this SDAA, each section, paragraph, term, and provision of this SDAA is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this SDAA, which will continue to have full force and effect and bind the parties. If any covenant restricting competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable if modified, you and we agree that the covenant may be “blue penciled” or reformed and then enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity. 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 SDAA 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. You agree to be bound by any promise or covenant imposing the maximum duty the law permits that is subsumed within any provision of this SDAA, as though it were separately articulated in and made a part of this SDAA.

10.02 Waiver of Obligations. We and you may by written instrument unilaterally waive or reduce any obligation of the other under this SDAA. 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 ten (10) days’ prior written notice. You and we shall not be deemed to have waived any right reserved by this SDAA or be deemed to have modified this SDAA by virtue of any custom or practice of the parties at variance with it.

10.03 Exercise of Rights of Parties. 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 law. If Developer commits any act of default under this SDAA for which Franchisor exercises its right to terminate this SDAA, Developer shall pay to Franchisor all actual, consequential, special and incidental damages Franchisor incurs as a result of the premature termination of this SDAA, regardless of whether or not such damages are reasonably foreseeable. 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 SDAA, shall constitute a waiver of such right and shall preclude the exercise or enforcement of any legal or equitable remedy arising therefrom, unless written notice specifying such breach or violation is provided to the other party within twelve (12) months after the later of: (a) the date of such breach or violation; or (b) the date of discovery of the facts (or the date the facts could have been discovered, using reasonable diligence) giving rise to such breach or violation.

10.04 Costs of Enforcement. If we incur costs and expenses to enforce our rights or your obligations under this SDAA because you have failed to comply with this SDAA, you agree to reimburse us for all costs and expenses we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Your obligation to reimburse us arises whether or not we begin a formal legal proceeding against you to enforce this SDAA. If we do begin a formal legal proceeding against you to enforce this SDAA, the reimbursement obligation applies to all costs and expenses we incur preparing for, commencing, and prosecuting the legal proceeding and until the proceeding has come to a complete end (including appeals and settlements).

10.05 Injunctive Relief. We, as an alternative or supplement to arbitration pursuant to Sections 10.06, 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 seek and obtain such injunctive relief, without bond, but upon notice as required under applicable rules, 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 had (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). You and each of your Owners acknowledge that any violation of Sections 6 or 9.02, or any other breach of your obligations concerning the proprietary nature of the Confidential Information or the Branded System, 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 and agree to the issuance of an injunction prohibiting any conduct in violation of any of those sections and agrees that the existence of any claim you or any of your Owners may have against us, whether or not arising from this SDAA, shall not constitute a defense to the enforcement of any of those Sections.

10.06 Arbitration. We and you agree that all controversies, disputes, or claims between us and our Affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your Owners, guarantors, Affiliates, and/or employees) arising out of or related to:

- (1) this SDAA or any other agreement between you and us or your or our respective Affiliates
- (2) our relationship with you; or
- (3) the scope and validity of this SDAA or any other agreement between you and us or any provision of such agreements (including the validity and scope of the arbitration obligations under this Section 10.06, which the parties acknowledge is to be determined by an arbitrator and not a court);

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association ("AAA"). The arbitration proceedings will be conducted by one (1) arbitrator if the amount of the claim is Seven Hundred Fifty Thousand Dollars (\$750,000) or less, or three (3) arbitrators if the amount of the claim is more than Seven Hundred Fifty Thousand Dollars

(\$750,000). If there is one (1) arbitrator, the arbitrator shall be appointed by the AAA. If there are three (3) arbitrators, the claimant shall appoint one (1) arbitrator in its notice of arbitration and statement of claim; the respondent shall appoint one (1) arbitrator in its statement of defense, and the third arbitrator, who shall act as the Chairman, shall be appointed by the two (2) arbitrators appointed by the parties within thirty (30) days of the appointment of the second arbitrator. If any arbitrators are not appointed within these time periods, the AAA shall make the appointments. Except as this Section 10.06 otherwise provides, the arbitration proceedings will be conducted according to the then current commercial arbitration rules of the AAA. All proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed. The arbitrators will have no authority to select a different hearing locale other than as described in the prior sentence. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq.*). Except as expressly provided otherwise in the remainder of this Section 10, judgment upon the arbitrator(s)' award may be entered in any court of competent jurisdiction.

The arbitrators have the right to award or include in their award any relief which they deem proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs for us (consistent with our rights under Section 10.04 above), provided that the arbitrators may not declare any Mark generic or otherwise invalid or, except as expressly provided in Section 10.10 below, award any exemplary, punitive, treble, or other forms of multiple damages against the other (you and we hereby waive to the fullest extent the law permits, except as expressly provided in Section 10.10 below, any right to or claim for any exemplary, punitive, treble, or other forms of multiple damages against the other). All aspects of the arbitration, including statements made and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

Except as expressly limited by Section 10.11 below, you and we will be bound by the provisions of any limitation on the time period in which claims must be brought under applicable law or this SDAA, whichever expires earlier. In any arbitration proceeding, each party must submit or file any claim constituting a compulsory counterclaim (as defined by the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim not submitted or filed as required is forever barred. The arbitrators may not consider any settlement discussions or offers made by either party. We reserve the right, but have no obligation, to advance your share of the costs (excluding attorneys' fees) of any arbitration proceeding in order for the proceeding to take place and by doing so are not deemed to have waived or relinquished our right to seek the recovery of these costs under Section 10.04 above.

You and we agree that pre-hearing discovery will be limited to requests for, and exchange of, documents relevant to the dispute and five (5) depositions per side, including expert and opinion witnesses. No deposition may exceed eight (8) hours without the parties' agreement or the arbitrators' order. Any party has the right to file pre-hearing motions to dispose of some or all of the claims.

You and we agree that arbitration will be conducted on an individual basis, and not on a joint, collective, or class-wide basis, and that an arbitration proceeding between us and our Affiliates, and our and their respective owners, shareholders, members, partners, officers, directors, managers, agents and/or employees, and you (and/or your Owners, guarantors, Affiliates and/or employees) may not be consolidated or joined with any other arbitration proceeding between us and any other person. Despite the foregoing or anything to the contrary contained in this Section 10.06 or Section 10.01, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause will not apply to that dispute and the dispute will be resolved in a judicial proceeding

in a court permitted under Section 10.07 in accordance with this Section 10 (excluding this Section 10.06).

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

This Section's provisions are intended to benefit and bind certain third-party non-signatories (*i.e.*, our and our Affiliates' respective owners, officers, directors, agents and/or employees and your Owners, guarantors, Affiliates and/or employees). This Section continues in full force and effect after and notwithstanding this SDAA's expiration or termination.

10.07 Jurisdiction and Venue. **SUBJECT TO THE ARBITRATION OBLIGATIONS IN SECTION 10.06 ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS SDAA OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION LOCATED CLOSEST TO WHERE WE HAVE OUR PRINCIPAL BUSINESS ADDRESS AT THE TIME THE ACTION IS COMMENCED, AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE THIS SDAA AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR DEVELOPMENT BUSINESS OPERATES.**

10.08 Governing Law. **ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS SDAA, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY ILLINOIS LAW REGULATING THE OFFER AND SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.**

10.09 Successors and Assigns. This SDAA is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This SDAA 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 interest herein.

10.10 Waiver of Damages and Jury Trial. **EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 5.02, AND EXCEPT WITH RESPECT TO THE CONFIDENTIAL INFORMATION IN SECTION 6.01, FRANCHISOR AND FRANCHISEE (AND ITS OWNERS) EACH WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY EXEMPLARY, PUNITIVE, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES**

AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US. WE AND YOU EACH ACKNOWLEDGE THAT WE AND YOU MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERATION OF THIS WAIVER'S RAMIFICATIONS.

You agree that, for our Branded System to function properly, we should not be burdened with the costs of litigating system-wide disputes. Accordingly, any disagreement between you (and 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 shareholders, members, Affiliates, officers, directors, employees, agents, successors and assigns by way of class action, or by way of a multi-plaintiff, consolidated or collective action. In any legal action between the parties, the court 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 franchisee, and each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

10.11 Limitation of Claims. Except for the parties' indemnification obligations under Section 5.02, claims arising from your unauthorized use of our and our Affiliate's intellectual property, and claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this SDAA or our relationship with you will be barred unless a legal proceeding (in the required or permitted forum) is commenced within two (2) years from the date on which the violation, act, or conduct giving rise to the claim occurs, regardless of when the party asserting the claim knew or should have known of the facts giving rise to the claim.

10.12 Limited Liability for Our Related Parties. You agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, Affiliate, owner, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours will have any liability for (i) any of our obligations or liabilities relating to or arising from this SDAA; (ii) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on any alleged unlawful act or omission of ours.

10.13 Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this SDAA, the parties hereto agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this SDAA. Additionally, if applicable law will imply the covenant, you agree that: (i) this SDAA (and the relationship of the parties hereto that is inherent in this SDAA) grants us the judgment to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this SDAA that may favorably or adversely affect your interests; (ii) any judgment we exercise will be based on our assessment of our own interests and balancing those interests against the interests of our Potbelly Shop developers and franchise owners generally, and specifically without considering your individual interests or the individual interests of any other particular Potbelly Shop developer or franchise owner; (iii) we will have no liability to you for the exercise of our judgment in this manner, so long as the judgment is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation will substitute its judgment for our judgment so exercised.

10.14 Construction. The language of this SDAA shall be construed according to its fair meaning and not strictly for or against any party. The introduction, personal guarantees, exhibits and riders (if any) to this SDAA are a part of this SDAA, 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 SDAA that either party may or does rely on or that will have any force or effect, except that nothing in this SDAA shall disclaim or require you to waive reliance on any representation we made in our most recent Franchise Disclosure Document (including that document's exhibits and amendments) delivered to you or your representative. Nothing in this SDAA is intended or shall be deemed to confer any rights or remedies on any person or legal entity not a party hereto. This SDAA shall not be modified except by written agreement signed by both parties.

Any policies we periodically adopt and implement to guide us in our decision-making are subject to change, are not a part of this SDAA, and are not binding on us. Except where this SDAA expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions requiring our approval.

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 business corporation, limited liability company or a partnership and its owners, as the case may be. If two (2) 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 means the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners; in the case of a proposed transfer of an ownership interest in you or one of your Owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

This SDAA may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence in this SDAA.

10.15 Approvals and Consents. In all cases where our prior consent or acceptance is required and no other method or timing for obtaining such consent or acceptance is prescribed, you must request such consent or acceptance in writing, and we will notify you of our decision within sixty (60) days after receiving your written request and all supporting documentation. Whenever our consent or acceptance is required hereunder, such consent or acceptance must be in writing. If we do not respond in writing to your request within such sixty (60)-day period, the request shall be deemed denied. Our consent to or acceptance of any request by you shall be effective only to the extent specifically stated and shall not be deemed to waive or render unnecessary our consent or acceptance of any subsequent similar request. Except where this SDAA expressly obligates us to reasonably accept or consent to (or not to unreasonably withhold our acceptance or consent regarding) any action or request by you, we have the absolute right for any reason or no reason to withhold our acceptance of or consent to any action by you.

10.16 Multiple Forms of Agreement. You acknowledge and agree that there may be more than one form of shop development area agreement in effect between us and our various Potbelly Shop developers; those other agreements may contain provisions that may be materially different from the provisions contained in this SDAA; and you are not entitled to rely on any provision of any other

agreement with other Potbelly Shop developers whether to establish course of dealing, waiver, or estoppel, or for any other purpose.

10.17 Notices and Payments. All written notices, reports, and payments permitted or required to be delivered by this SDAA or the operations manual will be deemed delivered: (1) at the time delivered by hand; (2) one business day after transmission by facsimile (if the sender has confirmation of successful transmission) or electronic mail; (3) one business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (4) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. No restrictive endorsement on any check or in any letter or other communication accompanying any payment shall bind us, and our acceptance of any such payment shall not constitute an accord and satisfaction. Any notice to us must be sent to the address specified on the first page of this SDAA, although we may change this address for notice by giving you fifteen (15) days' prior notice by any of the means specified in subparagraphs (1) through (4) above. Any notice we send you may be sent to the address identified on the first page of this SDAA. You may change the person and/or address for notice only by giving us fifteen (15) days' prior notice by any of the means specified in subparagraphs (1) through (4) above.

10.18 Compliance with Anti-Terrorism and Other Laws. You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with all applicable legislation, laws, regulations, rules, ordinances, administrative orders, decrees and policies of any court, arbiter, government, governmental agency, department, or similar organization that are in effect from time to time pertaining to: (a) the various anti-terrorism, economic sanctions, and anti-money laundering and narco-trafficking laws, regulations, orders, decrees and guidelines of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), (b) the USA PATRIOT Act (Title III of Pub. L. 107-56, signed into law October 26, 2001), as amended, (c) the provisions of United States Executive Order 13224, (d) the U.S. Prevention of Corruption Act 1988, (e) the U. S. Foreign Corrupt Practices Act, 15 U.S.C. Section 78dd-2, (e) relevant multilateral measures such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention Against Corruption, (f) bribery and anti-corruption laws, (g) the laws against money laundering, and (h) the laws against facilitating or supporting persons who conspire to commit these and other crimes against any person or government. You immediately shall notify us in writing if a potential violation of any of the foregoing legislation, laws, regulations, rules, ordinances, administrative orders, decrees and/or policies has occurred or is suspected to have occurred. You immediately shall provide us with copies of any communication to or from any such agency, government, or commission that relates to or affects this SDAA, your or your Affiliates' Potbelly Shops, or the Marks. Any failure to comply with this Section by you or your Owners, or any blocking of your or your Owners' assets under any of such laws, legislation, regulations, orders, decrees and/or policies shall constitute good cause for immediate termination of this SDAA.

10.19 Electronic Mail. You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and Affiliates ("**Official Senders**") to you during the Term.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders' transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and

(d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

The consent given in this Section 10.19 shall not apply to the provision of notices by either party under this SDAA pursuant to Section 10.17 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

10.20 Electronic Signatures. The counterparts of this SDAA and all ancillary documents executed or delivered in connection with this SDAA may be executed and signed by electronic signature by any of the parties to this SDAA, and delivered by electronic or digital communications to any other party to this SDAA, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this SDAA, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an “I Accept” or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

10.21 Receipt of Disclosure Document and SDAA. You acknowledge having received our Franchise Disclosure Document and this SDAA, with all blanks completed, within the time periods required by applicable law.

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

FRANCHISOR

DEVELOPER

Potbelly Franchising, LLC,
an Illinois limited liability company

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

By: _____
Print Name: _____ (Name of corporation, partnership,
Title: _____ limited company or other legal entity)

*Effective Date: _____ By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

**EXHIBIT A
TO SHOP DEVELOPMENT AREA AGREEMENT**

TERM AND DEVELOPMENT AREA

1. The Term expires on the execution date of the last franchise agreement executed pursuant to this SDAA.

2. The Development Area is the geographical area described as follows:

FRANCHISOR:

Potbelly Franchising, LLC,
an Illinois limited liability company

By: _____
Print Name: _____
Title: _____

DEVELOPER:

(Name of legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

**EXHIBIT B
TO SHOP DEVELOPMENT AREA AGREEMENT**

DEVELOPMENT SCHEDULE

Developer agrees to open _____ (_____) traditional Potbelly Shops within the Development Area (besides any Potbelly Shops already operating, or for which a franchise agreement has previously been signed for operation of a Potbelly Shop, in the Development Area) according to the following Development Schedule:

New Development	Lease Control Date	Shop Open Date
Shop #1		
Shop #2		
Shop #3		
Shop #4		
Shop #5		
Shop #6		
Shop #7		

Development Year	Year End Date	New Leases Under Control	New Shop Openings	Existing Shops	Year-End Minimum Shops Open
1					
2					
3					
4					
5					
6					
7					

[SIGNATURE PAGE FOLLOWS]

FRANCHISOR:

Potbelly Franchising, LLC,
an Illinois limited liability company

By: _____
Print Name: _____
Title: _____

DEVELOPER:

(Name of legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

EXHIBIT C
TO SHOP DEVELOPMENT AREA AGREEMENT

DEVELOPER INFORMATION

1. 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 and officers as of _____, 20____.

Name of Each Director/Officer

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 as of _____, 20____.

Name of each General Partner

2. **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 and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Developer. Developer, and each Owner as to her/his ownership interest in Developer, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of her/his ownership interest, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this SDAA.

Owner's Name and Address

Description of Interest

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

FRANCHISOR:

Potbelly Franchising, LLC,
an Illinois limited liability company

By: _____
Print Name: _____
Title: _____

DEVELOPER:

(Name of legal entity)

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

If individuals:

(Signature)

(Print Name)

(Signature)

(Print Name)

EXHIBIT D
PRINCIPAL'S AGREEMENT

Ex. D

POTBELLY FRANCHISING, LLC
PRINCIPAL'S AGREEMENT

This Principal's Agreement (the "Agreement") is made and entered into this _____ day of _____, 20__, by and among **Potbelly Franchising, LLC**, an Illinois limited liability company ("**Potbelly**"), and the owners, directors, and/or officers whose names and signatures appear below (**collectively, the "Principals" or, individually, a "Principal"**).

RECITALS

WHEREAS, Potbelly has entered into that certain Franchise Agreement dated _____, 20__ (**the "Franchise Agreement"**) with _____ (**the "Entity"**); and

WHEREAS, Potbelly desires to set forth the respective liabilities and responsibilities of each Principal who signs this Agreement.

NOW, THEREFORE, in consideration of Potbelly's entry into the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. The Recitals are incorporated in this Agreement by this reference.
2. Each of the undersigned Principals individually agrees that:
 - (a) he or she will be personally bound by the following sections of the Franchise Agreement, whether the obligations described in those sections are imposed upon the Entity, its owners, or both, as if he or she were the Franchisee under the Franchise Agreement: Sections 4.C.; 5; 6; 7; 9.E. and F; 12 (if the undersigned Principal is an owner of the Entity); 13.C. (if the undersigned Principal is an owner of the Entity); 15.B., C, and D; 16.B.; 17.A., B, F, G, H, I, J, and K; and 19. Section 17.C., captioned "Costs and Attorneys' Fees," will apply to the undersigned but only to the extent that the undersigned fails to comply with any of the obligations referenced above;
 - (b) the liabilities and obligations arising under subsection (a) are independent liabilities and obligations of each Principal and are not contingent or conditioned upon Potbelly's pursuit of any remedies against the Entity or any other person under the Franchise Agreement; and
 - (c) the liabilities and obligations arising under subsection (a) will not be diminished, relieved, or otherwise affected by any extension of time or credit, the acceptance of any partial payment or performance, or the compromise or release of any claims.

Each of the undersigned Principals waives all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against the Entity arising as a result of the undersigned's execution of and performance under this Agreement.

3. This Agreement will terminate only upon the termination or expiration of the noted

obligations under the Franchise Agreement.

4. Each of the undersigned Principals represents that he or she holds the position in the Entity, or in an owner of the Entity, shown opposite his or her signature below.

5. Each Principal represents that the signatures of all Principals (as defined above) of the Entity appear below or in another original copy of this Agreement (except for those individuals who have signed a Guaranty and Assumption of Obligations attached to the Franchise Agreement) and that the Entity has no other owners, directors, or officers.

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

POTBELLY FRANCHISING, LLC,
an Illinois limited liability company

By: _____
Title: _____
Date: _____

[Additional Signature Page Follows]

OFFICERS:**POSITION**

[Name]

[Signature]

[Name]

[Signature]

DIRECTORS:

[Name]

[Signature]

[Name]

[Signature]

OTHER:**POSITION**

[Name]

[Signature]

[Name]

[Signature]

EXHIBIT E

LEASE RIDER/COLLATERAL ASSIGNMENT OF LEASE

Ex. E

POTBELLY FRANCHISING, LLC

LEASE RIDER

This Lease Rider is entered into this _____ day of _____, 20____ by _____ and _____ between _____ (“**Tenant**”) and _____ (“**Landlord**”).

WHEREAS, Potbelly Franchising, LLC (“**Potbelly**”) and Tenant, as franchisee (sometimes herein referred herein as “**Franchisee**”) have entered into a Franchise Agreement dated _____ (the “**Franchise Agreement**”) for the operation of a Potbelly Shop (the “**Shop**”) after Franchisee secures possession of a site suitable for the Shop's operation;

WHEREAS, Franchisee and Landlord propose to enter into the lease to which this Rider is attached (the “**Lease**”) pursuant to which Franchisee will occupy certain premises located at _____, as further described in the Lease (the “**Premises**” for the purpose of constructing and operating the Store in accordance with the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that, as a condition to Potbelly's authorizing Franchisee to enter into the Lease, the parties must execute this Lease Rider;

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, Landlord and Tenant agree as follows:

1. During the term of the Franchise Agreement, Franchisee shall be permitted to use the Premises for the Permitted Use as a Potbelly Shop as set forth in the Lease and for no other purpose.

2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee's installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of the Potbelly System as Potbelly may from time to time prescribe for the Shop.

3. Landlord agrees to furnish Potbelly with copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises at the same time it sends such letters and notices to Franchisee. Such letters and notices must be sent to ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061, Attn: General Counsel or such other address provided to Landlord in writing. Landlord shall also disclose to Potbelly, at Potbelly's request, all sales and other information furnished to the Landlord by Franchisee.

4. Potbelly has the right, without being guilty of trespass or any other crime or tort, to enter the Premises at any time or from time to time during the term of the Lease (i) to make any modification or alteration it considers necessary to protect the Potbelly System and marks,

(ii) to cure any default under the Franchise Agreement or under the Lease, or (iii) to remove the distinctive elements of the Potbelly trade dress upon the Franchise Agreement's expiration or termination. Neither Potbelly nor Landlord shall be responsible to Franchisee for any damages Franchisee might sustain as a result of action Potbelly takes in accordance with this provision. To the extent Potbelly exercises its rights hereunder, Potbelly shall repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor, or ceiling resulting from Potbelly's removal of trade dress items and other property from the Premises.

5. If Potbelly receives notice of a default by Franchisee under the Lease or if Potbelly notifies Landlord of the expiration or termination of the Franchise Agreement, Potbelly shall have the right and option, upon written notice to Landlord, to undertake the steps set forth in this Section herein, provided that Potbelly must exercise such right by giving written notice to Landlord within sixty (60) days after the earlier to occur of (a) Potbelly's receipt of a default notice from Landlord or (b) Potbelly's notification to Landlord that the Franchise Agreement has been terminated. Upon giving Landlord such notice, Potbelly may: (i) undertake to perform the terms, covenants, obligations, and conditions of the Lease on behalf of Franchisee (notwithstanding any removal or eviction of Franchisee) for a period not to exceed six (6) months from the first date of any cure or notice by Potbelly; or (b) at any time within or at the conclusion of such six (6) month period, assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In the event of such an assumption by Potbelly, Potbelly shall cure any defaults of the Franchisee that predated the date of the assumption so that the Lease is brought current. In such event, Landlord and Potbelly shall enter into an agreement, in a commercially reasonable form satisfactory to both parties, to document such assumption. Potbelly is not a party to and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Potbelly as herein provided.

6. As used herein, an "**Acceptable Franchisee**" shall mean a franchisee that has a tangible net worth equal to or greater than Five Hundred Thousand Dollars (\$500,000.00) and has been through any Franchisor training program. If, during the six (6) month period set forth in Paragraph 5(i) above or at any time after the sublet or assignment contemplated in Paragraph 7 below, Potbelly shall notify Landlord that the franchise for the Store is being granted to an Acceptable Franchisee, then, provided Potbelly gives Landlord at least fifteen (15) days' notice of such sublet or assignment and notwithstanding anything to the contrary as set forth in the Lease, Landlord shall permit the subletting or assignment of the Lease to said Acceptable Franchisee, without any further consent of Landlord being required as a condition thereto and without the payment of any fee or other cost requirement; provided further, that such Acceptable Franchisee or Franchisor cures any defaults of Franchisee and brings the lease current. Thereafter, Potbelly (to the extent this Lease is assigned) shall be released from any and all liabilities under the Lease; Potbelly remaining liable to Landlord in the event of a sublease. The parties agree to execute any commercially reasonable documents in furtherance of this paragraph 6.

7. Notwithstanding anything in the Lease to the contrary, Franchisee shall be permitted to assign the Lease to Potbelly or assign or sublease the Lease to an Acceptable Franchisee upon the expiration or termination of the Franchise Agreement if: (a) Potbelly or such

Acceptable Franchisee accepts such assignment or sublease, as applicable, (b) Potbelly or the Acceptable Franchisee must cure any defaults that existed under the Lease as of the date of the assignment or sublet, and (c) Potbelly or the Acceptable Franchisee must assume all obligations of Franchisee under the Lease from and after the date of assignment or sublet. (If Potbelly subsequently assigns the lease to an Acceptable Franchisee, Potbelly shall be released from any and all liabilities under the Lease from and after the date of such assignment.) Landlord consents to such an assignment or sublet and agrees not to impose any assignment/sublet fee or similar change, or to increase or accelerate rent under the Lease, in connection with such an assignment or sublet. Landlord also agrees that, notwithstanding any language in the Lease to the contrary, any applicable renewal options shall be included in such assignment or sublet.

8. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Lease Rider without Potbelly's prior written consent.

9. The provisions of this Lease Rider will supersede and control any conflicting provisions of the Lease.

10. Landlord acknowledges that Potbelly is not a party to the Lease and shall have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Potbelly.

11. Franchisee and Landlord acknowledge that Potbelly is an intended third-party beneficiary of this Lease Rider and its terms with an independent right to enforce them against Franchisee and Landlord.

IN WITNESS WHEREOF, the parties have executed this Lease Rider of the date first above written.

LANDLORD:

By: _____

Name: _____

Its: _____

FRANCHISEE (TENANT):

By: _____

Name: _____

Its: _____

POTBELLY FRANCHISING, LLC
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) assigns and transfers to Potbelly Franchising, LLC, an Illinois limited liability company (“Assignee”), all of Assignor’s right and title to and interest as tenant in that certain lease, a copy of which is attached as Exhibit A (the “Lease”), respecting premises commonly known as _____. This assignment is for collateral purposes only, and, except as specified in this document, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises that the Lease demises according to the terms of this document and expressly assumes the obligations of Assignor under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest in it and that Assignor has not previously assigned or transferred, and is not otherwise obligated to assign or transfer, any of its interest in the Lease or the premises it demises.

Upon Assignor’s default under the Lease or under the franchise agreement for a “Potbelly Shop” between Assignee and Assignor (the “Franchise Agreement”), or if Assignor defaults under any document or instrument securing the Franchise Agreement, or if the Franchise Agreement expires or is terminated, Assignee has the right to take possession of the leased premises and expel Assignor from the premises. In that event, Assignor will have no further right and title to or interest in the Lease and will remain liable to Assignee for all past due rents that Assignee must pay to Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without Assignee’s prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and 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 Assignee agrees otherwise in writing. Upon Assignee’s failure to agree otherwise in writing, and upon Assignor’s failure to elect to extend or renew the Lease as required, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in Assignor’s name and place for the sole purpose of effecting the extension or renewal.

ASSIGNOR (INSERT NAME BELOW):

Dated: _____

ATTEST:

a _____

By: _____

By: _____

Title: _____

Title: _____

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

(a) Agrees to notify Assignee in writing of both any default by Assignor under the Lease and Assignor's failure to cure such default;

(b) Agrees that Assignee has the right, but not the obligation, to cure any default by Assignor under the Lease within 15 business days after Lessor's delivery under section (a) above of notice of Assignor's failure to cure such default within the time period required by the Lease;

(c) Consents to the Collateral Assignment and agrees that, if Assignee takes possession of the leased premises and confirms to Lessor Assignee's assumption of the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the 15 business-day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person or entity who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that, upon such assignment, Assignee will have no further liability or obligation under the Lease as assignee, tenant, or otherwise, other than to certify that the additional assignee or sublessee operates the leased premises as a "Potbelly Shop."

DATED: _____

_____, Lessor

EXHIBIT F
OPERATIONS MANUAL TABLE OF CONTENTS

Ex. F

POTBELLY OPERATIONS MANUAL
(628 PAGES)

No. of Pages

MANUAL INTRODUCTION (4 PAGES)	
Cover Pages	2
Cover Pages	2
Navigation Guide	1
Welcome to the Potbelly Operations Manual	1
Section Total	4

TABLE OF CONTENTS (~~8~~ 11 PAGES)	Section Total	~~8~~ 11

PEOPLE (51 PAGES)	
Culture:	P-3
Culture:	
P-2 Overview	1
~~P-1~~ 3 The Potbelly ~~Advantage~~ Way	1
~~P-2~~ 4 Our Potbelly Values	1
~~P-3~~ 5 The Potbelly "Vibe"	2
~~P-5~~ 7 SIDEWAYS Service	1
P-8 Potbelly Threads	1
Section Total	~~6~~ 7
Training:	P-9
~~P-6~~ 9 How We Train/The Idea Method of Training	~~3~~ 2
~~P-9~~ 11 ~~Associate~~ Team Member Training Tools	1
~~P-10~~ 12 The Flow for ~~Stations Training~~ Station	1
~~P-11~~ 13 Preferred ~~Associate~~ Team Member Training ~~Flow~~ Path	2
~~P-13~~ 15 Certified Training (CT) -The 5 Parts of the Perfect Potbelly CT	3
~~P-16~~ 18 Management Training Program	7
~~P-23~~ ~~The Stove~~ (~~-25~~ Schoox) aka "Potbelly Learns"	5
Section Total	~~22~~ 21
Recruiting:	P-30
~~P-28~~ 30 Associate Sourcing Checklist	2
~~P-30~~ 32 TalentReef	8
~~P-38~~ 40 Applicant Tracking Flow Chart	1
~~P-39~~ 41 Realistic Job Preview (RJP)	1
Section Total	12
Retention:	P-42
~~P-40~~ 42 Best Practices	4
Section Total	4
~~Coach's Toolbox~~	P-46
Resources:	
~~P-44~~ 47 Coach's Tool Box	4
~~P-48~~ 51 Potbelly Leader	1
Section Total	5
Brand Standards	P-52
~~P-49~~ Brand Standards	2
Section Total	2

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No. of Pages

MARKETING (38 PAGES)		<u>M-1</u>
<u>M-2</u> Overview		1
~~M-13~~ How to Grow Sales & Be the Neighborhood Sandwich Shop		1
~~M-24~~ Potbelly Terminology/Our Tone		1
~~M-35~~ <u>Potbelly Terminology/Our Sayings</u>		1
~~M-46~~ Plan-O-Gram		2
~~M-68~~ Catering Calendars		6
~~M-124~~ Limited Time Offers <u>(LTOs) & Promotions</u>		~~12~~
M-13 Promotions		1
~~M-146~~ Potbelly App & Website		7
~~M-213~~ Outside the Four Walls/Media		1
~~M-224~~ <u>Outside the Four Walls/Getting to Know Your Neighborhood</u>		1
~~M-235~~ <u>Outside the Four Walls/Networking Best Practices</u>		1
~~M-246~~ <u>Outside the Four Walls/Community Board</u>		1
~~M-27~~ <u>Outside the Four Walls/Crafting Your Outlook Signature Line</u>		~~1~~
Section Total	<u>Section Total</u>	~~25~~6
Marketing Resources (12 PAGES)		<u>M-28</u>
~~M-258~~ Marketing Resources Cover Page		1
~~M-269~~ Getting to Know Your Neighborhood Activity		1
~~M-2730~~ Local Shop Marketing Activities		~~11~~ 0
Section Total	<u>Section Total</u>	~~13~~2
FACILITIES (41 PAGES)		<u>F-1</u>
~~F-1~~ Equipment Overview <u>Facilities Cover Page</u>		1
~~F-2~~ A-Frame Display <u>Equipment Overview</u>		1
~~F-3~~ <u>A-Frame Display</u>		~~1~~
~~F-34~~ Beverage Cooler (Freestanding)		1
~~F-45~~ Coffee & Tea Brewer		1
~~F-6~~ <u>Deli Slicer</u>		~~1~~
~~F-57~~ Dining Room Furniture		2
~~F-79~~ Dipping Well		1
~~F-810~~ Doors		1
~~F-911~~ Drains		1
~~F-102~~ Fountain Machine <u>Elevators (for ADA Access)</u>		1
~~F-13~~ <u>Fountain Machine (also see Ice Machine)</u>		~~1~~
~~F-114~~ Garbage/Dumpster		1
~~F-125~~ Heating & Cooling (HVAC)		1
~~F-136~~ Ice Cream Dipping Case		1
~~F-147~~ Ice Machine <u>(also see Fountain Machine)</u>		1
~~F-158~~ Induction Warmer		1
~~F-169~~ Key & Locks		1
~~F-1720~~ Light Fixtures <u>Bulb Program</u>		1
~~F-21~~ <u>Light Fixtures</u>		~~1~~
~~F-1822~~ Meatball/Soup Warmer		1
~~F-1923~~ Menu Board		1
~~F-204~~ Oven		1
~~F-215~~ Turbo Chef/Lincoln <u>Ovens</u>		8
~~F-2933~~ Ovention <u>Conveyor Oven</u>		3
~~F-326~~ Patio		1
~~F-337~~ Umbrellas		2
~~F-359~~ Light Bulb Program <u>Refrigerators</u>		1
~~F-3640~~ Refrigerators <u>Scales</u>		1
~~F-3741~~ Scales <u>Sinks</u>		1
F-38 Sinks		1

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~~F-39 Deli Slicer~~ ~~1~~

~~F-40~~ Walk-In Cooler/Freezer 1

~~F-41 Elevators (for ADA Access)~~ ~~1~~

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SC-12	Supply Chain Overview	1
SC-23	What is Supply Chain?	1
SC-34	Potbelly Vendors-Apron & Towel Service, Beverages, CO2	1
SC-45	Potbelly Vendors-DMA, ~~Zippy Yum, Ed Don,~~ <u>Wasserstrom</u> , FoodLogIQ	1
SC-56	Potbelly Vendors-Lighting Program, Office Depot, Turano	1
SC-67	Vendor Schedule	1
SC-78	Shortages	1
Section Total		78
INFORMATION TECHNOLOGY (401 PAGES)		IT-1
<u>IT-1 Information Technology Cover Page</u>		<u>1</u>
IT-12	Information Technology Overview	1
IT-23	<u>Information Technology</u> - What is Information Technology?	1
IT-34	<u>Information Technology</u> - Cybersecurity Information	3
IT-67	<u>Information Technology</u> - Passwords	1
IT-78	Hardware Catalog - App Scanner	2
IT-910	Hardware Catalog - Back-Up Batteries	1
IT-101	Hardware Catalog - BOH Printer	2
IT-123	Hardware Catalog - BOH Server & Cage	1
IT-134	Hardware Catalog - Bump Bar	1
IT-145	Hardware Catalog - Cash Drawer	2
IT-167	Hardware Catalog - Drive-Thru Equipment	1
IT-178	Hardware Catalog - FreedomPay Device	3
IT-201	Hardware Catalog - Internet Modem	1
IT-212	Hardware Catalog - ~~Mood Music Player~~ <u>Monitors</u>	21
IT-23	Hardware Catalog - ~~Monitors~~ <u>Mood Music Player</u>	12
IT-245	Hardware Catalog - Phones	1
IT-256	Hardware Catalog - POS ~~Terminals~~ <u>Printers</u>	31
IT-287	Hardware Catalog - POS ~~Printers~~ <u>Terminals</u>	13
IT-2930	Hardware Catalog - Tablets	32
IT-32	Hardware Catalog - WiFi Router	1
IT-33	Software Catalog - Aloha POS, Aloha Configuration Center (CFC), Aloha Takeout (ATO)	1
IT-34	Software Catalog - FreedomPay Enterprise Portal	1
IT-35	Software Catalog - MyApps, NCR Back Office (NBO)	1
IT-36	Software Catalog - Office Suite, Online Ordering (OLO), ~~Outlook~~	1
IT-37	Software Catalog - <u>Outlook</u> , Potbelly Digital Kitchen (PDK), ~~Teams~~	1
<u>IT-38 Software Catalog - Teams</u>		<u>1</u>
IT-389	FAQs - FreedomPay Guide	1
IT-3940	FAQs - Tech Stack Guide	2
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INFORMATION TECHNOLOGY RESOURCES (4 PAGES)		IT-42
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<u>IT-43 Where to Order</u>		<u>3</u>
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ACCOUNTING (Company Shops Only) (15 PAGES)		A-1
<u>A-1 Accounting Cover Page</u>		<u>1</u>
A-12	Accounting Overview	1
A-23	What is Accounting?	1
A-34	20245 Fiscal Calendar	1
A-45	Monthly Rptng. Process & Calendar including Fiscal Periods, Acctg. Close & Report Distributions	1
A-56	Monthly Reporting - Prelims, Field Questions, PBR, Finals	1
A-67	Shop & Field Close Tasks ~~Cash Adjustment Form, Inv. Counts, Inv. Corrections, Cash Over/Short Questions~~	1

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~~A-7~~	~~Shop & Field Close Tasks—Labor Adjustment Form, DM Questions-Template~~	~~1~~
A-8	Reviewing Financial Statements - Planful Reporting	1
A-9	Shop P&L Account Guide— ~~Total POS Sales, Sales Adjustments~~	~~1~~ <u>6</u>
A-10	~~Shop P&L Guide—Food, Beverage & Packaging Costs, Shop Labor~~ SmartSafe - Quick Reference Guide	~~1~~ <u>6</u>
A-21	~~Shop P&L Guide—Shop Labor (cont.), Sales Fees and Commissions~~ SmartSafe - User Functions	~~1~~ <u>2</u>
A-12	~~Shop P&L Guide—Shortages/Uncollectibles, Controllable Expenses~~	~~1~~
A-23	~~Shop P&L Guide—Technology, Shop Marketing, Other Shop Expenses, Utilities~~ SmartSafe - FAQs	~~1~~ <u>3</u>
A-14	~~Shop P&L Guide—Occupancy, Corporate Allocations, Depreciation~~	~~1~~
A-15	~~Shop P&L Guide—PB Fiscal Calendar, Cash Over/Short Var. Rpt., Gen. Ledger Det., Planful QRG~~	~~1~~
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<u>O-1 Operations Cover Page</u>	<u>1</u>
<u>O-2 Operations - Overview</u>	<u>2</u>
<u>O-14 What is Operations?</u>	<u>1</u>
<u>O-25 Products - Introduction</u>	<u>3</u>
<u>O-6 Products At-A-Glance</u>	<u>2</u>
<u>O-58 Apples</u>	<u>1</u>
<u>O-69 Artichokes</u>	<u>1</u>
<u>O-710 Avocados</u>	<u>2</u>
<u>O-912 Bacon, Crumbles</u>	<u>2</u>
<u>O-14 Bacon, Strips</u>	<u>2</u>
<u>O-136 Bread</u>	<u>2</u>
<u>O-158 Brewed Tea</u>	<u>2</u>
<u>O-1720 Builds: A Wreck</u>	<u>2</u>
<u>O-1922 Builds: Italian</u>	<u>1</u>
<u>O-203 Builds: Pizza</u>	<u>1</u>
<u>O-21 Butter Cookie</u>	<u>1</u>
<u>O-24 Capicola</u>	<u>1</u>
<u>O-25 Celery</u>	<u>1</u>
<u>O-246 Cheese, Blue</u>	<u>1</u>
<u>O-257 Cheese, Cheddar</u>	<u>1</u>
<u>O-268 Cheese, Feta</u>	<u>1</u>
<u>O-279 Cheese, Provolone</u>	<u>1</u>
<u>O-2830 Cheese, Swiss</u>	<u>1</u>
<u>O-2931 Chicken - Breast</u>	<u>3</u>
<u>O-34 Chicken - Diced</u>	<u>2</u>
<u>O-346 Chocolate Syrup</u>	<u>1</u>
<u>O-37 Cookies - Butter</u>	<u>1</u>
<u>O-358 Cookies, Chocolate Brownie (CBC)</u>	<u>2</u>
<u>O-3740 Cookies, Oatmeal Chocolate Chip (OCC)</u>	<u>4</u>
<u>O-414 Cookies, Sugar</u>	<u>2</u>
<u>O-46 Cookies - 6-Pack Box</u>	<u>1</u>
<u>O-437 Cranberries</u>	<u>1</u>
<u>O-448 Cucumber</u>	<u>2</u>
<u>O-469 Dream Bar</u>	<u>2</u>
<u>O-4851 Eggs, Patties Dressings</u>	<u>2</u>
<u>O-503 Eggs, Hard Boiled</u>	<u>2</u>
<u>O-55 Eggs - Patties</u>	<u>2</u>
<u>O-527 Grapes</u>	<u>1</u>
<u>O-538 Ham</u>	<u>2</u>
<u>O-5560 Horseradish Mayo</u>	<u>1</u>
<u>O-561 Hot Peppers</u>	<u>1</u>
<u>O-62 Hot Pepper Ranch</u>	<u>1</u>
<u>O-5763 Hummus</u>	<u>1</u>
<u>O-5864 Italian Seasoning</u>	<u>1</u>
<u>O-659 Jelly</u>	<u>1</u>
<u>O-606 Lemons</u>	<u>1</u>
<u>O-617 Lettuce - Salad Blend</u>	<u>1</u>
<u>O-628 Lettuce, Shredded</u>	<u>1</u>
<u>O-639 Mayo Mac & Cheese</u>	<u>2</u>
<u>O-71 Marinara</u>	<u>2</u>
<u>O-73 Mayo</u>	<u>1</u>
<u>O-6574 Meatballs</u>	<u>2</u>
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O- ~~69~~ <u>78</u>	Mushrooms	1
O- ~~70~~ <u>9</u>	Mustard	1
O- ~~71~~ <u>80</u>	Oil	1
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O- ~~74~~ <u>83</u>	Oreo Crumbles	~~2~~ <u>1</u>
O- ~~75~~ <u>84</u>	Peanut Butter	1
O- ~~76~~ <u>85</u>	Pepperoni	1
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<u>O-90</u>	<u>Pulled Pork</u>	<u>2</u>
<u>O-92</u>	~~O-81~~ Recipe, Chicken Salad	<u>2</u>
<u>O-93</u>	~~O-83~~ Recipe, Tuna Salad	<u>2</u>
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<u>O-95</u>	~~O-85~~ Roast Beef	<u>2</u>
<u>O-97</u>	<u>Roasted Garlic Aioli</u>	<u>1</u>
<u>O-98</u>	~~O-87~~ Roasted Red Peppers	<u>1</u>
<u>O-99</u>	~~O-88~~ Salami	<u>1</u>
<u>O-100</u>	~~O-89~~ Sausage Patty	<u>1</u>
<u>O-101</u>	<u>Soups</u>	<u>3</u>
<u>O-104</u>	~~O-90~~ Strawberries	<u>1</u>
<u>O-105</u>	<u>Sweet Heat BBQ</u>	<u>1</u>
<u>O-106</u>	~~O-91~~ Tomatoes - Grape	<u>1</u>
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<u>O-111</u>	~~O-96~~ Vanilla Extract	<u>1</u>
<u>O-112</u>	~~O-97~~ Walnuts	<u>1</u>
<u>O-113</u>	~~O-98~~ Prep At-A-Glance	<u>3</u>
<u>O-115</u>	~~O-101~~ ~~Frontier At-A-Glance~~ <u>Prep - "Vibe" Check</u>	<u>3</u>
<u>O-116</u>	<u>Frontier Responsibilities</u>	<u>2</u>
<u>O-118</u>	<u>Frontier - "Vibe" Check</u>	<u>1</u>
<u>O-119</u>	~~O-104~~ Load At-A-Glance	<u>6</u>
<u>O-121</u>	<u>Load Responsibilities</u>	<u>3</u>
<u>O-124</u>	<u>Load - "Vibe" Check</u>	<u>1</u>
<u>O-125</u>	~~O-110~~ Dress At-A-Glance	<u>7</u>
<u>O-127</u>	<u>Dress Responsibilities</u>	<u>5</u>
<u>O-132</u>	<u>Dress - "Vibe" Check</u>	<u>1</u>
<u>O-133</u>	~~O-117~~ Expediting At-A-Glance	<u>2</u>
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<u>O-145</u>	~~O-129~~ Shakes At-A-Glance	<u>6</u>
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EXHIBIT G-1

FINANCIAL STATEMENTS

Ex. G-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Potbelly Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Potbelly Corporation and subsidiaries (the “Company”) as of December 29, 2024, and December 31, 2023, the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 29, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2024, and December 31, 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 29, 2024, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2025, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

Impairment of Long-Lived Assets—Refer to Note 2 to the financial statements

Critical Audit Matter Description

As of December 29, 2024, the Company had long-lived assets, which includes property and equipment of \$50.5 million and right-of-use assets for operating leases of \$133.2 million. Long-lived assets are grouped at the individual shop-level (long-lived shop assets or asset group) for the purpose of the impairment assessment. The Company assesses potential impairments whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its forecasted shop cash flows expected to be generated by the asset group.

We identified the evaluation of long-lived shop asset impairment as a critical audit matter because the determination of the forecasted individual shop cash flows, including revenue, cost of goods sold, and labor expenses, requires a high degree of auditor judgment and increased extent of audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our primary audit procedures related to the forecasted individual shop cash flows included the following, among others:

- We tested the operating effectiveness of controls over the long-lived shop asset impairment assessment, including those over the forecasted cash flows.
- We assessed the reasonableness of management's forecasted shop cash flows, including revenue, cost of goods sold, and labor expenses, by comparing the forecasts to (1) actual results from recent historical periods, (2) internal communications to management and the Board of Directors, (3) external communications made by management to analysts and investors, and (4) industry data.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 6, 2025

We have served as the Company's auditor since 2005.

Potbelly Corporation and Subsidiaries
Consolidated Balance Sheets
(amounts in thousands, except par value data)

	December 29, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 11,663	\$ 33,788
Accounts receivable, net of allowances of \$22 and \$26 as of December 29, 2024 and December 31, 2023, respectively	9,765	7,960
Inventories	3,744	3,516
Prepaid expenses and other current assets	7,882	7,828
Assets classified as held-for-sale	147	—
Total current assets	\$ 33,201	\$ 53,092
Property and equipment, net	50,533	45,087
Right-of-use assets for operating leases	133,207	144,390
Indefinite-lived intangible assets	3,404	3,404
Goodwill	2,049	2,056
Restricted cash	815	749
Deferred tax assets	33,816	—
Deferred expenses, net and other assets	6,121	3,681
Total assets	\$ 263,146	\$ 252,460
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 9,552	\$ 9,927
Accrued expenses	32,872	35,377
Short-term operating lease liabilities	22,809	24,525
Current portion of long-term debt	—	1,250
Total current liabilities	65,233	71,078
Long-term debt, net of current portion	4,000	19,168
Long-term operating lease liabilities	127,929	142,050
Other long-term liabilities	8,036	6,070
Total liabilities	205,198	238,367
Commitments and contingencies (Note 14)		
Equity		
Common stock, \$0.01 par value—authorized 200,000 shares; outstanding 29,893 and 29,364 shares as of December 29, 2024 and December 31, 2023, respectively	398	389
Warrants	1,745	2,219
Additional paid-in-capital	470,085	462,583
Treasury stock, held at cost, 10,445 and 10,077 shares as of December 29, 2024, and December 31, 2023, respectively	(120,338)	(116,701)
Accumulated deficit	(293,503)	(333,797)
Total stockholders' equity	58,387	14,693
Non-controlling interest	(439)	(600)
Total equity	57,948	14,093
Total liabilities and equity	\$ 263,146	\$ 252,460

See accompanying notes to the consolidated financial statements.

Potbelly Corporation and Subsidiaries
Consolidated Statements of Operations
(amounts and shares in thousands, except per share data)

	Fiscal Year		
	2024	2023	2022
Revenues			
Sandwich shop sales, net	\$ 446,165	\$ 482,246	\$ 447,901
Franchise royalties, fees and rental income	16,433	9,163	4,072
Total revenues	462,598	491,409	451,973
Expenses			
Sandwich shop operating expenses, excluding depreciation			
Food, beverage and packaging costs	120,042	133,726	129,151
Labor and related expenses	129,252	143,744	142,095
Occupancy expenses	48,156	51,885	54,536
Other operating expenses	81,154	84,363	74,916
Franchise support, rent and marketing expenses	11,486	5,741	694
General and administrative expenses	46,968	48,496	37,741
Depreciation expense	12,669	12,138	11,890
Pre-opening costs	160	115	—
Loss (gain) on Franchise Growth Acceleration Initiative activities	462	(2,142)	—
Impairment, loss on disposal of property and equipment and shop closures	1,257	3,338	4,754
Total operating expenses	451,606	481,403	455,777
Income (loss) from operations	10,992	10,006	(3,804)
Interest expense, net	829	3,281	1,349
Loss (gain) on extinguishment of debt	2,376	239	(10,191)
Income before income taxes	7,787	6,486	5,038
Income tax (benefit) expense	(33,545)	909	327
Net income	41,332	5,577	4,711
Net income attributable to non-controlling interest	1,038	458	366
Net income attributable to Potbelly Corporation	\$ 40,294	\$ 5,119	\$ 4,345
Net income per common share attributable to common stockholders:			
Basic	\$ 1.35	\$ 0.18	\$ 0.15
Diluted	\$ 1.31	\$ 0.17	\$ 0.15
Weighted average shares outstanding:			
Basic	29,838	29,201	28,625
Diluted	30,720	30,088	29,065

See accompanying notes to the consolidated financial statements.

Potbelly Corporation and Subsidiaries
Consolidated Statements of Equity
(amounts and shares in thousands)

	Common Stock		Treasury Stock	Warrants	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total Equity
	Shares	Amount						
Balance at December 26, 2021	28,380	\$ 380	\$ (114,577)	\$ 2,566	\$ 452,570	\$ (343,261)	\$ (95)	\$ (2,417)
Net income	—	—	—	—	—	4,345	366	4,711
Shares issued under equity compensation plans	439	4	(811)	—	(4)	—	—	(811)
Distributions to non-controlling interest	—	—	—	—	—	—	(475)	(475)
Stock-based compensation expense	—	—	—	—	3,265	—	—	3,265
Balance at December 25, 2022	28,819	\$ 384	\$ (115,388)	\$ 2,566	\$ 455,831	\$ (338,916)	\$ (204)	\$ 4,273
Net income	—	—	—	—	—	5,119	458	5,577
Shares issued under equity compensation plans	368	4	(1,313)	—	(4)	—	—	(1,313)
Proceeds from exercise of warrants	177	1	—	(347)	1,307	—	—	961
Distributions to non-controlling interest	—	—	—	—	—	—	(854)	(854)
Stock-based compensation expense	—	\$ —	\$ —	\$ —	\$ 5,449	\$ —	\$ —	\$ 5,449
Balance at December 31, 2023	29,364	\$ 389	\$ (116,701)	\$ 2,219	\$ 462,583	\$ (333,797)	\$ (600)	\$ 14,093
Net income	—	—	—	—	—	40,294	1,038	41,332
Shares issued under equity compensation plans	453	7	(2,244)	—	(7)	—	—	(2,244)
Proceeds from exercise of warrants	240	2	—	(474)	1,781	—	—	1,309
Distributions to non-controlling interest	—	—	—	—	—	—	(1,180)	(1,180)
Contribution from non-controlling interest	—	—	—	—	—	—	303	303
Stock-based compensation expense	—	—	—	—	5,728	—	—	5,728
Repurchases of common stock	(164)	—	(1,393)	—	—	—	—	(1,393)
Balance at December 29, 2024	29,893	\$ 398	\$ (120,338)	\$ 1,745	\$ 470,085	\$ (293,503)	\$ (439)	\$ 57,948

See accompanying notes to the consolidated financial statements.

Potbelly Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(amounts in thousands)

	Fiscal Year		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 41,332	\$ 5,577	\$ 4,711
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation expense	12,669	12,138	11,890
Noncash lease expense	24,317	25,814	25,792
Deferred income tax	(34,091)	—	18
Stock-based compensation expense	5,728	5,450	3,265
Asset impairment, shop closure and disposal of property and equipment	(136)	1,058	3,651
Loss (gain) on Franchise Growth Acceleration Initiative activities	462	(2,202)	—
Loss (gain) on extinguishment of debt	2,376	224	(10,191)
Amortization of debt issuance costs	234	482	270
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,826)	(1,580)	(387)
Inventories	(269)	177	(499)
Prepaid expenses and other assets	(1,747)	(3,989)	(520)
Accounts payable	(622)	(1,025)	2,239
Operating lease liabilities	(27,887)	(30,721)	(27,984)
Accrued expenses and other liabilities	(877)	8,086	221
Net cash provided by operating activities	19,663	19,488	12,476
Cash flows from investing activities:			
Purchases of property and equipment	(19,284)	(17,053)	(8,426)
Proceeds from sales of refranchised shops	373	6,282	—
Other investing activities	(171)	—	—
Net cash used in investing activities	(19,082)	(10,771)	(8,426)
Cash flows from financing activities:			
Borrowings under Revolving Facility	11,500	—	—
Borrowings under Term Loan	—	25,000	—
Borrowings under Former Credit Facility	—	14,600	39,050
Repayments under Revolving Facility	(7,500)	—	—
Repayments under Term Loan	(22,827)	—	—
Repayments under Former Credit Facility	—	(23,150)	(40,350)
Principal payments made for Term Loan	—	(2,838)	—
Payment of debt issuance costs	(623)	(2,205)	(196)
Proceeds from exercise of warrants	1,309	961	—
Employee taxes on certain stock-based payment arrangements	(2,229)	(1,312)	(813)
Contributions from non-controlling interest	303	—	—
Distributions to non-controlling interest	(1,180)	(854)	(475)
Treasury Stock repurchase	(1,393)	—	—
Net cash (used in) provided by financing activities	(22,640)	10,202	(2,784)
Net change in cash and cash equivalents	(22,059)	18,918	1,266
Cash and cash equivalents and restricted cash at beginning of period	34,537	15,619	14,353
Cash and cash equivalents and restricted cash at end of period	<u>\$ 12,478</u>	<u>\$ 34,537</u>	<u>\$ 15,619</u>
Supplemental cash flow information:			
Income taxes paid	784	278	139
Interest paid	715	3,483	936
Supplemental non-cash investing and financing activities:			
Unpaid liability for purchases of property and equipment	1,239	1,008	778
Unpaid liability for employee taxes on certain stock-based payment arrangements	16	13	15

See accompanying notes to the consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Dollars and shares in thousands, except per share amounts or where noted)

(1) Organization and Other Matters

Business

Potbelly Corporation, a Delaware corporation, together with its subsidiaries (collectively referred to as “the Company,” “Potbelly,” “we,” “us,” or “our”), owns and operates 346 company-operated shops in the United States as of December 29, 2024. Additionally, Potbelly franchisees operate 96 shops domestically.

Basis of Presentation

We do not have any components of other comprehensive income recorded within our consolidated financial statements and therefore, do not separately present a statement of comprehensive income in our consolidated financial statements.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The Company's consolidated financial statements include the accounts of Potbelly; its wholly-owned subsidiary, Potbelly Illinois, Inc. (“PII”); PII’s wholly-owned subsidiaries, Potbelly Franchising, LLC and Potbelly Sandwich Works, LLC (“PSW”); seven of PSW’s wholly-owned subsidiaries and PSW’s six joint ventures, collectively, the “Company.” All intercompany balances and transactions have been eliminated in consolidation. For our six consolidated joint ventures, “non-controlling interest” represents the non-controlling partner’s share of the assets, liabilities and operations related to the joint venture investments. Potbelly has ownership interests ranging from 51-80% in these consolidated joint ventures.

(b) Reporting Period

We use a 52/53-week fiscal year that ends on the last Sunday of the calendar year. Approximately every five or six years a 53rd week is added. Fiscal year 2024 consists of 52 weeks, fiscal year 2023 consisted of 53 weeks and fiscal year 2022 consisted of 52 weeks.

(c) Segment Reporting

We own and operate Potbelly Sandwich Shop concepts in the United States. We also have domestic franchise operations of Potbelly Sandwich Shops concepts. We have no customers that account for ten percent or more of our total revenue. Our chief operating decision maker (the “CODM”) is our Chief Executive Officer. The CODM reviews entity-wide operating results on a recurring basis to allocate resources, evaluate strategic decisions and to monitor budget versus actual results. As part of this review, the CODM examines the consolidated statement of operations, including the descriptive drivers of key line items within the consolidated statement of operations (e.g. sandwich shop sales and occupancy expenses) and consolidated net income, which is the segment measure of profit or loss. As the CODM reviews financial performance and allocates resources at a consolidated level on a recurring basis, we have one operating segment and one reportable segment. The accounting policies of the single reportable segment are the same as those described in the summary of significant accounting policies. The measure of the single reportable segment assets that the CODM reviews is reported on the Consolidated Balance Sheet as “Total assets”.

(d) Use of Estimates

The accompanying consolidated financial statements, presented in U.S. dollars, are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Significant estimates are used in accounting for, among other items, long-lived assets and income taxes. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the financial statements in any individual year.

(e) Fair Value Measurements

We apply fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, we assume the highest and best use of the asset by market participants in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices in active markets for identical assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Inputs that are both unobservable and significant to the overall fair value measurement reflect an entity's estimates of assumptions that market participants would use in pricing the asset or liability.

The following table presents information about our financial assets that were measured at fair value on a recurring basis and indicates the level of the fair value hierarchy used to determine such fair values:

	December 29, 2024	December 31, 2023
Assets - Level 1		
Money market funds	\$ 836	\$ 6,398
Financial assets measured at fair value on recurring basis	<u>\$ 836</u>	<u>\$ 6,398</u>

(f) Financial Instruments

We record all financial instruments at cost, which is the fair value at the date of transaction. The amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and all other current liabilities approximate their fair value because of the short-term maturities of these instruments.

(g) Cash and Cash Equivalents

We consider all highly liquid investment instruments with an original maturity of three months or less when purchased to be cash equivalents. We maintain cash in bank deposit accounts that, at times, may exceed federally insured limits; however, we have not experienced any losses in these accounts. We believe this cash is not exposed to any significant credit risk. These are valued within the fair value hierarchy as Level 1 measurements.

(h) Restricted Cash

As of December 29, 2024, we had restricted cash related to funds held in a money market account as collateral for letters of credit to certain lease agreements.

The reconciliation of cash and cash equivalents and restricted cash presented in the consolidated balance sheets to the total amount shown in our consolidated statements of cash flows is as follows:

	December 29, 2024	December 31, 2023
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 11,663	\$ 33,788
Restricted cash, noncurrent	815	749
Total cash, cash equivalents and restricted cash shown on statement of cash flows	\$ 12,478	\$ 34,537

(i) Accounts Receivable, net

Accounts receivable, net consists of amounts owed from credit card processors, customers, third-party delivery platforms, franchisees, vendors and other miscellaneous receivables.

(j) Inventories

Inventories, which consist of food products, paper goods and supplies, are valued at the lower of weighted-average cost or net realizable value. No valuation reserve is deemed necessary to reduce inventory to its fair value due to the rapid turnover and high utilization of inventory.

(k) Property and Equipment

Property and equipment acquired is recorded at cost less accumulated depreciation. Property and equipment is depreciated based on the straight-line method over the estimated useful lives, generally ranging from three to five years for furniture and fixtures, computer equipment, computer software, and machinery and equipment. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the related lease life, generally 10 to 15 years. For leases with renewal periods at our option, we determine the expected lease period based on whether the renewal of any options is reasonably assured at the inception of the lease.

Direct costs and expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized, whereas the costs of repairs and maintenance are expensed when incurred. Capitalized costs are recorded as part of the asset to which they relate, primarily to leasehold improvements, and such costs are amortized over the asset's useful life. When assets are retired or sold, the asset cost and related accumulated depreciation are removed from the consolidated balance sheet and any gain or loss is recorded in impairment, loss on disposal of property and equipment and shop closures in the consolidated statement of operations.

(l) Goodwill and Indefinite-Lived Intangible Assets

We review goodwill and indefinite-lived intangible assets, which includes tradenames, annually at fiscal year-end for impairment or more frequently if events or circumstances indicate that the carrying values may not be recoverable. An impaired asset is written down to its estimated fair value based on the most recent information available. We assess the fair values of our intangible assets and the fair value of our reporting unit for goodwill using an income-based approach and market-based approach, respectively. Under the income approach, fair value is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including forecasted revenues and expenses, appropriate discount rates and other variables. Under the market-based approach, fair value is based on using publicly available market data, including publicly traded stock prices and total shares outstanding. The annual impairment review utilizes the estimated fair value of the intangible assets and the overall reporting unit and compares those estimates to the carrying values as of the testing date. If the carrying value of these intangible assets or the reporting unit exceeds the fair values, we would then use the fair values to measure the amount of any required impairment charge not to exceed the respective carrying amount. No impairment charge was recognized for intangible assets or goodwill for any of the fiscal periods presented.

(m) Revenue Recognition

We primarily earn revenue at a point in time for sandwich shop sales which can occur in person at the shop, over our online or app platforms, or through a third-party platform. Sales taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing

authorities. We have other revenue-generating activities including franchise revenue, gift card revenue, and loyalty program revenue.

Franchise Royalties and Fees

We earn an initial franchise fee, a franchise development agreement fee and ongoing royalty fees and support fees under our franchise agreements. Initial franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, these franchise fees are recognized over the contractual term of the franchise agreement. We record a contract liability for the unearned portion of the initial franchise fees. Franchise development agreement fees represent the exclusivity rights for a geographical area paid by a third party to develop Potbelly shops for a certain period of time. Franchise development agreement fee payments received by us are recorded in the consolidated balance sheets as accrued expenses or other long-term liabilities, and amortized over the term of the franchise agreement once the shops are opened. These franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. Royalty fees and the Potbelly Brand Fund contributions are based on a percentage of sales and are recorded as revenue as the fees are earned and become receivable from the franchisee. Other support fees, which primarily include fees for software and technology, are recorded as revenue as the fees are earned and the service is provided to the franchisee. Revenue from support fees are recognized gross of the related expenses since we are the principal in the arrangement to provide those services.

Gift Card Redemptions / Breakage Revenue

Potbelly sells gift cards to customers, records the sale as a contract liability and recognizes the associated revenue as the gift card is redeemed. A portion of these gift cards are not redeemed by the customer ("breakage"), which is recognized as revenue as a percentage of customers gift card redemptions. The expected breakage amount recognized is determined by a historical data analysis on gift card redemption patterns. We recognize gift card breakage income within net sandwich shop sales in the consolidated statements of operations.

Loyalty Program

We offer a customer loyalty program for customers using the Potbelly Perks application at the point of sale. In January 2024, we enhanced our Potbelly Perks program to provide more reward options and flexibility for members. Under the original program, the customer would earn 10 points for every dollar spent, and the customer would earn a free entrée after earning 1,000 points. The free entrée reward expired after 30 days. Under the enhanced program, Potbelly Perks members will earn 10 or more coins, the equivalent of points under the legacy program, for every dollar they spend. The number of coins earned per dollar is dependent on each member's annual spend with Potbelly. Coins can be redeemed for a variety of items across the Potbelly menu. The coins expire one year after they are earned, but we have the ability to extend the expiration date of coins, and have done so in the past and may do so in the future. The change in program did not have a material impact on our financial statements at the time of its launch.

We defer revenue associated with the estimated selling price of coins earned by Potbelly Perks members towards free entrées as each point is earned, and a corresponding deferred revenue liability is established in accrued expenses. The deferral is based on the estimated value of the unredeemed coins and free entrées. The estimated value and the estimated redemption rates are based on a historical data analysis of loyalty reward redemptions. Estimated breakage is recognized in net shop sandwich sales and franchise royalties, fees and rental income, based on sales at company-operated and franchise operated shops, respectively, as a percentage of system-wide sales in the consolidated statement of operations. When coins are redeemed, we recognize revenue for the redeemed product and reduce accrued expenses.

Contract Costs

Sales commissions earned by internal or external sales personnel for the execution of new franchise agreements are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new franchise agreements are capitalized and then amortized on a straight-line basis over the term of the franchise agreement, which is typically eight years.

Development costs incurred for the identification of optimal site selection within a given market assists with the company's ability to fulfill the franchise agreement and such costs are expected to be recovered. These costs are capitalized if the service performed relates to an executed development or franchise agreement, in which case the costs are amortized over the term of the associated agreement, which is generally eight or ten years.

(n) Leases

We determine if an arrangement is or contains a lease at inception of the arrangement. To meet the definition of a lease, the contract must meet all three of the following criteria:

- One party (lessor) must hold an identified asset;
- The counterparty (lessee) must have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the contract; and
- The counterparty (lessee) must have the right to direct the use of the identified asset throughout the period of the contract.

We lease retail shops, warehouse, and office space under operating leases. Our leases generally have terms of ten years and most include options to extend the leases for additional five-year periods. For leases with renewal periods at our option, we determine the expected lease period based on whether the renewal of any options are reasonably assured at the inception of the lease.

Operating leases result in the recording a right-of-use asset and lease liability on the consolidated balance sheet. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the lease commencement date, which is the date we take possession of the property. Operating lease liabilities represent the present value of lease payments not yet paid. Operating right-of-use assets represent the operating lease liability adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment. In determining the present value of lease payments not yet paid, we estimate our incremental secured borrowing rates corresponding to the maturities of our leases. We estimate these rates based on prevailing financial market conditions, comparable company and credit analysis, and management judgment.

Our leases typically contain rent escalations over the lease term and lease expense is recognized on a straight-line basis over the lease term. Tenant incentives used to fund leasehold improvements are recognized when earned and reduce right-of-use assets related to the lease. The tenant incentives are amortized through the right-of-use asset as reductions of rent expense over the lease term.

We elected a short-term lease exception policy, permitting us to not apply the recognition requirements of Accounting Standards Codification ("ASC") 842, *Leases*, to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

Rental income for operating leases on properties subleased to franchisees is recorded to franchise royalties, fees and rental income in the consolidated statement of operations. We recognize revenue for fixed sublease payments, net of incentives, on a straight-line basis over the term of the sublease. We recognize revenue for variable sublease payments as the related service has been transferred to the sublessee. Sublease income is recognized to the extent that collectability is probable.

(o) Potbelly Brand Fund

We maintain the Potbelly Brand Fund (the "Brand Fund") for the purpose of collecting and administering funds to be used for advertising, customer research, marketing technology, agencies, and other activities that promote the Potbelly brand in order to deliver sales at our shops. Company-operated and franchised shops both contribute to the Brand Fund based on a percentage of sales.

We manage these advertising and marketing expenses through the Brand Fund using the funds contributed by our shops. We manage these funds separately from our general operating expenses, but we are not obligated to maintain the funds in separate accounts or entities. We may spend more or less in any fiscal period than the amounts contributed to the Brand Fund, and we may choose to roll over any unused contributions to the following fiscal period or return them to our shops.

Brand Fund contributions made by company-operated shops are eliminated from the consolidated financial statements. Franchisee contributions are included within franchise royalties and fees in the consolidated statements of operations.

Expenses incurred by the Brand Fund are recorded to company-operated and franchised shops based on a percentage of sales. Company-operated Brand Fund expense is included within other operating expenses in our consolidated statements of operations. Franchisee Brand Fund expense is presented as franchise marketing expenses in our consolidated statements of operations. Prior periods have been reclassified to conform to the current presentation of these expenses.

(p) Franchise Support, Rent and Marketing Expenses

Franchise support, rent and marketing expenses include Brand Fund, information technology, supply chain, occupancy and operations expenses for franchised shops. Other than occupancy, these expenses are expensed as incurred. Occupancy expenses are recognized consistent with our lease policy described above.

(q) Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718, *Stock Based Compensation*. We record stock-based compensation expense, net of forfeitures, on a straight-line basis over the vesting period based on the grant-date fair value of the awards, which is determined using the Black-Scholes option pricing valuation model for stock options and the quoted share price of Potbelly's common stock on the date of grant for restricted stock units ("RSUs"). We record stock-based compensation expense within general and administrative expenses in the consolidated statements of operations.

We award performance share units ("PSUs") to eligible employees which are subject to service and market vesting conditions. The PSUs will vest based on the terms defined in each award, which may include our common stock achieving certain price targets or based on its relative performance versus the Russell 3000 Travel & Leisure Index. Refer to Note 13 for more details regarding our Equity Plans.

(r) Pre-opening Costs

Pre-opening costs consist of costs incurred prior to opening a new shop and are made up primarily of travel, employee payroll and training costs incurred prior to the shop opening, as well as occupancy costs incurred from when we take site possession to shop opening. Shop pre-opening costs are expensed as incurred.

(s) Franchise Growth Acceleration Initiative

On March 2, 2022, we announced our Franchise Growth Acceleration Initiative, which included a plan to grow our franchise units domestically through multi-unit shop development area agreements, which may include refranchising certain company-operated shops. Deals for refranchised shops typically include cash consideration for the sale of the current shops as well as development agreement fees for commitments to develop new shops to fully penetrate existing markets. On an ongoing basis, we collect additional cash consideration for royalties and lease payments.

All gains and losses recognized on sales of shops and other expenses incurred to execute a refranchising transaction are included in gain on Franchise Growth Acceleration Initiative activities in the consolidated statement of operations. Development agreement fees received are recorded in the consolidated balance sheets as accrued expenses or other long-term liabilities, and amortized over the term of the franchise agreement once the shops are opened. For the year to date ended December 29, 2024, we completed refranchising transactions under the Franchise Growth Acceleration Initiative that resulted in the sale of one company-operated shop and commitments to develop 8 additional shops. Further details on the impact of these transactions on our financial statements are described in Notes 10 and 15.

(t) Impairment of Long-Lived Assets

We assess potential impairments of our long-lived assets, which include property and equipment and right-of-use assets for operating leases, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are grouped at the individual shop-level for the purposes of the impairment assessment because a shop represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated forecasted shop cash flows expected to be generated by the asset group. The estimation of expected future net cash flows uses estimates, including growth rates, which are inherently uncertain and rely on assumptions regarding current and future economics and market conditions. If the carrying amount of the asset group exceeds its estimated forecasted shop cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset group in the impairment, loss on disposal of property and equipment and shop closures in the consolidated statement of operations. The fair value of the shop assets is determined using the income approach. Key inputs to this approach include forecasted shop cash flows, discount rate, and estimated market rent, which are all classified as Level 3 inputs. See "Fair Value Measurements" above for a definition of Level 3 inputs.

Assets recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis included items such as leasehold improvements, property and equipment, right-of-use assets for operating leases, goodwill, and other intangible assets. These assets are measured at fair value if determined to be impaired.

(u) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are attributed to differences between financial statement and income tax reporting. Deferred tax assets, net of any valuation allowances, represent the future tax return consequences of those differences and for operating loss and tax credit carryforwards, which will be deductible when the assets are recovered. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. In making this assessment of the realizability of deferred tax assets, we consider all positive and negative evidence as to whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

We account for uncertain tax positions under current accounting guidance, which prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by tax authorities, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

(v) Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In November 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". ASU 2023-07 expands annual and interim disclosure requirements for reportable segments, primarily through additional disclosures on segment expenses. We adopted the accounting guidance in our Annual Report on Form 10-K for the year ended December 29, 2024. The updated standard did not have a material impact on our financial statement disclosures.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". ASU 2023-09 enhances transparency of income tax disclosures by requiring additional disclosures on income tax rate reconciliation and income taxes paid, among other things. We will adopt ASU 2023-09 in our Annual Report on Form 10-K for the year ending December 28, 2025. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

In November 2024, the FASB issued ASU 2024-03 "Disaggregation of Incomes Statement Expenses". ASU 2024-03 serves to improve the disclosures about a public business entity's expenses by requiring more detailed information about the types of expenses in commonly presented expense captions. We will adopt ASU 2024-03 in our Annual Report on Form 10-K for the year ending December 26, 2027. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a material impact to the consolidated financial statements.

(3) Revenue

Revenue recognized from all revenue sources on point in time sales was \$459.4 million, \$489.2 million and \$450.9 million for the fiscal years 2024, 2023 and 2022, respectively. Revenue recognized from sales over time was \$3.2 million, \$2.2 million and \$1.1 million for the fiscal years 2024, 2023 and 2022, respectively.

We recognized gift card breakage income of \$1.1 million, \$0.9 million and \$0.7 million for the fiscal years ended 2024, 2023 and 2022, respectively, which is recorded within net sandwich shop sales in the consolidated statements of operations.

Contract Liabilities

As described in Note 2, we record current and noncurrent contract liabilities in accrued expenses and other long-term liabilities, respectively, for initial franchise fees, gift cards, and loyalty programs. We have no other contract liabilities or contract assets recorded. During the years ended December 29, 2024 and December 31, 2023 we recognized \$6.5 million and \$4.7 million in revenue, respectively, related to deferred revenue. The following table includes a breakout of contract liability balances:

	December 29, 2024	December 31, 2023	Change
Franchise fee liabilities	\$ 7,163	\$ 4,397	\$ 2,766
Unredeemed gift card liabilities	3,954	3,971	(17)
Customer loyalty program obligations	6,181	4,057	2,124
Total contract liabilities	<u>\$ 17,298</u>	<u>\$ 12,425</u>	<u>\$ 4,873</u>

We expect to recognize revenue related to contract liabilities as follows, which may vary based upon franchise activity, and gift card and loyalty program redemption patterns:

Years Ending	Amount
2025	\$ 9,224
2026	1,171
2027	812
2028	813
2029	922
Thereafter	4,356
Total revenue recognized	<u>\$ 17,298</u>

For the years ended December 29, 2024 and December 31, 2023, we did not recognize any revenue from obligations satisfied (or partially satisfied) in prior periods.

Contract Costs

Deferred contract costs, which include sales commissions and site mapping fees, totaled \$1.1 million and \$0.9 million as of December 29, 2024 and December 31, 2023, respectively. Amortization expense for deferred costs was \$0.2 million and \$0.1 million for fiscal years 2024 and 2023, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

(4) Earnings Per Share

Basic and diluted income per common share attributable to common stockholders are calculated using the weighted average number of common shares outstanding for the period. Diluted income per common share attributable to common stockholders is computed by dividing the income allocated to common stockholders by the weighted average number of fully diluted common shares outstanding.

The following table summarizes the earnings per share calculation:

	Fiscal Year		
	2024	2023	2022
Net income attributable to Potbelly Corporation	\$ 40,294	\$ 5,119	\$ 4,345
Weighted average common shares outstanding-basic	29,838	29,201	28,625
Plus: Effect of potentially dilutive stock-based compensation awards	501	490	414
Plus: Effect of potential warrant exercise	381	397	26
Weighted average common shares outstanding-diluted	30,720	30,088	29,065
Income per share available to common stockholders-basic	\$ 1.35	\$ 0.18	\$ 0.15
Income per share available to common stockholders-diluted	\$ 1.31	\$ 0.17	\$ 0.15
<u>Potentially dilutive shares that are considered anti-dilutive:</u>			
Shares	258	367	618

(5) Property and Equipment

Property and equipment, net consisted of the following:

	December 29, 2024	December 31, 2023
Leasehold improvements	\$ 148,166	\$ 140,203
Machinery and equipment	47,796	45,372
Furniture and fixtures	31,086	30,614
Computer equipment and software	43,150	37,769
Construction in progress	1,258	3,322
Property and equipment, gross	271,456	257,280
Less: Accumulated depreciation	(220,923)	(212,193)
Property and equipment, net	\$ 50,533	\$ 45,087

We recognized \$0.1 million, \$0.5 million and \$0.5 million in 2024, 2023, and 2022, respectively, of losses on disposal of property and equipment in the consolidated statement of operations, primarily related to closures of company-operated shops.

(6) Accrued Expenses

Accrued expenses consisted of the following:

	December 29, 2024	December 31, 2023
Accrued labor and related expenses	\$ 8,233	\$ 12,778
Deferred revenue	6,492	4,057
Gift card liability	3,954	3,972
Accrued marketing	1,332	2,904
Accrued occupancy and utilities	2,470	2,410
Accrued sales and use tax	1,325	2,135
Accrued liability insurance	2,076	2,039
Other accrued expenses	\$ 6,990	\$ 5,082
Total	<u>\$ 32,872</u>	<u>\$ 35,377</u>

We incur expenses associated with exit activity for certain signed lease agreements, which are recognized in impairment, loss on disposal of property and equipment and shop closures in the consolidated statement of operations. See Note 8, *Leases* for additional information. As of December 29, 2024, and December 31, 2023, there were no outstanding balances for accrued contract termination costs.

(7) Income Taxes

Income before income taxes for our domestic operations was as follows:

	Fiscal Year		
	2024	2023	2022
Domestic operations	\$ 7,787	\$ 6,486	\$ 5,038

Income tax (benefit) expense consisted of the following:

	Fiscal Year		
	2024	2023	2022
<i>Federal:</i>			
Current	\$ —	\$ 38	\$ —
Deferred	(24,466)	22	(14)
	(24,466)	60	(14)
<i>State and Local:</i>			
Current	546	782	399
Deferred	(9,625)	68	(58)
	(9,079)	849	341
Income tax (benefit) expense	<u>\$ (33,545)</u>	<u>\$ 909</u>	<u>\$ 327</u>

Income tax (benefit) expense differed from the amounts computed by applying the U.S. federal income tax rates to income before income taxes as a result of the following:

	Fiscal Year		
	2024	2023	2022
U.S. federal statutory tax	21.0%	21.0%	21.0%
Computed “expected” tax expense	\$ 1,635	\$ 1,266	\$ 981
Increase (reduction) resulting from:			
Change in valuation allowance	(35,269)	(1,526)	2,280
Minority interest	(218)	96	77
Permanent differences	1,477	805	(1,755)
State and local income taxes, net of federal income tax effect	295	793	(287)
FICA and other tax credits	(487)	(297)	(559)
Equity compensation	(815)	159	(43)
Tax rate changes and other	(163)	(387)	(367)
Income tax (benefit) expense	<u>\$ (33,545)</u>	<u>\$ 909</u>	<u>\$ 327</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities reflected in the consolidated balance sheets are presented below:

	December 29, 2024	December 31, 2023
Deferred tax assets:		
Net operating loss carryforwards	\$ 21,116	\$ 20,542
Accrued liabilities	1,494	2,625
Deferred revenue	2,453	1,944
Stock-based compensation	1,897	1,378
Property and equipment	2,676	3,290
Operating lease liabilities	39,308	43,799
Other	—	226
Tax credits and other carryforwards	3,191	2,794
Gross deferred tax assets	72,135	76,598
Valuation allowance	(170)	(35,439)
Net deferred tax assets	<u>71,965</u>	<u>41,159</u>
Deferred tax liabilities:		
Prepays	(380)	(477)
Right-of-use asset for operating leases	(35,949)	(39,179)
Intangible assets	(1,380)	(1,377)
Smallwares	(441)	(400)
Total deferred tax liabilities	<u>(38,150)</u>	<u>(41,433)</u>
Net deferred tax assets (liabilities)	<u>\$ 33,815</u>	<u>\$ (274)</u>

The federal NOL, and a portion of the state NOLs, can be carried forward indefinitely, although certain jurisdictions, including federal and numerous states, limit NOL carryforwards to a percentage of current year taxable income.

We regularly assess the need for a valuation allowance related to our deferred tax assets, which includes consideration of both positive and negative evidence related to the likelihood of realization of such deferred tax assets to determine, based on the weight of the available evidence, whether it is more-likely-than-not that some or all of our deferred tax assets will not be realized. In our assessment, we considered recent financial operating results, projected future taxable

income, the reversal of existing taxable differences, and tax planning strategies. We recorded a full valuation allowance against our net deferred tax assets during the first quarter of 2019, resulting in a charge to income tax expense of \$13.6 million.

We assess the likelihood of the realization of our deferred tax assets each quarter and the valuation allowance is adjusted accordingly. During fiscal year 2024, based on all available positive and negative evidence, including taxable income generated in recent periods and forecasts of taxable income in future periods, we concluded that it was more likely than not that we will be able to utilize our U.S. federal and state deferred tax assets, except for a portion related to certain states where the allowable carryforward period is expected to limit our ability to fully utilize them. As a result of this, we released the valuation allowance for all of our U.S. federal deferred tax assets and a significant portion of our state deferred tax assets during the year ended December 29, 2024, resulting in an income tax benefit of \$35.3 million. In determining the amount of deferred tax assets that are more likely than not to be realized, we evaluated the potential to realize the assets through future taxable income and the reversal of existing taxable temporary differences. Based on this analysis, we retained a valuation allowance of \$0.2 million as of December 29, 2024 compared to \$35.4 million as of December 31, 2023.

In accordance with our accounting policy, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of December 29, 2024 and December 31, 2023, we had no interest or penalties accrued. As of December 29, 2024 and December 31, 2023, we had no uncertain tax positions.

The tax years prior to 2018 are generally closed for examination by the United States Internal Revenue Service ("IRS"). However, certain of these tax years are open for examination as a result of net operating losses generated in these years and utilized in subsequent years. Our last IRS examination was for the 2014 tax year; no IRS audits are currently ongoing. State statutes are generally open for audit for the 2017 to 2023 tax years.

(8) Leases

We determine if an arrangement is a lease at inception of the arrangement. We lease retail shops and warehouse and office space under operating leases. Our leases generally have terms of ten years and most include options to extend the leases for additional five-year periods. For leases with renewal periods at our option, we determine the expected lease period based on whether the renewal of any options are reasonably assured at the inception of the lease. In addition, we lease certain properties from third parties that we sublease to franchisees. We remain primarily liable to the landlord for the performance of all obligations in the event that the sublessee does not perform its obligations under the lease. All of our subleases are classified as operating leases with fixed and variable income.

Lessee Disclosures

The gains and losses recognized upon lease terminations are recorded in impairment, loss on disposal of property and equipment and shop closures in the consolidated statement of operations. The right-of use assets, liabilities and gains/losses recognized upon termination of lease contracts were as follows (in thousands, except for leases terminated):

	Fiscal Year Ended	
	December 29, 2024	December 31, 2023
Leases terminated	1	2
Lease termination fees	\$ 200	\$ 458
Right-of-use assets derecognized upon lease termination	416	571
Lease liabilities derecognized upon lease termination	506	941
Gain/(loss) recognized upon lease termination	\$ (110)	\$ (89)

Operating lease term and discount rate were as follows:

	December 29, 2024	December 31, 2023
Weighted average remaining lease term (years)	6.27	6.18
Weighted average discount rate	10.43%	9.04%

Certain of our operating lease agreements include variable payments that are passed through by the landlord, such as common area maintenance and real estate taxes, as well as variable payments based on percentage rent for certain of our shops. Pass-through charges and payments based on percentage rent are included within variable lease cost.

The components of lease cost were as follows, which are included in occupancy, general and administrative and franchise support, rent and marketing expense:

	Fiscal Year Ended	
	December 29, 2024	December 31, 2023
Operating lease cost	\$ 38,447	\$ 40,604
Variable lease cost	15,065	15,082
Short-term lease cost	318	313
Total lease cost	<u>\$ 53,830</u>	<u>\$ 55,998</u>

Supplemental disclosures of cash flow information relating to leases is as follows:

	Fiscal Year Ended	
	December 29, 2024	December 31, 2023
Operating cash flows rent paid for operating lease liabilities	\$ 42,718	\$ 45,846
Operating right-of-use assets obtained in exchange for new operating lease liabilities	17,683	12,286
Reduction in operating right-of-use assets due to lease modifications	3,436	1,799

Maturities of lease liabilities were as follows at December 29, 2024:

	Operating Leases
2025	\$ 37,722
2026	38,360
2027	33,194
2028	26,432
2029	20,420
Thereafter	56,549
Total lease payments	<u>212,677</u>
Less: imputed interest	(61,939)
Present value of lease liabilities	<u>\$ 150,738</u>

As of December 29, 2024, the Company had additional operating lease payments related to two leases not yet commenced of \$3.3 million. These operating leases will commence during the next fiscal year with an average lease term of 15 years, inclusive of a five year renewal option.

Lessor Disclosures

The components of lease income were as follows (amount in thousands, except number of subleases):

	Fiscal Year Ended	
	December 29, 2024	December 31, 2023
Number of subleases	37	33
Operating lease income	\$ 3,824	\$ 2,139
Variable lease income	1,609	806
Franchise rental income	<u>\$ 5,433</u>	<u>\$ 2,945</u>

We incurred \$5.4 million and \$3.0 million in expenses during fiscal years 2024 and 2023, respectively, associated with these leases, which are included in franchise support, rent and marketing expenses in the consolidated statement of operations from the inception of the related sublease agreements.

Future expected fixed sublease payments from franchisees to Potbelly were as follows at December 29, 2024:

	Operating Leases
2025	\$ 3,751
2026	3,312
2027	2,339
2028	1,883
2029	1,463
Thereafter	2,677
Total sublease payments	<u>\$ 15,425</u>

(9) Debt and Credit Facilities

The components of long-term debt were as follows:

	December 29, 2024	December 31, 2023
Revolving Facility	\$ 4,000	\$ —
Term Loan	—	22,162
Unamortized debt issuance costs	—	(1,744)
Less: current portion of long-term debt	—	(1,250)
Total long-term debt	<u>\$ 4,000</u>	<u>\$ 19,168</u>

Revolving Facility

On February 7, 2024, Potbelly Sandwich Works, LLC entered into a credit agreement (the “Credit Agreement”) with Wintrust Bank, N.A., as administrative agent (the “Agent”), the other loan parties party thereto and the lenders party thereto. The Credit Agreement provides for a revolving loan facility with an aggregate commitment of \$30,000,000 (the “Revolving Facility”, the commitments thereunder, the “Revolving Commitments”). Concurrently with entry into the Credit Agreement, we repaid in full and terminated the obligations and commitments of the lenders under a term loan facility described in more detail below. Proceeds from the Revolving Facility will be used for general corporate and working capital purposes. The Revolving Commitments expire on February 7, 2027.

Loans under the Credit Agreement will bear interest, at our option, at either one-month term secured overnight financing rate (“SOFR”) or the base rate plus, in each case, an applicable rate per annum, based upon the Consolidated Adjusted Leverage Ratio (as defined in the Credit Agreement). The applicable rate may vary between 3.75% and 2.75% with respect to borrowings which are based upon the one-month term SOFR and between 2.25% and 1.25% with respect to borrowings which are based upon the base rate. The applicable rate with respect to one-month term SOFR borrowings is 3.25% and the applicable rate with respect to base rate borrowings was 1.75% from February 7, 2024 through September 29, 2024, based upon ratios calculated in compliance certificates and 1.50% from September 30th, through December 29, 2024, based upon ratios calculated in the most recent compliance certificate for the fiscal quarter ending September 29, 2024.

We may prepay the Revolving Commitments at any time and from time to time in whole or in part without premium or penalty, subject to prior notice in accordance with the Credit Agreement.

Subject to certain customary exceptions, obligations under the Credit Agreement are guaranteed by the Company and all of the Company’s current and future wholly-owned material domestic subsidiaries and are secured by a first-priority security interest in substantially all of the assets of the Company and its subsidiary guarantors.

The Credit Agreement contains customary representations and affirmative and negative covenants. Among other things, these covenants restrict our ability to incur certain indebtedness and liens, undergo certain mergers, consolidations and certain other fundamental changes, make certain investments, make certain dispositions and acquisitions, enter into sale and leaseback transactions, enter into certain swap transactions, make certain restricted payments (including certain payment of dividends, repurchases of stock and payments on certain indebtedness), engage in certain transactions with affiliates, enter into certain types of restricted agreements, make certain changes to its organizational documents and indebtedness, and use the proceeds of the Revolving Commitments for certain non-permitted uses. In addition, the Credit Agreement requires that we maintain compliance with certain minimum fixed charge coverage ratios and maximum consolidated leverage ratios as set forth in the Credit Agreement.

The Credit Agreement also contains customary events of default. If an event of default occurs, the Agent and lenders are entitled to take various actions, including the acceleration of amounts due under the Credit Agreement, termination of commitments thereunder and all other actions permitted to be taken by a secured creditor.

Since the execution of the Credit Agreement, we have been in compliance with all terms and covenants.

Term Loan

On February 7, 2023 (the “Closing Date”), we entered into a credit and guaranty agreement (the “Term Loan Credit Agreement”) with Sagard Holdings Manager LP as administrative agent (the “Administrative Agent”). The Term Loan Credit Agreement provides for a term loan facility with an aggregate commitment of \$25.0 million (the “Term Loan”). Concurrent with entry into the Term Loan Credit Agreement, we repaid in full and terminated the obligations and commitments under our Former Credit Facility, as defined below. In connection with entering into the Term Loan Credit Agreement, we paid \$2.2 million in debt issuance costs, all of which were capitalized. The remaining proceeds from the Term Loan were used to pay related transaction fees and expenses, and for general corporate purposes.

The Term Loan Credit Agreement was scheduled to mature on February 7, 2028. We were required to make principal payments equal to 1.25% of the initial principal of the Term Loan on the last business day of each fiscal quarter. If not previously paid, any remaining principal balance must be repaid on the maturity date.

Loans under the Term Loan Credit Agreement bore interest, at the Company’s option, at either the term SOFR plus 9.25% per annum or base rate plus 8.25% per annum.

The Term Loan could be prepaid in agreed-upon minimum principal amounts, subject to prepayment fees equal to (a) if the prepayment occurs on or prior to the one (1) year anniversary of the Closing Date, a customary make-whole amount plus 3.00% of the outstanding principal balance of the Term Loan, (b) if the prepayment occurs after such one (1) year anniversary and prior to the two (2) year anniversary of the Closing Date, 3.00% of the outstanding principal balance of the Term Loan, (c) if the prepayment occurs after such second anniversary of the Closing Date and prior to the three (3) year anniversary of the Closing Date 1.00% of the outstanding principal balance of the Term Loan and (d) thereafter, no prepayment fee.

On February 7, 2024, we repaid in full and terminated the obligations and commitments under the Term Loan Credit Agreement. As a result of repaying and terminating the Term Loan, we recognized a loss on extinguishment of debt of \$2.4 million for fiscal year 2024.

Former Credit Facility

On August 7, 2019, we entered into a second amended and restated revolving credit facility agreement (the "Former Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan"). The Former Credit Agreement amends and restates that certain amended and restated revolving credit facility agreement, dated as of December 9, 2015, and amended on May 3, 2019 (collectively, the "Prior Credit Agreement") with JPMorgan. The Former Credit Agreement provided, among other things, for a revolving credit facility in a maximum principal amount \$40 million, with possible future increases of up to \$20 million under an expansion feature (the "Former Credit Facility"). Borrowings under the Former Credit Facility generally bear interest at our option at either (i) a eurocurrency rate determined by reference to the applicable LIBOR rate plus a specified margin or (ii) a prime rate as announced by JP Morgan plus a specified margin. The applicable margin was determined based upon our consolidated total leverage ratio. On the last day of each calendar quarter, we were required to pay a commitment fee of 0.20% per annum in respect of any unused commitments under the credit facility.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 25, 2022, we subsequently amended the Former Credit Agreement during fiscal years 2020, 2021 and 2022. The Former Credit Agreement provided for a revolving credit facility in a maximum principal amount of \$25 million following these amendments.

On February 7, 2023, we repaid in full and terminated the obligations and commitments under the Former Credit Agreement. Upon termination of the Former Credit Facility, we recognized a loss on extinguishment of debt of \$0.2 million for fiscal year 2023.

Paycheck Protection Program Loan

On August 10, 2020, PSW, an indirect subsidiary of ours, entered into a loan agreement with Harvest Small Business Finance, LLC in the aggregate amount of \$10.0 million (the "Loan"), pursuant to the PPP under the CARES Act. The Loan was necessary to support our ongoing operations due to the economic uncertainty resulting from the COVID-19 pandemic and lack of access to alternative sources of liquidity.

The Loan was scheduled to mature 5 years from the date on which PSW applies for loan forgiveness under the CARES Act, bears interest at a rate of 1% per annum and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration ("SBA") under the CARES Act. The PPP provides that the use of the Loan amount shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act. We used all of the PPP proceeds toward qualifying expenses and pursued forgiveness of the full Loan amount.

On July 12, 2022, we received notification from Harvest Small Business Finance, LLC that the SBA approved our loan forgiveness application for the entire outstanding principal and accrued interest under the Loan equaling \$10.2 million, which we recognized as a gain on extinguishment of debt.

(10) Franchise Growth Acceleration Initiative

The following is a summary of the refranchising activities recorded as a result of the Franchise Growth Acceleration Initiative during the year ended December 29, 2024:

	December 29, 2024	December 31, 2023
Number of shops sold to franchises	1	33
Proceeds from sales of company-operated shops	\$ 167	\$ 6,433
Net assets sold	(188)	(3,563)
Goodwill related to the company-operated shops sold to franchisees	(3)	(166)
(Loss)/Gain on sale of company-operated shops, net	(24)	2,705
Adjustment to recognize held-for-sale assets at fair value	(95)	(503)
Other expenses ^(a)	(343)	(60)
(Loss)/Gain on Franchise Growth Acceleration Initiative activities	<u>\$ (462)</u>	<u>\$ 2,142</u>

(a) These costs primarily include professional service fees, travel expenses and shop enhancement costs incurred to execute the refranchising transaction

All gains and losses recognized on sales of shops and other expenses incurred to execute a refranchising transaction are included in Loss on Franchising Growth Acceleration Initiative activities in the consolidated statement of operations. Development agreement fees received are recorded in the consolidated balance sheets as accrued expenses or other long-term liabilities, and amortized over the term of the franchise agreement once the shops are opened.

Assets held-for-sale

As of December 29, 2024, we had assets held-for-sale of \$0.1 million, primarily consisting of property and equipment held at one company-operated shop that was subsequently sold on January 20, 2025. Long-lived assets that meet the held-for-sale criteria are reported at the lower of their carrying value or fair value less estimated costs to sell. During fiscal year 2024, we recorded an immaterial adjustment to recognize the held-for-sale assets at fair value, which is included in loss on Franchising Growth Acceleration Initiative activities in the consolidated statement of operations. The estimated fair value of the assets held-for-sale is based upon Level 2 inputs, which includes a sales agreement.

(11) Capital Stock

As of December 29, 2024 and December 31, 2023, we had authorized an aggregate of 210 million shares of capital stock, of which 200 million shares were designated as common stock and 10 million shares were designated as preferred stock. As of December 29, 2024, we had issued and outstanding 40.3 million and 29.9 million shares of common stock, respectively. As of December 31, 2023, we had issued and outstanding 38.7 million and 29.4 million shares of common stock, respectively.

Common Stock

On May 8, 2018, we announced that our Board of Directors authorized a stock repurchase program for up to \$65.0 million of its outstanding common stock ("2018 Repurchase Program"). For fiscal year 2024, we did not repurchase any shares of our common stock under the 2018 repurchase program. The 2018 Repurchase Program was terminated on May 7, 2024.

On May 7, 2024, our Board of Directors authorized a stock repurchase program for up to \$20.0 million of our outstanding common stock at any time during the next three years ("2024 Repurchase Program"). This program replaces the 2018 Repurchase Program, which was terminated upon execution of the 2024 Repurchase Program. The program permits us, from time to time, to purchase shares in the open market (including in pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") or in privately negotiated transactions). The number of common shares actually repurchased, and the

timing and price of repurchases, will depend upon market conditions, SEC requirements and other factors. Purchases may be started or stopped at any time without prior notice depending on market conditions and other factors. For fiscal year 2024, we repurchased 164,046 shares of our common stock under the 2024 Repurchase Program for an aggregate of \$1.4 million, including cost and commission, in open market transactions. As of December 29, 2024, the remaining dollar value of authorization under the 2024 Repurchase Program is \$18.6 million. Repurchased shares are included as treasury stock in the consolidated balance sheets and the consolidated statements of equity.

On February 9, 2021, we closed on a Securities Purchase Agreement (the “SPA”) for the sale by us of 3,249,668 shares of our common stock at a par value of \$0.01 per share and the issuance of warrants to purchase 1,299,861 shares of common stock at an exercise price of \$5.45 per warrant for gross proceeds of \$16.0 million, before deducting placement agent fees and offering expenses of approximately \$1.0 million. The warrants are initially exercisable commencing August 13, 2021 through their expiration date of August 12, 2026. The proceeds received from the SPA were allocated between shares and warrants based on their relative fair values at closing. The warrants were valued utilizing the Black-Scholes method. In fiscal year 2024 and 2023, 240,187 and 176,272 warrants, respectively, were exercised at the exercise price of \$5.45 per warrant. As of December 29, 2024 and December 31, 2023, we had 883,402 and 1,123,589 warrants, respectively, outstanding that are exercisable through August 12, 2026.

On November 3, 2021, we entered into a certain Equity Sales Agreement (the “Sales Agreement”) with William Blair & Company, L.L.C., as agent (“William Blair”) pursuant to which we may sell shares of our common stock having an aggregate offering price of up to \$40.0 million (the “Shares”), from time to time, in our sole discretion, through an “at the market” equity offering program under which William Blair will act as sales agent. We have no obligation to sell any Shares under the Sales Agreement and may at any time suspend solicitation and offers under the Sales Agreement. The Sales Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and William Blair and other obligations of the parties. As of March 6, 2025, we have not sold any shares under the sales agreement.

(12) Employee Benefit Plan

We sponsor a 401(k) profit sharing plan for all employees who are eligible based upon age and length of service. We made matching contributions of \$0.9 million, \$0.6 million, and \$0.9 million for fiscal years 2024, 2023 and 2022, respectively, which are recorded in labor and related expenses and general and administrative expenses in the consolidated statement of operations.

(13) Stock-Based Compensation

Stock-Based Compensation Granted Under the 2019 Long-Term Incentive Plan

Stock options and restricted stock units are awarded under the 2019 Long-Term Incentive Plan (the “2019 Plan”) to eligible employees and certain non-employee members of the Board of Directors. The 2019 Plan gives broad powers to our Board of Directors to administer and interpret the 2019 Plan, including the authority to select the individuals to be granted equity awards and rights and to prescribe the particular form and conditions of each equity award to be granted.

On May 16, 2019, our stockholders approved the 2019 Plan and, in connection therewith, all equity awards made after that date were made under the 2019 Plan. On June 10, 2019, we registered 1.2 million shares of our common stock reserved for issuance under the 2019 Plan. The Amended and Restated 2013 Long-Term Incentive Plan (the “2013 Plan”) had 0.6 million remaining shares of common stock reserved for issuance, which are available for issuance under the 2019 Plan and no future awards will be made under the 2013 Plan. On June 24, 2020 and May 18, 2023, the 2019 Plan was amended and restated effective to increase the number of shares of common stock authorized for issuance by 0.9 million and 1.1 million shares, respectively, for a total of 3.2 million shares. As of December 29, 2024, there have been 7.1 million shares of restricted stock units and performance stock units granted under the 2019 Plan. As of December 29, 2024, there are 1.9 million shares reserved for future issuance. We record stock-based compensation expense within general and administrative expenses in the consolidated statements of operations.

Stock Options

Under the Plans, the number of shares and exercise price of each option are determined by the committee designated by our Board of Directors. The options granted are generally exercisable within a 10-year period from the date of grant. We award options to certain employees including the senior leadership team. Options outstanding expire on various dates through the year 2028. The range of exercise prices for options outstanding as of December 29, 2024 is \$12.90 to \$13.73

per option, and the options generally vest in one-fourth and one-fifth increments over four and five-year periods, respectively.

A summary of stock option activity is as follows:

Options	Shares (Thousands)	Weighted Average Exercise Price	Aggregate Intrinsic Value (Thousands)	Weighted Average Remaining Term (Years)
Outstanding—December 26, 2021	538	\$ 12.03	\$ —	2.35
Granted	—	—		
Exercised	—	—		
Canceled	(65)	10.65		
Outstanding—December 25, 2022	473	\$ 12.22	\$ —	1.46
Granted	—	—		
Exercised	—	—		
Canceled	(351)	11.70		
Outstanding—December 31, 2023	122	\$ 13.71	\$ —	1.44
Granted	—	—		
Exercised	—	—		
Canceled	(64)	14.21		
Outstanding—December 29, 2024	58	\$ 13.16	\$ —	1.86
Exercisable—December 29, 2024	58	\$ 13.16	\$ —	1.86

There were no stock option grants in fiscal years 2024, 2023, or 2022.

Stock-based compensation related to stock options is measured at the grant date based on the calculated fair value of the award, and is recognized as expense over the requisite employee service period, which is generally the vesting period of the grant with a corresponding increase to additional paid-in capital. For the years ended December 29, 2024 and December 31, 2023, we did not recognize any stock based compensation expense for stock options. As of December 29, 2024, we do not have unrecognized stock-based compensation expense related to stock options.

Restricted stock units

We award RSUs to certain employees and certain non-employee members of our Board of Directors. Grants of RSUs to our Board of Directors fully vest on the first anniversary of the grant date, or upon termination from the Board of Directors for any reason other than for cause, a pro rata portion of the shares vest on the termination date. The employee grants generally vest in one-third increments over a three-year period.

A summary of RSU activity is as follows:

RSUs	Number of RSUs (Thousands)	Weighted Average Fair Value per Share
Non-vested as of December 26, 2021	1,151	\$ 4.87
Granted	498	6.11
Vested	(693)	5.77
Canceled	(48)	5.90
Non-vested as of December 25, 2022	908	\$ 4.25
Granted	612	7.46
Vested	(630)	5.63
Canceled	(89)	6.98
Non-vested as of December 31, 2023	801	\$ 7.18
Granted	411	10.09
Vested	(419)	9.00
Canceled	(53)	8.69
Non-vested as of December 29, 2024	740	\$ 8.54

For the years ended December 29, 2024, December 31, 2023 and December 25, 2022, we recognized stock-based compensation expense related to RSUs of \$3.6 million, \$4.2 million and \$2.7 million, respectively. As of December 29, 2024, unrecognized stock-based compensation expense for RSUs was \$4.3 million, which will be recognized through fiscal year 2027.

Performance stock units

We award PSUs to certain employees. The PSUs have certain vesting conditions based upon our stock price and relative stock performance.

Because these PSUs are subject to service and market vesting conditions, we determine the fair market value of each grant using a Monte Carlo simulation model. Participants are entitled to receive a specified number of shares of our common stock contingent on achievement of a stock return on our common stock. For the years ended December 29, 2024, December 31, 2023 and December 25, 2022, we recognized stock-based compensation expense related to PSUs with market vesting conditions of \$2.1 million, \$1.3 million and \$0.6 million, respectively. As of December 29, 2024, unrecognized stock-based compensation expense for PSUs was \$3.3 million, which will be recognized through fiscal year 2027.

A summary of activity for PSUs with market vesting conditions is as follows:

	Number of PSUs (Thousands)	Weighted Average Fair Value per Share
Non-vested as of December 26, 2021	130	\$ 8.43
Granted	145	10.15
Vested	—	—
Canceled	—	—
Non-Vested as of December 25, 2022	275	\$ 9.34
Granted	297	9.45
Vested	(18)	4.30
Canceled	(40)	9.25
Non-vested as of December 31, 2023	513	\$ 9.59
Granted	212	12.08
Vested	(232)	7.11
Canceled	—	—
Non-vested as of December 29, 2024	493	\$ 11.83

(14) Commitments and Contingencies

We are subject to legal proceedings, claims and liabilities, such as employment-related claims and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance. We accrue for such liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimates of the outcomes of these matters and its experience in contesting, litigating and settling other similar matters. In the opinion of management, the amount of ultimate liability with respect to those actions should not have a material adverse impact on our financial position or results of operations and cash flows.

Many of the food products we purchase are subject to changes in the price and availability of food commodities, including, among other things, beef, poultry, grains, dairy and produce. We work with our suppliers and uses a mix of forward pricing protocols for certain items including agreements with its supplier on fixed prices for deliveries at a time in the future and agreements on a fixed price with our supplier for the duration of those protocols. We also utilize formula pricing protocols under which the prices we pay are based on a specified formula related to the prices of the goods, such as spot prices. Our use of any forward pricing arrangements varies substantially from time to time and these arrangements tend to cover relatively short periods (i.e., typically twelve months or less). Such contracts are used in the normal purchases of our food products and not for speculative purposes, and as such are not required to be evaluated as derivative instruments.

In June 2024, a putative class action lawsuit was filed in Washington state against us relating to the Washington Equal Pay and Opportunities Act. As of December 29, 2024, we deemed it probable that a material loss exposure exists in relation to this matter. As such, we have recorded a loss contingency of \$1.8 million based on our current estimate of the potential outcome, which is reflected in general and administrative expenses in the accompanying consolidated statements of operations. On January 22, 2025, we entered into a Memorandum of Understanding with the Plaintiff relating to the settlement of the claims, which settlement is subject to final documentation and court approval.

(15) Subsequent Events

On January 20, 2025, we transferred ownership of four shops to a franchisee, in the greater Portland, Oregon region, as part of a multi-unit franchise agreement that was executed on December 20, 2024, which was recorded in assets held-for-sale as of December 29, 2024. This transaction will not have a material impact on our financial statements.

EXHIBIT G-2

GUARANTEE OF PERFORMANCE

Ex. G-2

GUARANTY OF PERFORMANCE

For value received, Potbelly Corporation, located at 500 West Madison Street, Suite 1000, Chicago, IL 60661 (the “Guarantor”), absolutely and unconditionally guarantees to assume the duties of Potbelly Franchising, LLC, located at 500 West Madison Street, Suite 1000, Chicago, IL 60661 (the “Franchisor”) under its franchise registration in each state where its franchise is registered or exempt from registration, as applicable, and under its Franchise Agreement as identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended, from time to time. This guaranty continues until all such obligations of the Franchisor under the franchise registration or franchise exemption (as applicable) and Franchise Agreement are satisfied or until liability of the Franchisor under the Franchise Agreement has been completely discharged, whichever first occurs. Guarantor is not discharged from liability if a claim by the franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and on its successors and assigns.

The Guarantor signs this guarantee at Chicago, Illinois on the 30th day of April, 2025.

Guarantor:

POTBELLY CORPORATION

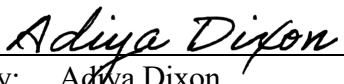

By: Adiya Dixon
Title: Senior Vice President, Chief Legal Officer, Chief Compliance Officer, General Counsel and Secretary

EXHIBIT H
FRANCHISEE REPRESENTATIONS

Ex. H

POTBELLY FRANCHISING, LLC
FRANCHISEE REPRESENTATIONS

***The following language applies only to transactions governed by the California Franchise Investment Law – This questionnaire does not apply to franchises who intend to operate the franchised business in the State of California.**

Important Instructions: Read this document carefully and do not sign it if it contains anything you think might be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, we will take actions in reliance on the truth of what it says.

The following franchisee — _____
(the “Franchisee”) — is interested in acquiring a franchise for a Potbelly Shop to be operated at a specific site identified, or to be identified, in the Franchise Agreement (the “Shop”). Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted its, his, or her own independent investigation of Potbelly Franchising, LLC (“we,” “us,” or “our”), the Franchise System (as that term is used in our Franchise Agreement), and the risks, burdens, and nature of the business Franchisee will conduct under the Franchise Agreement.

***Insert initials into the following blank to confirm this statement: ____**

2. Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risks and that success or failure will be substantially influenced by the Franchisee’s abilities and efforts and the viability of the Shop’s site.

***Insert initials into the following blank to confirm this statement: ____**

3. The Franchisee has (through one or more of the undersigned) received and reviewed the Franchise Agreement and each rider, exhibit, and schedule attached to it.

***Insert initials into the following blank to confirm this statement: ____**

4. The Franchisee understands all of the information contained in the Franchise Agreement and each rider, exhibit, and schedule attached to it.

***Insert initials into the following blank to confirm this statement: ____**

5. Each of the undersigned understands that the Franchise Agreement we use in the Franchise System likely will change from time to time, meaning that the Franchise Agreement for the Franchisee’s Shop likely will be different from others we sign in the future. The

Franchisee will be bound by its own Franchise Agreement, regardless of what our other Franchise Agreements might say.

***Insert initials into the following blank to confirm this statement: ____**

6. The Franchisee has received ready-to-be-signed copies of the Franchise Agreement and all other related agreements and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning those documents. If we unilaterally made any material changes in the Franchisee's final, ready-to-be signed copies of the Franchise Agreement and related agreements (other than as a result of negotiations started by the Franchisee), the Franchisee has had copies of those documents in-hand for at least seven (7) calendar days before signing them.

***Insert initials into the following blank to confirm this statement: ____**

7. The Franchisee has received a franchise disclosure document ("FDD") as required by law at least 14 calendar days before both signing the Franchise Agreement or any other binding agreement and paying any consideration to us or our affiliate in connection with this franchise, and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning the FDD.

[If the Franchisee is based or will operate in Michigan, the Franchisee also has received the FDD at least ten (10) business days before both signing the Franchise Agreement and paying any consideration to us or an affiliate in connection with this franchise.]

[If the Franchisee is based or will operate in New York, the Franchisee also has received the FDD at the earlier of our first personal meeting with the Franchisee to discuss the franchise opportunity but at least ten (10) business days before both signing the Franchise Agreement and paying any consideration to us or an affiliate in connection with this franchise.]

***Insert initials into the following blank to confirm this statement: ____**

8. Except as provided in the financial performance representation ("FPR") appearing in Item 19 of our FDD, we have made no representation, warranty, promise, guaranty, prediction, projection, or other statement, and given no information, as to the future, past, likely, or possible income, sales volume, or profitability, expected or otherwise, of the Shop or any other Potbelly Shop, except: (None, unless something is filled-in here)

_____.

***Insert initials into the following blank to confirm this statement: ____**

9. Each of the undersigned understands that:

9.1 Except as provided in our FPR, we do not authorize our officers, directors, or employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection, or other statement or information concerning actual or potential income, sales volume, or profitability, either generally or of any Potbelly Shop.

9.2 Actual results vary from unit to unit and from time period to time period, and we cannot estimate, project, or predict the results of any particular Potbelly Shop.

9.3 We have specifically instructed our officers, directors, and employees that, except as provided in our FPR, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection, or other statement or give information as to income, sales volume, or profitability, either generally or with respect to any particular Potbelly Shop.

9.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection, or other statement or information is made or given, the undersigned should not (and will not) rely on it and should report it to our management.

***Insert initials into the following blank to confirm these statements: _____**

10. Before signing the Franchise Agreement and any related agreements, the undersigned Franchisee has had ample opportunity: (A) to discuss the Franchise Agreement, any related agreement, and the business the Franchisee will conduct with its, his, or her own attorneys, accountants, and real estate and other advisors; (B) to investigate all statements and information made or given by us and our officers, directors, employees, and agents relating to the Franchise System, the Shop, and any other subject; and (C) to consult with any other franchisees we periodically have.

***Insert initials into the following blank to confirm this statement: ____**

11. Each of the undersigned understands that the Franchise Agreement grants rights for one, and only one, Shop, operated only at the site identified or to be identified in the Franchise Agreement, and that, except to the extent provided in a Shop Development Area Agreement we sign with the Franchisee, we are not granting or promising any “exclusive,” “expansion,” “protected,” “non-encroachable,” or other territorial rights, rights of first refusal, or rights of any other kind for the Shop’s market area or any other existing or potential Potbelly Shop or geographic territory.

***Insert initials into the following blank to confirm this statement: ____**

12. Each of the undersigned understands that the Franchise Agreement (including any riders and exhibits) reflects the entire agreement between the parties with respect to the Shop's development and operation as a franchise and supersedes all prior and other contemporaneous oral or written agreements, statements, representations, and understandings among us, the undersigned, and the Franchisee, except for representations made by the undersigned in this document and by us in the FDD.

***Insert initials into the following blank to confirm this statement: ____**

13. Each of the undersigned understands that, except for our representations in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement can be relied upon by the undersigned or the Franchisee.

***Insert initials into the following blank to confirm this statement: ____**

14. The only state(s) in which each of the undersigned is a resident is (are):

***Insert initials into the following blank to confirm this statement: ____**

15. Each of the undersigned understands the importance of the Shop's site and location. The undersigned and the Franchisee have had, or will have, ample opportunity and the means to investigate, review, and analyze independently the Shop's site and location, the market area and all other facts relevant to the selection of a site for a Potbelly Shop, and the lease or purchase (as applicable) and related documents necessary to secure possession of or acquire the site.

***Insert initials into the following blank to confirm this statement: ____**

16. Each of the undersigned understands that neither our acceptance of any site and location nor our review or acceptance of any lease, purchase, or other terms or documents to secure possession of or acquire a site implies or constitutes any warranty, representation, guarantee, prediction, or projection that the site and location will be profitable or successful or that the lease, purchase, or other terms or documents are on favorable terms, its often being the case that real estate is available only on very tough terms.

***Insert initials into the following blank to confirm this statement: ____**

17. Each of the undersigned understands that site selection is a difficult and risky proposition. We have not given (and will not give) any representation, warranty, promise, guaranty, prediction, projection, or other statement or information relied (or to be relied) upon by the undersigned or the Franchisee regarding a site's prospects for success, nearby tenants, or other attributes. The Franchisee will have any lease, purchase, or other terms and documents to secure possession of or acquire a site reviewed by its, his, or her own attorney and other advisors.

***Insert initials into the following blank to confirm this statement: ____**

18. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or the Franchisee. Each of them has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature that enable each of them to derive income that is satisfactory to them from other endeavors.

***Insert initials into the following blank to confirm this statement: ____**

19. There is no fiduciary or confidential relationship between us and the undersigned or between us and the Franchisee. Each of the undersigned expects us to deal, and will act as if we are dealing, with it, him, or her at arm's length and in our own best interests.

***Insert initials into the following blank to confirm this statement: ____**

20. We have advised the undersigned and the Franchisee to consult with their own advisors on the legal, financial, and other aspects of the Franchise Agreement and all other documents signed concurrently with the Franchise Agreement; this document; the Shop; any lease, purchase, or other documents for a site; and the business contemplated. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

***Insert initials into the following blank to confirm this statement: ____**

21. Neither we nor any employee has provided the undersigned or the Franchisee with services or advice that are of a legal, accounting, or other professional nature.

***Insert initials into the following blank to confirm this statement: ____**

22. Each of the undersigned confirms that, during its, his, or her investigation of the franchise for the Shop, it, he, or she had no communications with any person who is an officer or director of the Potbelly system except for one or more of the following executives: Robert Wright, Steven Cirulis, Adiya Dixon, Adam Noyes, Jeffrey Douglas, Lynette McKee, David Daniels, Patrick Walsh, Todd Owen, David Bulger ~~and~~, Maureen Distefano and Angelica Lara. If any of the undersigned did have communications with any executive of the Potbelly system other than those whose names appear above, the name of each such officer or director appears on

the following lines: (None, unless something is filled-in here)

_____. For purposes of this representation, an executive does not include a manager or other employee of a corporate-owned Potbelly Shop with whom the undersigned might have had contact while working at that Shop during the franchise application process.

***Insert initials into the following blank to confirm this statement: ____**

23. The statements made in this document supplement and are cumulative to statements, warranties, and representations made in other documents, such as the Franchise Agreement. The statements made in this document or the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

***Insert initials into the following blank to confirm this statement: ____**

24. Each of the undersigned understands that, in the franchise relationship, we and the Franchisee will be independent contractors. Nothing is intended to make either the Franchisee or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. We and our affiliates will not exercise direct or indirect control over the Shop's personnel except to the extent any indirect control is related to our legitimate interest in protecting the quality of products, service, or the Potbelly® brand. We and our affiliates will not share or codetermine the terms and conditions of employment of the Shop's employees or affect matters relating to the employment relationship between the Franchisee and the Shop's employees, such as employee selection, training, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. We and our affiliates will not be the employer or joint employer of the Shop's employees. The Franchisee understands its obligation to obtain an acknowledgment (in the form we specify or approve) from all Shop employees that we and our affiliates are not their employer.

***Insert initials into the following blank to confirm this statement: ____**

25. Each of the undersigned understands and agrees that all arbitration proceedings, including the hearing, will be conducted at a suitable location that is within ten (10) miles of where we have our principal business address when the arbitration demand is filed.

***Insert initials into the following blank to confirm this statement: ____**

26. The President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations, and the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). We therefore require certain certifications that the parties with whom we deal are not directly or indirectly involved in terrorism. For that reason,

the undersigned and the Franchisee hereby certify that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with the Franchisee, is: (a) a person or entity listed in the Annex to the Executive Order; (b) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism; (c) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (d) owned or controlled by terrorists or sponsors of terrorism. The undersigned and the Franchisee further covenant that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with them, will during the Franchise Agreement term become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

***Insert initials into the following blank to confirm this statement: ____**

The following language applies only to transactions governed by the Maryland Franchise Registration and Disclosure Law:

Do not sign this Acknowledgment Statement if you are a resident of Maryland or the franchise is to be operated in Maryland.

The following language applies only to transactions governed by the Washington Franchise Investment Protection Act:

This Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

FRANCHISEE

(Name of Franchisee)

(Signature of Person Binding Franchisee)

(Name and Title Printed)

(Date)

FRANCHISEE'S PRINCIPALS

(Signature)

(Name Printed)

(Date)

(Signature)

(Name Printed)

(Date)

EXHIBIT I

STATE ADDENDA AND AGREEMENT RIDERS

Ex. I

ADDENDUM TO
POTBELLY FRANCHISING, LLC
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT

The following are additional disclosures for the Franchise Disclosure Document of Potbelly Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. BEFORE THE FRANCHISOR CAN ASK YOU TO MATERIALLY MODIFY YOUR EXISTING FRANCHISE AGREEMENT, SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES THE FRANCHISOR TO FILE A MATERIAL MODIFICATION APPLICATION WITH THE DEPARTMENT THAT INCLUDES A DISCLOSURE DOCUMENT SHOWING THE EXISTING TERMS AND THE PROPOSED NEW TERMS OF YOUR FRANCHISE AGREEMENT. ONCE THE APPLICATION IS REGISTERED, THE FRANCHISOR MUST PROVIDE YOU WITH THAT DISCLOSURE DOCUMENT WITH AN EXPLANATION THAT THE CHANGES ARE VOLUNTARY.

3. OUR WEBSITE, www.potbelly.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov www.dfpi.ca.gov.

4. Item 3 of the Franchise Disclosure Document is amended to provide that neither the franchisor, nor any person in Item 2 of the Franchise Disclosure Document, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in that association or exchange.

5. The following sentence is added to the “Remarks” column of the line-item titled “Interest” in Item 6 of the Franchise Disclosure Document: The highest interest rate allowed under California law is 10% annually.

6. The following sentence is added at the end of Item 15 of the Franchise Disclosure Document: We generally do not require a spouse to sign a personal guaranty if he or she has no ownership interest in the franchise.

7. The following paragraphs are added at the end of Item 17 of the Franchise Disclosure Document:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees and developers concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement or Shop Development Area Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement and Shop Development Area Agreement provide for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Secs. 101 et seq.). You must sign a release if you renew or transfer your franchise. The California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement and the Shop Development Agreement require application of the laws of the State of Illinois. This provision may not be enforceable under California law.

The Franchise Agreement and Shop Development Area Agreement require binding arbitration at a suitable location that is within ten (10) miles of where we have our principal business address at the time the arbitration demand is filed. You will be required to travel to that location and pay the expenses you incur in any such arbitration proceeding (it is currently in Chicago, Illinois). You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ILLINOIS

The following statement is added to the end of Item 17:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement and Shop Development Area Agreement.

The following paragraphs are added to the end of the Disclosure Document:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND

1. The “Summary” sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Disclosure Document are amended by adding the following:

Any general releases you sign as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. The “Summary” section of Item 17(h), entitled **“Cause” defined – non-curable**

defaults of the Disclosure Document is amended by adding the following:

The agreements provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce it to the extent the law allows.

3. The “Summary” section of Item 17(v), entitled **Choice of forum**, of the Disclosure Document is amended by adding the following:

The **f**Franchise **a**Agreement and **s**Shop **d**Development **a**Area **a**Agreement provide that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. The following language is added to the end of Item 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement or Shop Development Area Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

5. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA

The following risk factor is added to the Special Risks to Consider About This Franchise cover page of the Franchise Disclosure Document:

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Renewal, Termination, Transfer and Dispute Resolution. The following paragraphs are added at the end of the chart in Item 17 of the Franchise Disclosure Document:

For franchises governed by the Minnesota Franchises Law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days¹ notice of termination (with 60 days to cure) and 180 days² notice for non-renewal of the applicable agreement.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee or developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of franchisee's or developer's rights as provided for in Minnesota Statutes, Chapter 80C or franchisee's or developer's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Any release as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by applicable law for claims arising under Minn. Rule 2860.4400D.

No Waiver of Disclaimer of Reliance. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NEW YORK

1. The following information is added to the Cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE

INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT, HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to the end of Item 3:

Except as provided, above with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor or allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by

a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a, currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor⁵, officers, or general partner during the 10-year period immediately before the date of the offering, circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy Code; or (c) was a principal officer Of a company or a general partner in a partnership that either filed as a debtor (or has filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreements on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j) titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement or Shop Development Area Agreement.

8. The following is added to the end of the: “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 7(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

NEW YORK REPRESENTATIONS PAGE

THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

1. The “Summary” sections of Items 17(c) and 17(m) of the Disclosure Document are amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The “Summary” section of Item 17(r) of the Disclosure Document is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

3. The “Summary” section of Item 17(u) of the Disclosure Document is amended to read as follows:

We and you must arbitrate all disputes at location near our principal business address at the time the arbitration demand is filed (it currently is in Chicago, Illinois); however, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings will be held at a site to which we and you agree.

4. The “Summary” section of Item 17(v) of the Disclosure Document is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The “Summary” section of Item 17(w) of the Disclosure Document is amended by adding the following:

Except for federal law. North Dakota law applies.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchisee, or company representative.

seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VIRGINIA

The “Summary” section of Item 17(h) of the Franchise Disclosure Document is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement or Shop Development Area Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act, or the laws of Virginia that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON

In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “Washington Act”), the Franchise Disclosure Document, ~~Franchise Agreement and Shop Development Area Agreement~~ of Potbelly Franchising, LLC shall be modified as follows:

~~The State of Washington has a statute, RCW 19.100.180, which might~~ may supersede ~~this Agreement in~~ provisions in the franchise agreement or related agreements concerning your relationship with ~~us~~ the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which might~~ that supersede ~~this~~ the franchise Agreement in or related agreements concerning your relationship with ~~us~~ the franchisor. Franchise agreement provisions, including ~~the areas of termination and renewal of your~~ those summarized in Item 17 of the ~~Franchise~~ Disclosure Document, are subject to state law.

In any ~~litigation, arbitration,~~ or mediation involving a franchise purchased in Washington, the arbitration or mediation site ~~thereof shall~~ will be either in the state of Washington, or in a place mutually agreed upon at ~~that~~ the time of

the arbitration or mediation, or as determined by the ~~judge,~~ arbitrator, or mediator, ~~as applicable.~~ at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Act, ~~Chapter~~ 19.100 RCW ~~shall~~will prevail.

A release or waiver of rights ~~executed by~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~shall not include rights to waive compliance with any provision~~ under the Washington Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the ~~A~~ agreement is in effect and where the parties are represented by independent counsel. ~~—, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).~~

Provisions ~~such as those which~~ contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Act, or rights or remedies under the Washington Act such as a right to a jury trial, ~~might~~may not be enforceable.

Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The franchisee may terminate the franchise agreement under any grounds permitted under state law.

Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed

\$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations ~~are~~is void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the

franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

Under the Washington Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**THE FOLLOWING PAGES ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE POTBELLY FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “**Rider**”) is made and entered into as of the ____ day of _____, 20__ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“**we**,” “**us**,” or “**our**”), and _____, whose principal business address is _____ (“**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “Franchise Agreement”). This Rider forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Potbelly Shop that you will operate under the Franchise Agreement was made in the State of Illinois and the Potbelly Shop will be operated in Illinois, and/or (b) you are a resident of Illinois.

2. Consent to Jurisdiction. Section 17.H. of the Franchise Agreement is deleted in its entirety and replaced with the following:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Jury Trial Waiver. The following language is added to the end of the second paragraph of Section 17.I. of the Franchise Agreement:

However, this waiver shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

4. Illinois Franchise Disclosure Act. The following is added as a new Subsection 17.M. of the Franchise Agreement:

17.M. Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

5. No Waiver of Disclaimer of Reliance. The following provision is added to the Franchise Agreement:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the

inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

FRANCHISEE

By: _____
[Signature]

[Name of Franchisee]

Name: _____
[Print Name]

By: _____
[Signature]

Title: _____

Name: _____
[Print Name]

DATED: _____

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

This Rider (the “**Rider**”) is made and entered into as of the ____ day of _____, 20__ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“**we**,” “**us**,” or “**our**”), and _____, whose principal business address is _____ (“**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland, and/or (b) the Potbelly Shop that you will operate under the Franchise Agreement will be located in Maryland.

2. Acknowledgments. Section 1.B of the Franchise Agreement is revised as follows:

a. Subsections (1) – (4), (8), (9), and (12) – (14) are deleted in their entirety.

b. Subsection (5) is revised to delete the phrases “and are not relying upon” and “that any information you have acquired from other Potbelly Shop franchisees regarding their sales, income, profits or cash flows was not information obtained from us, and that we make no representation about the information’s accuracy”.

c. Subsection (11) is revised to delete the phrase “and that you have independently evaluated the franchise opportunity, including by using your own business and legal advisors, and have relied solely upon those evaluations in deciding to sign this Agreement.”

3. Agreements/Releases. Sections 12.C.(8) (entitled “Conditions for Approval of Transfer”), 13.C. (entitled “Agreements/Releases”), and 15.E. (entitled “Our Right to Purchase Certain Assets of the Shop”) of the Franchise Agreement are amended by adding the following:

However, such general release will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Insolvency. The following language is added to the end of Section 14.B.(24) of the Franchise Agreement:

; termination upon insolvency might not be enforceable under federal insolvency law (11 U.S.C. Sections 101 et seq.), but we and you agree to enforce this provision to the maximum extent the law allows.

5. Arbitration. The following language is added to the end of Section 17.F of the Franchise Agreement:

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the

Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. Consent to Jurisdiction. The following language is added to the end of Section 17.H of the Franchise Agreement:

However, subject to the parties' arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. Limitation of Claims. The following sentence is added to the end of Section 17.K. of the Franchise Agreement:

However, the limitation of such claims shall not act to reduce the three (3)-year statute of limitations afforded to you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

8. Representations. The following language is added as a new Section 17.P of the Franchise Agreement:

All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

9. No Waiver of Disclaimer of Reliance. The following provision is added to the Franchise Agreement:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signatures on the following page)

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

FRANCHISEE

[Name of Franchisee]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Potbelly Shop that you will operate under the Franchise Agreement was made in the State of Minnesota and/or (b) the Potbelly Shop will be operated in Minnesota.

2. Agreements/Releases. Sections 12.C.(8), 13.C., and 15.E. of the Franchise Agreement are amended by adding the following:

However, any general release will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

3. Default & Termination. The following language is added at the end of Section 14 of the Franchise Agreement:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. §80C.14 Subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of this Agreement.

4. Governing Law/Choice of Forum. The following language is added to the end of Sections 17.G. and 17.H. of the Franchise Agreement:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. Jury Trial Waiver. The second paragraph of Section 17.I. of the Franchise Agreement is deleted to the extent unenforceable under the Minnesota Franchises Law.

6. Limitation of Claims. The following sentence is added to the end of Section 17.K. of the Franchise Agreement:

Minnesota law provides that no action may be commenced pursuant to Minn. Stat. §80C.17 more than three (3) years after the cause of action accrues. Minn. Stat. §80C.17, Subd. 5.

7. No Waiver of Disclaimer of Reliance. The following provision is added to the Franchise Agreement:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

FRANCHISEE

[Name of Franchisee]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “**Rider**”) is made and entered into as of the ____ day of _____, 20__ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“**we**,” “**us**,” or “**our**”), and _____, whose principal business address is _____ (“**you**” or “**your**”).

1. Background. We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Potbelly Shop that you will operate under the Franchise Agreement was made in the State of New York and/or (b) you are a resident of New York and the Potbelly Shop will be operated in New York.

2. Transfer by Us. The following language is added to the end of Section 12.A. of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. Agreements/Releases. Sections 12.C.(8), 13.C., and 15.E. of the Franchise Agreement are amended by adding the following:

Provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

4. Termination by You. The following language is added at the end of Section 14.A. of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. Governing Law/Choice of Forum. The following language is added to the end of Sections 17.G. and 17.H. of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

6. Limitation of Claims. The following sentence is added to the end of Section 17.K. of the Franchise Agreement:

To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

7. No Waiver of Disclaimer of Reliance. The following provision is added to the Franchise Agreement:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Application of Rider. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled, and the franchise will be opened, in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

FRANCHISEE

[Name of Franchisee]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Potbelly Shop that you will operate under the Franchise Agreement will be located in North Dakota, and/or (b) any of the franchise offering or sales activity occurred in North Dakota.

2. Releases. Sections 12.A., 12.C.(8), 13.C., and 15.E. of the Franchise Agreement are amended by adding the following:

; provided, however, that such general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

3. Payment of Amounts Owed to Us. Section 15.A. of the Franchise Agreement is amended by adding the following language:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law; however, we and you agree to enforce the provision to the extent the law allows.

4. Noncompetition. Section 15.D. of the Franchise Agreement is amended by adding the following language:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent enforceable under the law.

5. Arbitration. The following language is added to the end of Section 17.F. of the Franchise Agreement:

However, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings will be held at a site to which we and you agree.

6. Governing Law. The following language is added to the end of Section 17.G. of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, NORTH DAKOTA LAW WILL APPLY TO THIS AGREEMENT.

7. Consent to Jurisdiction. The following language is added to the end of Section 17.H. of the Franchise Agreement:

HOWEVER, TO THE EXTENT REQUIRED BY APPLICABLE LAW, YOU MAY BRING AN ACTION IN NORTH DAKOTA.

8. Waiver of Jury Trial. If and then only to the extent required by the North Dakota Franchise Investment Law, the second paragraph of Section 17.I. of the Franchise Agreement is deleted.

9. Limitation of Claims. Section 17.K. of the Franchise Agreement is amended by adding the following language:

The time limitations set forth in this Subsection might be modified by the North Dakota Franchise Investment Law.

10. No Waiver of Disclaimer of Reliance. The following provision is added to the Franchise Agreement:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

FRANCHISEE

By: _____
[Signature]

[Name of Franchisee]

Name: _____
[Print Name]

By: _____
[Signature]

Title: _____

Name: _____
[Print Name]

DATED: _____

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Franchise Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Washington and/or (b) the Potbelly Shop that you will operate under the Franchise Agreement will be located in Washington and/or (c) any of the franchise offering or sales activity occurred in Washington.

2. Addition of Paragraphs. The following is added to the end of the Franchise Agreement:
~~In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “Act”), the Franchise Agreement of Potbelly Franchising, LLC shall be modified as follows:~~

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Cchapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede provisions in the Franchise Agreement ~~in or related agreements concerning~~ your relationship with us, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the Franchise Agreement ~~in or related agreements concerning~~ your relationship with us. Provisions in the Franchise Agreement, including ~~the areas of termination and renewal of your~~ those summarized in Item 17 of the fFranchise Disclosure Document, are subject to state law.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, ~~a franchisee~~you may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed ~~by ain the fFranchisee may not include rights~~Agreement or related agreements purporting to bind you to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

Provisions ~~such as those which~~ contained in the Franchise Agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable only to the extent that they reflect ~~the franchisor's~~ our reasonable estimated or actual costs in effecting a transfer.

You may terminate the Franchise Agreement under any grounds permitted under state law.

Any provisions in the Franchise Agreement or related agreements that permit us to repurchase your business for any reason during the term of the Franchise Agreement without your consent is unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

Any provision in the Franchise Agreement or related agreements that requires you to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, any provisions contained in the Franchise Agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

Any provisions in the Franchise Agreement or related agreements stating that we may exercise our discretion on the basis of our reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

Any provision in the Franchise Agreement or related agreements requiring you to indemnify, reimburse, defend, or hold us or other parties harmless is hereby modified such that you have no obligation to indemnify, reimburse, defend, or hold us or any other indemnified party harmless for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

If the Franchise Agreement or related agreements require you to reimburse us for court costs or expenses, including attorneys' fees, such provision applies only if we are the prevailing party in any judicial or arbitration proceeding.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result,

any provisions contained in the ~~f~~Franchise ~~a~~Agreement or elsewhere that conflicts with these limitations ~~are~~is void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the ~~f~~Franchise ~~a~~Agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or ~~any~~ other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Any provision in the Franchise Agreement or related agreements that prohibits you from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents us and is paid a fee for referring prospects to us and/or selling the franchise. If you are working with a franchise broker, you are advised to carefully evaluate any information provided by the franchise broker about a franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

FRANCHISEE

[Name of Franchisee]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA, HAWAII, INDIANA, MICHIGAN, RHODE ISLAND, SOUTH DAKOTA,
VIRGINIA AND WISCONSIN**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** Franchisor and Franchisee are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Rider (the “Franchise Agreement”). This Rider is part of the Franchise Agreement.

2. **No Waiver of Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Indiana, Michigan, Rhode Island, South Dakota, Virginia or Wisconsin:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Franchise Agreement.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

FRANCHISEE

[Name of Franchisee]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**THE FOLLOWING PAGES ARE
STATE-SPECIFIC RIDERS TO THE
SHOP DEVELOPMENT AREA AGREEMENT**

**RIDER TO THE POTBELLY FRANCHISING, LLC
SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you,” “your” or “Developer”).

1. Background. We and you are parties to that certain Shop Development Area Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “SDAA”). This Rider is annexed to and forms part of the SDAA. This Rider is being signed because (a) any of the offering or sales activity relating to the SDAA occurred in the State of Illinois and the Development Area under the SDAA will be located in the State of Illinois, and/or (b) you are a resident of Illinois.

2. Consent to Jurisdiction. Section 10.07. of the SDAA is deleted in its entirety and replaced with the following:

IN CONFORMANCE WITH SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, ANY PROVISION IN A SDAA THAT DESIGNATES JURISDICTION AND VENUE IN A FORUM OUTSIDE OF THE STATE OF ILLINOIS IS VOID. HOWEVER, A SDAA MAY PROVIDE FOR ARBITRATION TO TAKE PLACE OUTSIDE OF ILLINOIS.

3. Jury Trial Waiver. The following language is added to the end of the second paragraph of Section 10.10. of the SDAA:

HOWEVER, THIS WAIVER SHALL NOT APPLY TO THE EXTENT PROHIBITED BY SECTION 705/41 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT OF 1987 OR ILLINOIS REGULATIONS AT SECTION 260.609.

4. Illinois Franchise Disclosure Act. The following is added as a new Subsection 10.22. of the SDAA:

10.22. Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

5. No Waiver of Disclaimer of Reliance. The following provision is added to the SDAA: No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement,

or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN MARYLAND**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~ 500 West Madison Street, Suite ~~325~~ 1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Shop Development Area Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “SDAA”). This Rider is annexed to and forms part of the SDAA. This Rider is being signed because (a) you are a resident of Maryland, and/or (b) the Development Area will located in the State of Maryland.

2. Your Acknowledgments. Section 1.02 of the SDAA is revised to delete (a) the first four sentences therefrom, and (b) the phrase “or relied on” from the fifth sentence.

3. Arbitration. The following language is added at the end of Section 10.06 of the SDAA:

This SDAA provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. Consent to Jurisdiction. The following language is added to the end of Section 10.07. of the SDAA:

However, subject to the parties’ arbitration obligations, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Limitation of Claims. The following language is added to the end of Section 10.11 of the SDAA:

Any claims arising under the Maryland Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Representations. The following language is added as a new Section 10.22 of the SDAA:

All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

7. No Waiver of Disclaimer of Reliance. The following provision is added to the SDAA:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Shop Development Area Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “SDAA”). This Rider is annexed to and forms part of the SDAA. This Rider is being signed because (a) any of the offering or sales activity relating to the SDAA occurred in the State of Minnesota, and/or (b) the Development Area will be located in the State of Minnesota.

2. Termination of Agreement. The following language is added at the end of Section 8 of the SDAA:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. §80C.14 Subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of this SDAA.

3. Governing Law/Consent to Jurisdiction. The following language is added to the end of Sections 10.07. and 10.08. of the SDAA:

MINNESOTA STATUTES, SECTION 80C.21 AND MINNESOTA RULE 2860.4400(J) PROHIBIT THE FRANCHISOR FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA, REQUIRING WAIVER OF A JURY TRIAL, OR REQUIRING THE DEVELOPER TO CONSENT TO LIQUIDATED DAMAGES, TERMINATION PENALTIES OR JUDGMENT NOTES. IN ADDITION, NOTHING IN THE FRANCHISE DISCLOSURE DOCUMENT OR AGREEMENTS CAN ABROGATE OR REDUCE ANY OF DEVELOPER’S RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C OR DEVELOPER’S RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.

4. Jury Trial Waiver. The second paragraph of Section 10.10. of the SDAA is deleted to the extent unenforceable under the Minnesota Franchises Law.

5. Limitations of Claims. The following sentence is added to the end of Section 10.11. of the SDAA:

Minnesota law provides that no action may be commenced pursuant to Minn. Stat. §80C.17 more than three (3) years after the cause of action accrues. Minn. Stat. §80C.17, Subd. 5.

6. No Waiver of Disclaimer of Reliance. The following provision is added to the SDAA:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 60601 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Shop Development Area Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “SDAA”). This Rider is annexed to and forms part of the SDAA. This Rider is being signed because (a) any of the offering or sales activity relating to the SDAA occurred in the State of New York, and/or (b) you are a resident of New York and the Development Area will be located in New York.

2. Transfer by Us. The following language is added to the end of Section 7.01. of the SDAA:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. Termination by You. The following language is added at the end of Section 8 of the SDAA:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. Governing Law/Consent to Jurisdiction. The following language is added to the end of Sections 10.07. and 10.08. of the SDAA:

HOWEVER, TO THE EXTENT REQUIRED BY ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK, THIS SECTION SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK AND THE REGULATIONS ISSUED THEREUNDER.

5. Limitations of Claims. The following sentence is added to the end of Section 10.11. of the SDAA:

To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

6. No Waiver of Disclaimer of Reliance. The following provision is added to the SDAA:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Application of Rider. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled, and the franchise will be opened, in New York. We are required to furnish a New York prospectus to every prospective franchisee and developer who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN NORTH DAKOTA**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~ 500 West Madison Street, Suite ~~325~~ 1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Shop Development Area Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “SDAA”). This Rider is annexed to and forms part of the SDAA. This Rider is being signed because (a) you are a resident of the State of North Dakota and the Development Area will be located in the State of North Dakota, and/or (b) any of the offering or sales activity relating to the SDAA occurred in the State of North Dakota.

2. Arbitration. The following language is added to the end of Section 10.06. of the SDAA:

However, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings will be held at a site to which we and you agree.

3. Consent to Jurisdiction. The following language is added to the end of Section 10.07. of the SDAA:

HOWEVER, TO THE EXTENT REQUIRED BY APPLICABLE LAW, YOU MAY BRING AN ACTION IN NORTH DAKOTA.

4. Governing Law. The following language is added to the end of Section 10.08. of the SDAA:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, NORTH DAKOTA LAW WILL APPLY TO THIS AGREEMENT.

5. Waiver of Jury Trial. If and then only to the extent required by the North Dakota Franchise Investment Law, the second paragraph of Section 10.10. of the SDAA is deleted.

6. Limitations of Claims. Section 10.11. of the SDAA is amended by adding the following language:

The time limitations set forth in this Subsection might be modified by the North Dakota Franchise Investment Law.

7. No Waiver of Disclaimer of Reliance. The following provision is added to the SDAA:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC
SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. Background. We and you are parties to that certain Shop Development Area Agreement dated _____, 20__ that has been signed at the same time as this Rider (the “SDAA”). This Rider is annexed to and forms part of the SDAA. This Rider is being signed because (a) you are a resident of the State of Washington and/or (b) the Development Area will be located in the State of Washington and/or (c) any of the offering or sales activity relating to the SDAA occurred in the State of Washington.

2. Addition of Paragraphs. The following is added to the end of the SDAA:

~~In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “Act”), the SDAA of Potbelly Franchising, LLC shall be modified as follows:~~

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~C~~hapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede provisions in the SDAA ~~in~~or related agreements concerning your relationship with us, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may~~that supersede the SDAA ~~in~~or related agreements concerning your relationship with us. Provisions in the SDAA, including the areas of termination and renewal of your those summarized in Item 17 of the FFranchise Disclosure Document, are subject to state law.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the SDAA, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed ~~by a developer may not include rights~~in the SDAA or related agreements purporting to bind you to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

Provisions ~~such as those which~~ contained in the SDAA or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable only to the extent that they reflect ~~the franchisor's~~ our reasonable estimated or actual costs in effecting a transfer.

You may terminate the SDAA under any grounds permitted under state law.

Any provisions in the SDAA or related agreements that permit us to repurchase your business for any reason during the term of the SDAA without your consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

Any provision in the SDAA or related agreements that requires you to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, any provisions contained in the SDAA or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

Any provisions in the SDAA or related agreements stating that we may exercise our discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

Any provision in the SDAA or related agreements requiring you to indemnify, reimburse, defend, or hold us or other parties harmless is hereby modified such that you have no obligation to indemnify, reimburse, defend, or hold us or any other indemnified party harmless for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

If the SDAA or related agreements require you to reimburse us for court costs or expenses, including attorneys' fees, such provision applies only if we are the prevailing party in any judicial or arbitration proceeding.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee ~~or developer~~, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee ~~or developer~~ under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions

contained in the ~~shop-development-area-agreement~~ SDAA or elsewhere that conflict with these limitations ~~are~~ is void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee ~~or-developer~~ from (i) soliciting or hiring any employee of a franchisee ~~or-developer~~ of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the ~~shop-development-area-agreement~~ SDAA or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or ~~any~~ other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Any provision in the SDAA or related agreements that prohibits you from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents us and is paid a fee for referring prospects to us and/or selling the franchise. If you are working with a franchise broker, you are advised to carefully evaluate any information provided by the franchise broker about a franchise.

IN WITNESS WHEREOF, the parties have signed and delivered this Rider on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

**RIDER TO THE POTBELLY FRANCHISING, LLC SHOP DEVELOPMENT AREA AGREEMENT
FOR USE IN CALIFORNIA, HAWAII, INDIANA, MICHIGAN, RHODE ISLAND, SOUTH DAKOTA,
VIRGINIA AND WISCONSIN**

This Rider (the “Rider”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”).

1. **Background.** Franchisor and Franchisee are parties to that certain Shop Development Agreement that has been signed at the same time as the signing of this Rider (the “SDAA”). This Rider is part of the SDAA.

2. **No Waiver of Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Indiana, Michigan, Rhode Island, South Dakota, Virginia or Wisconsin:

No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Franchise Agreement.

POTBELLY FRANCHISING, LLC, an
Illinois limited liability company

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

DEVELOPER

[Name of Developer]

By: _____
[Signature]

Name: _____
[Print Name]

Title: _____

DATED: _____

EXHIBIT J-1

LIST OF FRANCHISEES/AREA DEVELOPERS

Ex. J-1

LIST OF FRANCHISEES AS OF 12/29/2024

Shop No.	Franchisee Company Name	Franchisee	Address	City	State	Zip	Phone
578	Toasted Crumbs, LLC	McPherson, Cody¹	1853 East Highland Drive	Jonesboro	AR	72401	(870) 336-3102
538	Stove II, LLC	Hamra, Ryan¹	401 W. Capitol	Little Rock	AR	72201	(501) 747-1297
516	Stove, LLC	Hamra, Ryan ¹	314 S. University, Ste. 160	Little Rock	AR	72205	(501) 660-4441
579	Potbelly Dani Rd LLC	Sims, Tommy¹	8475 Dani Drive	Fort Myers	FL	33966	(239) 666-1015
538 75	Stove II PB Largo, LLC	Hamra Asmar, Ryan Amer¹	401 W. Capitol Boulevard	Little Rock Largo	AR FL	72201 33778	(501) 727-742
565	Sugarland Investment Group LLC	Nasir, Shari/Malik, Imran¹	2714 East Colonial Drive	Orlando	FL	32803	(407) 613-5144
586	Incaudo, Inc.	Zac Incaudo¹	100 Bluefish Drive, #103	Panama City Beach	FL	32413	(850) 708-3020
595	PB Plant City LLC	Asmar, Amer¹	234 W. Alexander St., Ste. 103	Plant City	FL	33563	(813) 603-6350
572	PB Fourth St, LLC	Asmar, Amer¹	5004 4th Street N.	St. Petersburg	FL	33703	(727) 620-2942
543	Paradies Lagardé	Guillaume, Claude	Tampa Intl. Airport 4100 George J Bean Pkwy.	Tampa	FL	33607	(813) 387-9844
574	PB New Tampa, LLC	Asmar, Amer¹	18027 Highwoods Preserve	Tampa	FL	33647	(813) 540-1858
563	RTA Restaurant Group, LLC	Asmar, Amer ¹	4736 N. Dale Mabry Hwy.	Tampa	FL	33614	(813) 380-1514
564	RTA Restaurant Group, LLC	Asmar, Amer ¹	2520 S. Falkenburg Road	Tampa	FL	33619	(813) 384-818
528	Iowa Belly, LLC	Goldammer, Paul	2310 Lincon Way	Ames	IA	50014	(515) 520-8651
544	DT Des Belly	Goldammer, Paul	604 Locust Street	Des Moines	IA	50309	(515) 957-4903
542	West Des Belly, Inc.	Goldammer, Paul	6305 Mills Civic Parkway	W. Des Moines	IA	50266	(515) 380-9662
571	I'm a Wreck, LLC	Wilbern, Rob	803 West Anthony Drive	Champaign	IL	61822	(708) 515-4967
507	Aloha L'Oven, Inc.	Ackerman, Jeff	318 W. Washington Street	E. Peoria	IL	61611	(309) 698-2100
535	Aloha L'Oven, Inc.	Ackerman, Jeff	10408 N. Centerway Drive	Peoria	IL	61615	(309) 240-8332
580	I'm a Wreck, LLC	Wilbern, Rob	228 West Miller Street	Springfield	IL	62702	(217) 970-2825
540	Lettuce Feed You 1 LLC	Umthum, Justin	501 East Coliseum Blvd.	Fort Wayne	IN	46825	(260) 471-3138
528	Iowa-Belly, LLC	Goldammer, Paul	2310 Lincon Way	Ames	IA	50014	(515) 520-8651
544	DT Des Belly	Goldammer, Paul	604 Locust Street	Des Moines	IA	50309	(515) 957-4903
542	West Des Belly, Inc.	Goldammer, Paul	6305 Mills Civic Parkway	W. Des Moines	IA	50266	(515) 380-9662
504	Lettuce Feed You 2 LLC	Umthum, Justin	302 South 4th Street	Louisville	KY	40202	(502) 540-1100
512	Lettuce Feed You 3 LLC	Umthum, Justin	4023 Summit Plaza Drive	Louisville	KY	40241	(502) 420-9616
531	Lettuce Feed You 3 LLC	Umthum, Justin	9018 Taylorsville Road	Louisville	KY	40299	(502) 290-4820
5117	PBSW MD, Inc.	Keil, Bryant ¹	4731 Elm Street	Bethesda	MD	20814	(240) 497-0150
5398	PBSW MD, Inc.	Keil, Bryant ¹	3900 Town Center Blvd.	Bowie	MD	20716	(240) 556-0023
5311	PBSW MD, Inc.	Keil, Bryant ¹	23064 Three Notch Rd., Ste. 101	California	MD	20619	(301) 880-7302

LIST OF FRANCHISEES AS OF 12/29/2024

5605	PBSW MD, Inc.	Keil, Bryant ¹	4459 Willard Avenue	Chevy Chase	MD	20815	(301) 818-6333
5050	PBSW MD, Inc.	Keil, Bryant ¹	7422 Baltimore Avenue	College Park	MD	20740	(301) 209-0635
5170	PBSW MD, Inc.	Keil, Bryant ¹	10260 Baltimore Avenue	College Park	MD	20740	(301) 474-3333
<u>591</u>	<u>PBSW MD, Inc.</u>	<u>Keil, Bryant¹</u>	<u>211 Shorebird St., Ste. A</u>	<u>Frederick</u>	<u>MD</u>	<u>21701</u>	<u>(240) 575-9038</u>
5073	PBSW MD, Inc.	Keil, Bryant ¹	128 Boardwalk Place	Gaithersburg	MD	20878	(301) 963-4055
5451	PBSW MD, Inc.	Keil, Bryant ¹	544 N. Frederick Avenue	Gaithersburg	MD	20878	(301) 591-5998
5340	PBSW MD, Inc.	Keil, Bryant ¹	20940 Frederick Road, Space F	Germantown	MD	20876	(240) 499-7850
5198	PBSW MD, Inc.	Keil, Bryant ¹	146 National Plaza, Bldg. D	Oxon Hill	MD	20745	(301) 686-1160
5013	PBSW MD, Inc.	Keil, Bryant ¹	199 Montgomery Avenue	Rockville	MD	20850	(301) 738-1222
5420	PBSW MD, Inc.	Keil, Bryant ¹	12273 Tech Road	Silver Spring	MD	20904	(240) 485-3073

<u>Shop No.</u>	<u>Franchisee Company Name</u>	<u>Franchisee</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Phone</u>
529	Paradies Lagardé	Guillaume, Claude	Detroit Metropolitan Airport Concourse C, Center Point Gate C1	Detroit	MI	48242	(734) 941-3488
552	Katobelly Inc.	Goldammer, Paul	1859 Madison Avenue	Mankato	MN	56001	(507) 388-1860
537	GRN, LLC	Nystrom, Erin Nystrom, William Rogness, John Rogness, Sandy	3801 Marketplace Drive	Rochester	MN	55901	(507) 226-8686
547	385 Tigers, LLC	Nelson, Fabian¹	5400 Goodman Road	Olive Branch	MS	38654	(662) 890-9899
513	STL Sandwich Group, Inc.	Stimson, Todd	12 S. Bemiston	Clayton	MO	63105	(314) 202-8001
505	STL Sandwich Group, Inc.	Stimson, Todd	11615 Olive Boulevard	Creve Coeur	MO	63141	(314) 991-6800
539	STL Sandwich Group, Inc.	Stimson, Todd	1950 1st Capitol Drive	St. Charles	MO	63301	(636) 757-3690
<u>51947</u>	Frantz Management- Company <u>385 Tigers, LLC</u>	Frantz, Craig <u>Nelson,</u> <u>Fabian¹</u>	2056 North 117th Avenue, Ste. A-1 <u>5400 Goodman Road</u>	Omaha <u>Olive Branch</u>	NE <u>MS</u>	63816 <u>54</u>	(406) 916-4513 <u>890-9899</u>
568	Veritasfaytheeleven L.L.C.	Persson, Eric	6580 S. Rainbow Blvd., Ste. 102	Las Vegas	NV	89118	(702) 902-3562
569	Veritasfaytheeleven L.L.C.	Persson, Eric	3578 St. Rose Pkwy.	Las Vegas	NV	89052	(702) 463-8303
Shop No.	Franchisee Company Name	Franchisee	Address	City	State	Zip	Phone
561	LaGuardia Hospitality Group, LLC	Himani, Salmaan	LaGuardia Airport,- Terminal C	Flushing	NY	11371	(917)- 536-3918
5252	PB-44ST LLC	Paramjit, Josan¹- Singh,	150 E. 44th Street	New York	NY	10017	(646)- 289-4202

LIST OF FRANCHISEES AS OF 12/31/2023

		Manny					
5254	PB-30ROCK LLC	Paramjit, Josani¹- Singh, Manny	30 Rockefeller Plaza	New York	NY	10112	(646)- 289-4203
5255	PB-17ST LLC	Paramjit, Josani¹- Singh, Manny	22 E. 17th Street	New York	NY	10003	(646)- 289-4204
5257	PB-37ST LLC	Paramjit, Josani¹- Singh, Manny	501 7th Street	New York	NY	10018	(646)- 289-4205
5264	PB-Chambers LLC	Paramjit, Josani¹- Singh, Manny	280 Broadway	New York	NY	10007	(646)- 289-4206
5273	PB-56ST LLC	Paramjit, Josani¹- Singh, Manny	46 W. 56th Street	New York	NY	10019	(646)- 289-4210
5274	PB-52ST LLC	Paramjit, Josani¹- Singh, Manny	150 E. 52nd Street	New York	NY	10022	(646)- 289-4208
5280	PB-Broad-ST LLC	Paramjit, Josani¹- Singh, Manny	90 Broad Street G103	New York	NY	10004	(646)- 289-4211
554	GenX Enterprise LLC	Kishore, Mohit ¹ Bhakar, Tulshi	1108 Parkside Main Street	Cary	NC	28277	(980) 272-9586
~~5530~~	Breaking Bread ~~Ballantyne~~ LLC	Patel, Shakti ¹ Patel, Chirag Patel, Sunil Patel, Vipul	~~320 S. Tryon Street~~ <u>11611 N. Community House Rd. Ste. A</u>	Charlotte	NC	282 ~~0277~~	(980) ~~272-9586-5324~~
551	Breaking Bread II LLC	Patel, Shakti ¹ Patel, Chirag Patel, Sunil Patel, Vipul	4620 Piedmont Drive, Ste. 140	Charlotte	NC	28210	(704) 900-8159
~~5530~~	Breaking Bread ~~Ballantyne~~ LLC	Patel, Shakti ¹ Patel, Chirag Patel, Sunil Patel, Vipul	~~11611 N. Community House Rd. Ste. A~~ <u>320 S. Tryon Street</u>	Charlotte	NC	282 ~~7702~~	(980) ~~272-9586-5324~~
562	Denard Enterprises, Inc.	Johnson, Frank	Charlotte Douglas Intl. Airport D/E Food Court 5501 Josh Birmingham Parkway	Charlotte	NC	28208	(704) 733-9026
559	GenX Endeavors L.L.C.	Kishore, Mohit ¹ Bhakar, Tulshi	6815 Fayetteville Rd., Ste. 101	Durham	NC	27713	(919) 908-7000
<u>582</u>	<u>MSS Fort Liberty, LLC</u>	<u>Patel, Shakti¹</u>	<u>3905 Honeycutt Road</u>	<u>Fort Liberty</u>	<u>NC</u>	<u>28307</u>	<u>(910) 941-9090</u>

LIST OF FRANCHISEES AS OF

522	Fatimead Enterprise LLC	Baig, Ralph	14215 FM 2920 Road, Ste. 100	Tomball	TX	77377	(832) 843-6812
5440	Sound Sandwich Utah, LLC	Verma, Vishi¹	130 W. 10600 S.	Sandy	UT	84070	(801) 307-4830
546	Virginia Belly Ventures, LLC	Duke, David	853 W. Main Street	Charlottesville	VA	22903	(434) 977-0377
508	MAD Belly Ventures, LLC	Duke, David	10921 West Broad Street	Glen Allen	VA	23060	(804) 747-1782
558	Duke Belly Ventures, LLC	Duke, David	1760 E. Market Shops	Harrisonburg	VA	22801	(540) 442-3255
524	Richmond Belly Ventures, LLC	Duke, David	Gateway Plaza 800 E. Canal Street, Ste. 110	Richmond	VA	23219	(804) 728-1577
557	Scotts Belly Ventures, LLC	Duke, David	1400 N. Boulevard	Richmond	VA	23230	(804) 562-2949
5247	Sound Sandwich, LLC	Verma, Vishi ¹	10608 NE 4 th Street	Bellevue	WA	98004	(425) 214-0099
5374	Sound Sandwich, LLC	Verma, Vishi ¹	15425 NE 24 th Street	Bellevue	WA	98007	(425) 214-8600
5358	Sound Sandwich, LLC	Verma, Vishi ¹	19122 112 th Ave., NE, Ste. 207	Bothell	WA	98011	(425) 419-5576
5346	Sound Sandwich, LLC	Verma, Vishi ¹	755 N.W. Gilman Blvd., Ste. O	Issaquah	WA	98027	(425) 394-5265
5271	Sound Sandwich, LLC	Verma, Vishi ¹	8867 161 st Avenue NE, Ste. A-1	Redmond	WA	98052	(425) 285-5107
5301	Sound Sandwich, LLC	Verma, Vishi ¹	727 N. 10 th Street	Renton	WA	98057	(425) 207-1688
5258	Sound Sandwich, LLC	Verma, Vishi ¹	1111 3 rd Avenue, #LO801	Seattle	WA	98101	(206) 204-0079
5287	Sound Sandwich, LLC	Verma, Vishi ¹	1208 Madison Street, #121	Seattle	WA	98104	(206) 454-8520
5407	Sound Sandwich, LLC	Verma, Vishi ¹	2030 6 th Avenue	Seattle	WA	98121	(206) 858-4288

SHOPS OPENED IN 2024

FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED AS OF 12/29/2024

637	Toasted NWA Store 1, LLC	Hamra, Ryan¹ McPherson, Cody¹ Montgomery, Tiffany¹	1853 East Highland Drive	Jonesboro	AR	72401	TBD
~~565~~ 88	~~Sugarland Investment-~~ GroupRRGPB Of Florida, LLC	~~Pianin, Randy¹~~ ~~Nasir, Shari¹-~~ ~~Malik,~~ ~~ImranSchmickle,~~ ~~Michael¹ Negron,~~ ~~Robert~~	~~2714 East Colonial Drive~~ 1203 NE Pine Island Road	~~Orlando~~ Cape Coral	FL	~~328390~~ 329	~~(407)-~~ ~~613-5144~~ TBD
573	PB Clearwater Mall, LLC	Asmar, Amer¹	20505 US Highway 19N	Clearwater	FL	33764	TBD
597	Deli One Foods LLC	Alidino, Danish¹ Gillani, Barkat¹ Ali, Zishan¹ Huda, Zain¹	870 N. US 27	Lady Lake	FL	32159	TBD
~~57~~ 621	I'm ~~a~~ Wreck, LLC	~~Robert~~ Wilbern ¹ , Robert¹	~~803 West Anthony Drive~~ 3061 Wabash Avenue	~~Champaign~~ Springfield	IL	~~61822~~ 704	~~(708)-~~ ~~515-4967~~ TBD
587	GenX Investments LLC	Kishore, Mohit¹ Bhakar, Tulshi¹	2820 Teachey Place	Apex	NC	27523	TBD
625	GenX Undertakings LLC	Kishore, Mohit¹ Bhakar, Tulshi¹	6675 Falls of Neuse Road	Raleigh	NC	27615	TBD
618	MFG Sandwich Works, LLC	McMullen, Garrett¹	1024-1056 Gold Hill Road	Fort Mill	SC	29708	TBD
599	Sound Sandwich Utah, LLC	Verma, Vishi¹	1321 N. Wall Avenue	Ogden	UT	84404	TBD

EXHIBIT J-2

**FRANCHISEES/AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM
AS OF DECEMBER 31, 202~~3~~4**

Ex. J-2

EXHIBIT J-2

FRANCHISEES WHO HAVE LEFT THE SYSTEM AS OF DECEMBER ~~31~~29, 202~~3~~4

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

Colorado~~Nevada~~

~~Leanne Bertrand~~Eric Persson
~~Vessel Operating HoldCo LLC~~
~~d/b/a Reef Kitchens~~
~~Denver~~Veritasfaytheeleven, LLC
Las Vegas, NV
~~(404) 512-8095~~phone number not available)
(2 locations in ~~Denver~~Las Vegas terminated)

Washington

~~Leanne Bertrand~~
~~Vessel Operating HoldCo LLC~~
~~d/b/a Reef Kitchens~~
~~Denver, CO~~
~~(404) 512-8095~~
~~(2 locations in Seattle terminated)~~

EXHIBIT K
FORM OF GENERAL RELEASE

Ex. K

POTBELLY FRANCHISING, LLC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Potbelly Franchising, LLC (“we,” “us,” or “our”) and the undersigned franchisee, _____ ***[insert name of franchisee entity]*** (“you” or “your”), currently are parties to a Franchise Agreement dated _____ (the “Franchise Agreement”) for the operation of a Potbelly Shop at _____. You have asked us to _____ ***[insert relevant detail]***. We currently have no obligation under your Franchise Agreement or otherwise to _____ ***[repeat relevant detail]***, or we have the right under the Franchise Agreement to condition our approval on your and your owners signing a release of claims. We are willing to _____ ***[repeat relevant detail]*** if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below in consideration for our willingness to _____ ***[repeat relevant detail]***.

Consistent with the previous introduction, you, on behalf of yourself and your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our parent and other affiliated entities, and our and their respective current and former officers, directors, owners, principals, employees, agents, representatives, successors, and assigns current and former officers, directors, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the “Potbelly Parties”) from any and all claims, damages, demands, debts, causes of action, suits, duties, liabilities, costs, and expenses of any nature and kind, whether presently known or unknown, vested or contingent, suspected or unsuspected (all such matters, collectively, “Claims”), that you and any other Releasing Party now have, ever had, or, but for this Consent, hereafter would or could have against any Potbelly Party (1) arising out of or related in any way to the Potbelly Parties’ performance of or failure to perform their obligations under the Franchise Agreement before the date of your signature below, (2) arising out of or related in any way to our offer and grant to you of your Potbelly Shop franchise, or (3) otherwise arising out of or related in any way to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Potbelly Parties. You, on behalf of yourself and the other Releasing Parties, further covenant not to sue any Potbelly Party on any Claim released by this paragraph and represent that you have not assigned any Claim released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

The following language applies only to transactions with California franchisees

The parties granting the release above acknowledge a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of

executing the release which, if known by him, must have materially affected the settlement with the debtor.”

Each party granting the release above recognizes that he, she, or it may have some claim, demand, or cause of action against the released parties of which he, she, or it is unaware and unsuspecting, and which he, she, or it is giving up by signing this release. Each party granting the release above hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that such right or benefit may lawfully be waived.

POTBELLY FRANCHISING, LLC

[Name of Franchisee]

By:_____

By:_____

Title:_____

Title:_____

Date:_____

Date:_____

[Name of Owner]

[Signature and Date]

EXHIBIT L
ASSET PURCHASE AGREEMENT

Ex. L

ASSET PURCHASE AGREEMENT

By and Among
POTBELLY SANDWICH WORKS, LLC,
[BUYER], and
[GUARANTOR]

Dated as of: [•], 2024⁵

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ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** (this “**Agreement**”) is made as of [•], 2024, by and among **POTBELLY SANDWICH WORKS, LLC**, an Illinois limited liability company (“**Seller**”), [•], an [•] (“**Purchaser**”), and [•] (“**Guarantor**”). Seller, Purchaser and Guarantor are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**”.

RECITALS

WHEREAS, Seller operates the [number of shops] ([•]) “Potbelly Sandwich Shop” restaurants listed on **Exhibit A** (the “**Shops**”);

WHEREAS, Seller is the owner of a leasehold interest in each parcel of real estate where the Shops are located as set forth on **Exhibit A** (collectively, the “**Leased Real Property**”);

WHEREAS, Seller desires to transfer, assign and sell to Purchaser, and Purchaser desires to acquire and purchase from Seller, all of Seller’s right, title and interest in and to certain of the assets used or to be used exclusively in the operation of the Shops, in each case upon the terms and subject to the conditions set forth in this Agreement and the Ancillary Agreements (except as otherwise indicated, capitalized terms used but not defined in these recitals have the meaning ascribed to such terms in Section 1.01 below or referenced in Section 1.02 below);

WHEREAS, at the Closing, Seller, Purchaser and Guarantor shall enter into separate assignments of lease or subleases pursuant to which Seller shall assign the lease for Leased Real Property to Purchaser or sublease the Leased Real Property to Purchaser, each such assignment and/or sublease in form and substance acceptable to the parties thereto (collectively, the “**Assignments**” or “**Subleases**”, as applicable);

WHEREAS, in connection with the purchase of the assets described herein, upon the terms and subject to the conditions set forth herein, Purchaser and Guarantor shall execute and deliver to Seller the Franchise Documents at the Closing with respect to the Shops; and

WHEREAS, as an inducement for Seller to enter into this Agreement and in light of the indirect benefits that Guarantor anticipates deriving from the transactions contemplated hereby, Guarantor desires to fully and unconditionally guarantee Purchaser’s payment and performance of its obligations under this Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I.

CERTAIN DEFINITIONS

Section 1.01 **Certain Defined Terms.** For purposes of this Agreement, unless otherwise defined herein, capitalized terms used herein shall have the corresponding meanings set forth below:

“Action” means any action, claim, suit, litigation, hearing, complaint or proceeding by or before any Governmental Authority.

“Affiliate” means, with respect to any specified Person, any other Person that, at the time of determination, directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with, such first Person. With respect to any natural person, “Affiliate” includes such Person’s spouse, descendants, parents, and any descendants of such Person’s parents (in each case, whether by blood, adoption or marriage).

“Ancillary Agreements” means the Assignments, the Subleases, the Bill of Sale, the General Release, the Confidentiality Agreement, the Development Agreement, the Management Agreement and the Franchise Documents.

“Bill of Sale” means a bill of sale and assignment and assumption agreement to be entered into on the Closing Date and effective as of the Effective Time between Seller and Purchaser, substantially in the form attached hereto as **Exhibit B**.

“Business” means the business of owning and using the Assets and operating the Shops, in each case, as conducted by Seller as of the date of this Agreement. For the avoidance of doubt, “Business” does not include (a) the ownership or use of any assets or properties of Seller or its Affiliates other than the Assets or (b) the operations or conduct of any business activity by Seller or its Affiliates that does not relate exclusively to the Shops (including any business activity that may relate to, support or benefit one or more Shops, on the one hand, and one or more other System Shops, on the other hand).

“Business Day” means any day other than a Saturday, Sunday or other day on which banking institutions in the State of Illinois are required or authorized by Law to be closed.

“Business Locations” means the locations of the Leased Real Property.

“Cash Safe” means each safe located in a Shop pursuant to which cash from each Cash Bank located in a Shop is swept on a daily basis.

“Contract” means any contract, agreement, lease, purchase order, promise, arrangement, understanding, undertaking, indenture, commitment, loan, consent, note or other legally-binding obligation, whether written or oral and whether express or implied.

“Control”, “Controlled” or “Controlling” means, as to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or

otherwise. The terms “Controlled by” and “under common Control with” shall have correlative meanings.

“**Development Agreement**” means that certain agreement by and between Seller and Purchaser that shall address Purchaser’s non-exclusive right to develop a certain number of “Potbelly Sandwich Works” restaurants within an agreed geographic area during a limited term, all in form and substance reasonably acceptable to Seller.

“**Environmental Law**” means any law or regulation of a Governmental Authority pertaining to protection of the environment.

“**Fraud**” means, with respect to a Party, an actual and intentional fraud with respect to the making of the representations and warranties by such Party pursuant to Article IV or Article V, as applicable, provided that such actual and intentional fraud shall only be deemed to exist if (i) any representations and warranties made by such Party were actually breached when made, (ii) any of the individuals included in the definition of “Knowledge” had actual knowledge (as opposed to imputed or constructive knowledge), of such breach(es), and (iii) such representation and warranty was made with the express intention that the other Party(ies) rely thereon to its or their detriment.

“**General Release**” means a general release substantially in the form attached hereto as Exhibit C by Purchaser and Guarantor in favor of Seller.

“**Governmental Authority**” means any federal, state, local or foreign government, or subdivision or instrumentality thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state, local or foreign government, in each case having jurisdiction over the Person, property or matter in question.

“**Knowledge**” means (a) with respect to Seller, the actual knowledge of the individuals listed on Schedule 1.01(a) without inquiry or investigation and (b) with respect to Purchaser, the actual knowledge of the individuals listed on Schedule 1.01(b) without inquiry or investigation.

“**Law**” means any federal, state, local or foreign law, statute, treaty, code or ordinance, common law or any applicable rule, regulation, guideline, standard, Order or Permit of any Governmental Authority.

“**Liabilities**” means any and all debts, liabilities, expenses, commitments, obligations, duties, responsibilities and actions of any kind, character or description, whether fixed, contingent or absolute, matured or unmatured, accrued or not accrued, asserted or not asserted, known or unknown, disputed or undisputed, joint or several, secured or unsecured, liquidated or unliquidated, determined, determinable or otherwise, whenever or however arising (including any arising out of any Contract, tort, Law or otherwise) and whether or not the same would be required by applicable accounting principles or standards to be reflected in financial statements or disclosed in the notes thereto.

“**Lien**” means any option, mortgage, deed of trust, pledge, hypothecation, lien (statutory or otherwise), charge, security interest or other encumbrance (including any conditional sale or

other title retention agreement and any lease having substantially the same effect as any of the foregoing and any assignment or deposit arrangement in the nature of a security device).

“Order” means any order, writ, judgment, injunction, ruling, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Permit” means any qualifications, registrations, filings, licenses, Orders, permits, certificates of occupancy, variances, consents, approvals, validations, authorizations, accreditations, certifications, exemptions or waivers made with or issued or granted or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

“Permitted Liens” means (i) Liens for taxes or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings, (ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law for amounts not yet due, (iii) zoning, building and other generally-applicable land-use restrictions, (iv) in the case of Assigned Contracts (or rights or interests therein), Liens arising from the terms of such Assigned Contracts, (v) Liens created by this Agreement or any of the other Transaction Agreements or any of the transactions contemplated hereby or thereby, (vi) Liens created by or arising from actions of Purchaser or any Guarantor, and (vii) other Liens that do not, individually or in the aggregate, materially detract from the value of the Assets or materially interfere with the present use of the Assets in the operation of the Business.

“Person” means any natural person, corporation, partnership, joint stock company, joint venture, limited liability company, association, trust, unincorporated organization or other entity, including any Governmental Authority.

“Pro Rata Share” means, for any taxes, obligations, expenses and prepayments incurred during, billed for or otherwise relating to a Straddle Period and which are to be apportioned between Seller and Purchaser hereunder, a fraction (i) the numerator of which is the number of days in such Straddle Period that Seller or Purchaser owned and operated the Business, as applicable, and (ii) the denominator of which is the total number of days in the Straddle Period.

“Purchaser Franchise Agreements” means the Franchise Documents and any other franchise agreements or similar agreements between or among Purchaser and/or Guarantor, on the one hand, and Seller or any of its current or future Affiliates, on the other hand.

“Real Property Leases” means the Contracts set forth on Schedule 1.01(c) pursuant to which Seller, as lessee, has leased from the applicable lessor certain Leased Real Property.

“Representatives” means, as to any Person, such Person’s directors, officers, partners, managers, employees, Affiliates, representatives (including financial advisors, attorneys and accountants) or agents.

“Straddle Period” means a period of time that commences before and ends after the Closing Date.

“**System Shop**” means any restaurant or other commercial establishment offering food and beverage items at retail that is directly or indirectly owned or operated by (i) Seller or any of its current or future Affiliates, (ii) any other Person pursuant to or in connection with any franchise agreement or similar agreement with Seller or any of its current or future Affiliates or (iii) any joint venture, partnership or similar arrangement in which Seller or any of its current or future Affiliates participates.

“**Transaction Agreements**” means this Agreement, the Ancillary Agreements and any other agreements or instruments to be delivered pursuant hereto or thereto.

Section 1.02 **Table of Defined Terms**. The following capitalized terms shall have the meanings indicated in the corresponding sections of this Agreement listed below:

<u>Defined Term</u>	<u>Where Defined</u>
Action	Section 1.01
Affiliate	Section 1.01
Agreement	Preamble
Ancillary Agreements	Section 1.01
Armored Car Service	Section 6.06
Assets	Section 2.02
Assigned Contracts	Section 2.02(b)
Assignments	Recitals
Assumed Liabilities	Section 2.04
Bill of Sale	Section 1.01
Business	Section 1.01
Business Day	Section 1.01
Business Locations	Section 1.01
Cash Bank	Section 3.01
Cash Services Agreement	Section 6.06
Claim	Section 10.05(a)
Claims Notice	Section 10.05(a)
Closing	Section 2.01
Closing Amount	Section 2.05(a)
Closing Date	Section 2.01
Confidentiality Agreement	Section 12.15(a)
Contract	Section 1.01
Controlled	Section 1.01
Controlling	Section 1.01
Damages	Section 10.02
Effective Time	Section 2.01
Employees	Section 7.01
Environmental Law	Section 1.01
Equipment	Section 2.02(a)
ESIGN Act	Section 12.08
Franchise Documents	Section 3.02(a)
General Release	Section 1.01

Defined Term

Governmental Authority
Guaranteed Obligations
Guarantor
Hired Employees
IFF
Indemnitee
Indemnitor
Insurance Certificate
Inventory
IRS
Knowledge
Law
Leased Real Property
Liabilities
Lien
Management Agreement
Order
Parties
Permit
Permitted Liens
Person
Personal Property
Pro Rata Share
Purchase Price
Purchaser
Purchaser Franchise Agreements
Purchaser Indemnified Parties
Real Property Leases
Real Property Taxes
Representatives
Retained Assets
Retained Liabilities
Seller
Seller Indemnified Parties
Shops
Special Items
Straddle Period
Subleases
Suppliers
Supply Agreements
Survival Period
System Shop
Third-Party Claim
Transaction Agreements
Transfer Fees

Where Defined

Section 1.01
Section 12.16(a)
Preamble
Section 7.02
Section 2.05(b)
Section 10.05(a)
Section 10.05(a)
Section 6.09
Section 3.01
Section 2.05(d)
Section 1.01
Section 1.01
Recitals
Section 1.01
Section 1.01
Section 6.13
Section 1.01
Preamble
Section 1.01
Section 1.01
Section 1.01
Section 2.02(d)
Section 1.01
Section 2.05(a)
Preamble
Section 1.01
Section 10.02
Section 1.01
Section 3.03(a)(i)
Section 1.01
Section 2.03
Section 2.04
Preamble
Section 10.03
Recitals
Section 2.02(c)
Section 1.01
Recitals
Section 6.05(a)
Section 6.05(a)
Section 10.01
Section 1.01
Section 10.05(b)
Section 1.01
Section 6.02

ARTICLE II.

CLOSING AND RELATED MATTERS

Section 2.01 **Closing.** The closing of the transactions contemplated by this Agreement (the “**Closing**”) shall occur by electronic delivery of documentation, or by physical exchange of documentation at such location as Seller and Purchaser may mutually agree, (a) at 9:00 a.m., Central Time, on the later of (i) [•] or (ii) the first Business Day that is a Monday following the first date upon which all of the conditions set forth in Article VIII and Article IX have been satisfied or waived in writing (other than those conditions that by their nature are to be fulfilled at the Closing, but subject to the fulfillment or waiver of such conditions) or (b) at such other time, or by such other means, as the Parties may agree in writing (“**Closing Date**”). The Closing shall for all purposes be deemed to be effective at 12:01 a.m., local time at the Business Locations, on the Closing Date (the “**Effective Time**”). At the Closing, the Parties shall make all of the deliveries set forth in Section 2.06, Section 2.07 and Section 2.08. Seller shall be entitled to maintain possession of the Assets and to operate the Shops, in each case for its own account, until the Effective Time. As of the Effective Time, Purchaser shall be entitled to take possession of the Assets and to begin operating the Shops.

Section 2.02 **Assets to be Transferred.** Except as otherwise provided in Section 2.03, on the terms and subject to the conditions of this Agreement, at the Closing and effective as of the Effective Time, Seller shall sell, convey, assign and transfer to Purchaser all of Seller’s right, title and interest in and to the following properties and assets that are used exclusively in connection with the Shops (collectively, the “**Assets**”) free and clear of all Liens except for Permitted Liens:

(a) all of the furniture, trade fixtures and equipment, including, without limitation, ovens, that are owned by Seller and located at a Shop as of the Effective Time (collectively, the “**Equipment**”);

(b) to the extent assignable, the Contracts to which Seller is a party that are in effect as of the Effective Time and that relate exclusively to the Business, including those listed in Schedule 2.02(b) (collectively, the “**Assigned Contracts**”);

(c) the Cash Bank for each Shop and other prepaid and special items listed on Schedule 2.02(c) (collectively, the “**Special Items**”);

(d) the Inventory and all other inventories, supplies and other tangible personal property that are owned by Seller and located in a Shop as of the Effective Time including but not limited to counters, shelving, racks, slat walls, display cases, décor, tables, seating, signs, promotional items and materials, new and unused uniforms, smallwares and office supplies (collectively, the “**Personal Property**”).

Section 2.03 **Retained Assets.** Notwithstanding anything in this Agreement to the contrary, the Assets to be transferred and assigned by Seller to Purchaser hereunder shall exclude the following (collectively, the “**Retained Assets**”): (a) any tangible assets of Seller that are not located at a Shop at the Effective Time; (b) any intangible assets of Seller that relate to more than just the Shops; (c) any patents, trademarks, copyrights, domain names, social media

accounts or other intellectual property owned, under application or licensed by Seller or any of its Affiliates; (d) any owned real property related to the Shops (including any improvements thereon or thereat); (e) other than the Cash Bank included in the Special Items, any cash located at the Shops as of the Effective Time, including any cash in the Cash Safes as of the Effective Time; (f) any receivables related to the operations of the Shops prior to the Effective Time; (g) any deposits related to utility services; (h) any insurance policies, including all of Seller's rights in and to unearned premiums, refunds, and all claims or possible claims under such policies; (i) any current or historical files or records of Seller; (j) the application software and programs and wireless network software utilized in the point of sale (POS) system, manager's work station (MWS) and/or training work station (TWS) located in the Shops; (k) warranties and/or service agreements for the maintenance of Equipment located in the Shops, including the cash register system, coin changer, time clock, outside display board and drive-thru audio system except any warranties and/or service agreements that (i) automatically transfer to the Purchaser, as the new owner of the Equipment, (ii) do not require the consent of any third parties and (iii) do not impose any costs or expenses on Seller or its Affiliates (the "**Assignable Warranties**"); (l) any Contracts between Seller, on the one hand, and any Affiliate of Seller, on the other hand; (m) all Contracts that are not Assigned Contracts; (n) the organizational documents, minute books, equity ledgers, tax returns, books of account or other records having to do with the organization or financial performance of Seller and the Shops, (o) all benefit plans and trusts or assets related thereto as well as all employee-related or employee benefit-related files or records other than personnel files of Hired Employees; (p) any other books and records which Seller is prohibited from disclosing or transferring to Purchaser under applicable Law and is required by applicable Law to retain; (q) all rights to any action, suit or claim of any nature available to or being pursued by Seller, whether arising by way of counterclaim or otherwise; and (r) any other items disclosed on Schedule 2.03.

Section 2.04 Liabilities to be Assumed. On the terms and subject to the conditions of this Agreement, in partial consideration of the sale, transfer, conveyance and assignment to Purchaser of the Assets, as of the Effective Time, Purchaser shall assume the following debts, liabilities and obligations of Seller and/or its Affiliates (collectively, the "**Assumed Liabilities**"):

- (a) all taxes, assessments and other liabilities of Seller for which Purchaser receives a credit pursuant to Section 3.03;
- (b) the obligations and liabilities of Seller under the Assigned Contracts that accrue or arise from and after the Effective Time;
- (c) to the extent not otherwise covered by Section 2.04(b), the obligations and liabilities of Seller and/or its Affiliates that arise from and after the Effective Time described in Section 6.05(a), Section 6.06, Section 6.09(b) and Section 6.09(c);
- (d) all liabilities and obligations of Purchaser relating to severance or similar costs associated with terminated employees set forth in Section 7.01; and
- (e) all other liabilities and obligations arising out of or relating to Purchaser's ownership or operation of the Business and the Assets on or after the Effective Time.

Except for the above-listed items (a), (b), (c), or (d) or as otherwise provided in this Agreement or any other Transaction Agreement, Purchaser shall not be liable for any debts, liabilities, obligations or taxes of Seller that were incurred or accrued in connection with the operation of the Shops or the ownership or use of the Assets prior to the Effective Time (the “**Retained Liabilities**”). In no event shall Seller be liable for any debts, liabilities, obligations or taxes of Purchaser arising out of or incurred in connection with the operation of the Shops or the ownership or use of the Assets from and after the Effective Time.

Section 2.05 **Consideration.**

(a) On the terms and subject to the conditions of this Agreement, and in consideration of the sale, transfer, conveyance and assignment of the Assets, at the Closing, Purchaser shall pay to Seller the following amounts: (i) [•] Dollars (\$[•]) for the Assets (exclusive of the Special Items, and Inventory that are separately listed below); (ii) [•] Dollars (\$[•]) as the estimated value of the Special Items; (iii) [•] Dollars (\$[•]) as the estimated value of the Inventory; and (iv) a Development Fee (as defined in the Development Agreement) of [•] Dollars (\$[•]). The total of the amounts listed in (i), (ii), (iii) and (iv) is [•] Dollars (\$[•]) (collectively, the “**Closing Amount**”). The Closing Amount, as adjusted in accordance with Section 3.03(a), shall constitute the “**Purchase Price**”. The Closing Amount shall be paid to Seller by Purchaser in cash at the Closing.

(b) In addition to the Closing Amount payable pursuant to Section 2.05(a) above, Purchaser shall pay in cash to Seller at the Closing [•] Dollars (\$[•]) as the aggregate of the initial franchise fees due pursuant to the terms and conditions of the Franchise Documents (such amount, the “**IFF**”).

(c) As additional consideration for the transfer of the Assets and in consideration for the grant of franchise rights to operate the Shops, Purchaser and Guarantor shall execute and deliver to Seller at the Closing the General Release.

(d) Within forty five (45) days after the Closing Date, Seller shall deliver to Purchaser a schedule allocating the Purchase Price (including any Assumed Liabilities treated as consideration for the Assets for tax purposes) (the “**Allocation Schedule**”). The Allocation Schedule shall be prepared in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The Allocation Schedule shall be deemed final unless Purchaser notifies Seller in writing that Purchaser objects to one or more items reflected in the Allocation Schedule within thirty (30) days after delivery of the Allocation Schedule to Purchaser. In the event of any such objection, Seller and Purchaser shall negotiate in good faith to resolve such dispute; *provided, however*, that if Seller and Purchaser are unable to resolve any dispute with respect to the Allocation Schedule within thirty (30) days after Purchaser’s objection thereto, such dispute shall be resolved by [•] or, if [•] is unable to serve, another impartial nationally recognized firm of independent certified public accountants mutually appointed by Seller and Purchaser. The fees and expenses of such accounting firm shall be borne equally by Seller and Purchaser. Seller and Purchaser

agree to file their respective Forms 8594 with the Internal Revenue Service and all federal, state and local tax returns in accordance with the Allocation Schedule.

Section 2.06 **Deliveries by Seller.** At the Closing, Seller shall deliver (or cause to be delivered) the following to Purchaser:

- (a) a duly-executed counterpart of each of the Assignments, Subleases and/or Management Agreement, as applicable;
- (b) a duly-executed counterpart of the Bill of Sale;
- (c) a duly-executed counterpart of the General Release;
- (d) a duly-executed counterpart of a closing statement in form and substance satisfactory to Seller, on the one hand, and Purchaser, on the other hand;
- (e) a duly-executed counterpart of the Development Agreement; and
- (f) all such other documents, agreements, instruments, writings and certificates as Purchaser may reasonably request and that are necessary for Seller to satisfy any of its obligations hereunder.

Section 2.07 **Deliveries by Purchaser.** At the Closing, Purchaser shall deliver (or cause to be delivered) the following to Seller:

- (a) the Closing Amount by wire transfer of immediately-available funds in accordance with written instructions provided by Seller prior to the Closing;
- (b) the IFF by wire transfer of immediately-available funds in accordance with written instructions provided by Seller prior to the Closing;
- (c) a duly-executed counterpart of each of the Assignments, Subleases and/or Management Agreement, as applicable;
- (d) a duly-executed counterpart of the Bill of Sale;
- (e) a duly-executed counterpart of the General Release;
- (f) duly-executed Franchise Documents;
- (g) duly-executed electronic funds transfer account debit authorization forms;
- (h) evidence reasonably satisfactory to Seller that Purchaser has complied with its obligations under Section 6.05(a);
- (i) evidence reasonably satisfactory to Seller that Purchaser has complied with its obligations under Section 6.06;
- (j) the Insurance Certificate(s) referred to in Section 6.10;

(k) a resale certificate(s) in form and substance reasonably satisfactory to Seller regarding the Inventory;

(l) a duly-executed counterpart of a closing statement in form and substance satisfactory to Seller, on the one hand, and Purchaser, on the other hand;

(m) a duly-executed counterpart of the Development Agreement; and

(n) all such other documents, agreements, instruments, writings and certificates as Seller may reasonably request and that are necessary for Purchaser to satisfy any of its obligations hereunder.

Section 2.08 **Deliveries by Guarantor.** At the Closing, Guarantor shall deliver (or cause to be delivered) the following to Seller:

(a) a duly-executed counterpart of each of the Assignments, Subleases and/or Management Agreement, as applicable, and/or a duly-executed guaranty of same in the form attached thereto;

(b) a duly-executed counterpart of the General Release;

(c) a duly-executed counterpart of the Development Agreement;

(d) duly-executed Franchise Documents; and

(e) all such other documents, agreements, instruments, writings and certificates as Seller may reasonably request and that are necessary for such Guarantor to satisfy any of his or her obligations hereunder.

ARTICLE III.

RELATED MATTERS

Section 3.01 **Physical Inventory and Cash.** On the night immediately preceding the Effective Time, representatives of Seller and Purchaser shall (a) complete a physical inventory of all food, paper inventory, kids' meal premium and cleaning supplies located at the Shops (the "**Inventory**") and complete and sign Seller's standard inventory form and (b) count the cash to be left in the cash bank at each Shop (the "**Cash Bank**"). The value of the Inventory shall be based upon Seller's actual cost of such Inventory and the value of the cash shall be the face amount thereof. For purposes of the Closing, the Inventory and Special Items will be assumed to have a value equal to the amount specified in Section 2.05(a)(iii) and Section 2.05(a)(ii), respectively, which estimated values shall be subject to adjustment following the Closing in accordance with Section 3.03(b).

Section 3.02 **Franchise Documents.**

(a) At the Closing, Seller will deliver to Purchaser and Guarantor a copy of the Potbelly Franchising, LLC. Unit Franchise Agreement, in its current form, for each Shop, including all addenda thereto (collectively, the “**Franchise Documents**”).

(b) Within seven (7) Business Days following the Closing Date, Seller shall countersign the Franchise Documents delivered by Purchaser and Guarantor at Closing and deliver fully-executed copies thereof to Purchaser.

Section 3.03 **Apportionments.**

(a) On the Closing Date and as of the Effective Time, Purchaser and Seller shall apportion the following taxes, obligations, expenses and prepayments with respect to the Leased Real Property, Business and Assets (subject to subsequent adjustment pursuant to Section 3.03(b)) according to the actual amount attributable to Seller’s and Purchaser’s operation of the Business pre- and post-Closing if readily determinable or each Party’s Pro Rata Share if not so determinable:

(i) the ad valorem taxes, assessments and fees (collectively, the “**Real Property Taxes**”) on such tax-year or fiscal-year basis or other period, as the case may be, as such Real Property Taxes may be levied or assessed, estimated on the basis of the last available tax bill, as set forth in the applicable Lease or Sublease;

(ii) if arrangements cannot be made for separate billing, all utility charges and any other charges that are properly apportionable in accordance with the terms of this Agreement;

(iii) prepayments under the Assigned Contracts assumed by Purchaser and any other prepayments exclusively related to the Shops (including prepaid marketing or other expenses as of the Closing); and

(iv) personal property taxes, if any.

(b) Not later than ninety (90) days following the Closing Date (or if such date is not a Business Day, the immediately-following Business Day), Seller shall prepare and furnish to Purchaser a reconciliation that shall set forth the actual Inventory and Special Item amounts as of the Effective Time and the apportionment of each Party’s Pro Rata Share of all obligations, expenses and prepayments in respect of the Shops as of the Effective Time, including those contemplated by Section 3.03(a) above; provided, however, that to the extent Real Property Taxes or other expenses and charges relating to the ownership and/or occupancy of the Assets and the Leased Real Property are addressed in any Assignment or Sublease, as applicable, such amounts shall be shared as set forth in such Assignment or Sublease. Purchaser shall review such reconciliation and shall notify Seller of any objections to any amounts shown within fifteen (15) days after receipt. If such reconciliation provides that Purchaser owes Seller any amount, then Purchaser shall pay such amount shown as owed to Seller within thirty (30) days after the later to occur of (i) receipt by Purchaser of the reconciliation, or (ii) the resolution of all objections timely raised by Purchaser to the reconciliation. If such reconciliation provides that Seller owes Purchaser any amount, then Seller shall pay such amount

shown as owed to Purchaser within thirty (30) days after the later to occur of (A) receipt by Purchaser of the reconciliation, or (B) the resolution of all objections timely raised by Purchaser to the reconciliation.

(c) In addition to the adjustments and payments contemplated above, Seller and Purchaser agree to make payments to each other on a timely basis with respect to amounts and adjustments not correctly ascertained pursuant to Section 3.03(a) and Section 3.03(b) when the correct amount of any amounts to be adjusted or apportioned pursuant to this Section 3.03 are ascertained.

Section 3.04 **Cash and Cash Equivalents.**

(a) As soon as practicable following the Effective Time, Seller shall cause all cash in the Cash Safes to be removed from the Shops. Purchaser shall not withdraw or remove any cash from any such Cash Safe until Seller has caused such cash to be collected from the Cash Safes. Purchaser shall reasonably cooperate with Seller and its Representatives to facilitate such collection. For the avoidance of doubt, all such cash in the Cash Safes as of the Effective Time shall remain the property of Seller.

(b) With respect to any coupons, gift certificates and gift cards issued for use at the Shops prior to the Effective Time, Purchaser shall honor all such coupons, gift certificates and gift cards presented for payment at the Shops. Following the Effective Time, Purchaser will be required, pursuant to the Franchise Documents, to participate in Seller's gift card program.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as disclosed in the corresponding schedules attached hereto (it being understood and agreed by the Parties that disclosure of any item in any such schedule shall be deemed disclosed with respect to each other such schedule to which the relevance of such item is reasonably apparent), Seller hereby represents and warrants to Purchaser the following, as of the date of this Agreement and as of the Closing Date:

Section 4.01 **Corporate Organization.** Seller is a limited liability company duly incorporated and in good standing under the Laws of the State of Illinois, and is duly qualified and authorized to do business as a foreign corporation in good standing in each other state or states in which any of the Business Locations are located.

Section 4.02 **Authority.** Seller has full power and authority, in accordance with its articles of incorporation and other organizational documents, to conduct the Business as it is now being conducted, and to enter into and perform its obligations under this Agreement and the other Transaction Agreements and to carry out the transactions contemplated hereby and thereby. All corporate action on the part of Seller necessary for the authorization, execution and delivery of this Agreement and the other Transaction Agreements and the performance of all obligations

of Seller hereunder and thereunder has been duly taken or will be taken prior to the execution by Seller of each Transaction Agreement.

Section 4.03 **Validity**. This Agreement has been, and the other Transaction Agreements to which Seller is a party when executed and delivered by Seller will be, duly executed and delivered by Seller and, assuming the due execution and delivery of such agreements by the other parties thereto, constitute the legal, valid and binding obligations of Seller enforceable in accordance with their respective terms.

Section 4.04 **No Defaults**. Except as set forth in Schedule 4.04, neither the execution and delivery of this Agreement nor the other Transaction Agreements nor the consummation of the transactions contemplated hereby and thereby will: (a) violate any provision of the articles of incorporation or other organizational documents of Seller; (b) to the Knowledge of Seller, violate, or conflict with, or constitute a default (or constitute an event that, with notice or lapse of time or both, would constitute a default) under, or give rise to any monetary penalty, right of termination, cancellation or acceleration under, any material Contract to which Seller is a party or by which it or any of the Assets may be bound; (c) violate any Law applicable to either Seller or any of the Assets; or (d) require any notice to, filing with, or authorization, consent or approval of any Governmental Authority to be made or obtained by Seller prior to the Closing Date except, in the case of this subsection (d), for such notices, filings, authorizations, consents or approvals as will have been made or obtained, as applicable, on or before the Closing Date.

Section 4.05 **Title to Assets**. Seller has valid title to, or a valid leasehold interest in, all of the Assets, as further described in this Agreement, free and clear of any Liens except Permitted Liens. As of the Effective Time, Seller will convey to Purchaser the Assets free and clear of all Liens except for Permitted Liens.

Section 4.06 **Assigned Contracts and Real Property Leases**. With respect to each Assigned Contract and each Real Property Lease, assuming the due authorization, execution and delivery thereof by the other party or parties thereto, (a) each such Assigned Contract and Real Property Lease is a valid, binding and enforceable obligation of Seller and, to the Knowledge of Seller, each other party thereto, in accordance with its terms and is in full force and effect, and (b) Seller has not received any written notice that it is, and, to the Knowledge of Seller, no other party thereto is, in material default in the performance, observance or fulfillment of any obligation, covenant or condition contained in such Assigned Contract or Real Property Lease. To the Knowledge of Seller, no event or occurrence has transpired that, with the passage of time or giving of notice or both, will constitute a material default under any Assigned Contract or Real Property Lease. At the time of the Closing, Seller shall have made all payments and performed all obligations due through the Closing Date under each Assigned Contract or Real Property Lease.

Section 4.07 **Permits**. As of the date hereof, Seller has all material Permits as are necessary to conduct the Business as presently conducted. All such Permits are valid and in full force and effect. Seller is not the subject of any pending and has not received written notice of any action seeking the revocation, suspension, termination or material modification or impairment of any such Permits.

Section 4.08 **Compliance with Applicable Law.** As of the date hereof, to the Knowledge of Seller, Seller has received no written notices or communications that (a) it is not in compliance in all material respects with all Laws applicable to the Business including those relating to zoning, health, safety, and employment, or (b) the present operation of the Shops violates any such Laws in any material respect. To the Knowledge of Seller, Seller is in compliance in all material respects with all Laws applicable to Seller's operation of the Shops or ownership or use of the Assets.

Section 4.09 **Litigation.** Except as may be set forth in Schedule 4.09, as of the date hereof, no Action is pending or, to the Knowledge of Seller, threatened against Seller in connection with the Business that, if adversely determined, would have a material adverse effect on the Business. Except as may be set forth in Schedule 4.09, as of the date hereof, there are no Actions pending or, to the Knowledge of Seller, threatened against Seller relating to the Business that are not covered by insurance or as to which an insurer has reserved any right to deny coverage.

Section 4.10 **Brokers and Finders.** Neither Seller nor any of its Representatives has taken any action with respect to any broker or finder that would give rise to any liability on the part of Purchaser or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement that would give rise to any liability on the part of Purchaser.

Section 4.11 **Environmental Matters.** As of the date hereof, to Seller's Knowledge, Seller has not received any written notice alleging any liability arising out of, based on or resulting from, any violation, or alleged violation, of any Environmental Law with respect to the Leased Real Property. To Seller's Knowledge, Seller has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, released, or exposed any Person to, any substance that has given rise to any liabilities or investigative, corrective or remedial obligations pursuant to any Environmental Law, or that has been determined to be hazardous to human health under applicable Law, with respect to the Leased Real Property

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF PURCHASER AND GUARANTOR

Except as disclosed in the corresponding schedules attached hereto (it being understood and agreed by the Parties that disclosure of any item in any such schedule shall be deemed disclosed with respect to each other such schedule to which the relevance of such item is reasonably apparent), Purchaser and Guarantor, jointly and severally, hereby represent and warrant to Seller the following, as of the date of this Agreement and as of the Closing Date:

Section 5.01 **Organization.** Purchaser is a [corporation/limited liability company/limited partnership] duly organized, validly existing and in good standing under the Laws of the State of [●], and is duly qualified and authorized to do business as a foreign limited liability company in good standing in each other state or states in which any of the Business Locations are located, which includes Purchaser's registration in the State of [●] as [●]. If an

entity, Guarantor is a [corporation/limited liability company/limited partnership] duly organized, validly existing and in good standing under the Laws of the State of [•].

Section 5.02 **Authority**. Purchaser and, if an entity, Guarantor, has full power and authority, in accordance with its certificate or articles of incorporation or organization, bylaws, operating agreement and/or other constituent documents, to carry out its business as presently conducted, to enter into and perform its obligations under this Agreement and the other Transaction Agreements and to carry out the transactions contemplated hereby and thereby. All entity actions on the part of Purchaser and Guarantor, if applicable, necessary for the authorization, execution and delivery of this Agreement and the other Transaction Agreements and the performance of all obligations of Purchaser hereunder and thereunder have been duly taken. If Guarantor is an individual person, Guarantor is over the age of eighteen (18) years with the legal capacity to (a) enter into this Agreement and the other Transaction Agreements to which s/he is a party and (b) consummate and perform the transactions contemplated hereby and thereby.

Section 5.03 **Validity**. This Agreement has been, and the other Transaction Agreements will be, when executed and delivered by Purchaser and Guarantor, as applicable, duly executed and delivered by Purchaser and Guarantor and, assuming the due execution and delivery of such agreements by the other parties thereto, constitute the legal, valid and binding obligations of Purchaser and Guarantor enforceable in accordance with their respective terms.

Section 5.04 **No Defaults**. Except as set forth in Schedule 5.04, neither the execution and delivery of this Agreement nor the other Transaction Agreements nor the consummation of the transactions contemplated hereby and thereby will: (a) violate any provision of the articles of organization or other organizational documents of Purchaser; (b) violate, or conflict with, or constitute a default (or constitute an event that, with notice or lapse of time or both, would constitute a default) under, or give rise to any right of termination, cancellation or acceleration under, any Contract to which Purchaser and/or Guarantor is a party or by which Purchaser, Guarantor or any of their respective assets may be bound; or (c) violate any Law applicable to Purchaser, Guarantor or any of their respective assets.

Section 5.05 **Financial Capabilities**. On the date hereof Purchaser has, and on the Closing Date Purchaser will have, sufficient funds to pay the Closing Amount and the IFF due at the Closing in accordance with Section 2.05.

Section 5.06 **Brokers and Finders**. Neither Purchaser nor Guarantor nor any of their respective Representatives has taken any action with respect to any broker or finder that would give rise to any liability on the part of Seller or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement or the agreements contemplated hereby that would give rise to any liability on the part of Seller.

Section 5.07 **Consents and Approvals**. Except for registrations and approvals required in order for Purchaser to conduct business at the Shops following the Effective Time, no consent, approval or authorization of, or declaration, filing or registration with, any Governmental Authority is required by Purchaser or Guarantor in connection with the execution, delivery and performance of this Agreement or the other Transaction Agreements or the

consummation of the transactions contemplated hereby and thereby. Purchaser holds (or at the Closing will hold) all sales tax certificates of authority and other tax registration and certificates required to collect and remit sales tax in connection with the operation of the Shops.

Section 5.08 **Seller Disclosure**. Neither Purchaser nor Guarantor has received or relied upon any representation, warranty or guarantee, whether oral or written or express or implied, as to the potential value, volume, profits or success of the Business or any Shop. Purchaser and Guarantor have previously received a copy of Potbelly Franchising, LLC's current Franchise Documents, including all related disclosures, with Acknowledgment of Receipt attached thereto and have signed, dated and delivered to Potbelly Franchising, LLC such Acknowledgment of Receipt.

Section 5.09 **Knowledge**. To the Knowledge of Purchaser, there are no facts or circumstances relating to Purchaser or Guarantor that would materially adversely affect the ability of Purchaser or Guarantor to perform their respective obligations under this Agreement or the other Transaction Agreements.

ARTICLE VI.

COVENANTS OF THE PARTIES

Section 6.01 **Inspection; Condition of Assets**.

(a) Not later than ten (10) Business Days prior to the Closing Date, Seller shall make each of the Shops available to Purchaser or Purchaser's Representatives for Purchaser's reasonable inspection. Such inspections shall occur on such dates and at such times as Purchaser and Seller may reasonably agree, shall be conducted in a manner such that it does not interfere with the conduct of the Business, and shall be at Purchaser's sole cost. Seller may, in its sole discretion, have a Representative of Seller accompany Purchaser or Purchaser's Representative during any such inspection. Purchaser and Guarantor agree to indemnify and hold Seller harmless from and against any and all Liabilities or Damages resulting from Purchaser's or Purchaser's Representatives' entry into the Shops as provided herein.

(b) In the event that, upon Purchaser's inspection of any Shop, Purchaser determines that there is any material deficiency with respect to the operating condition of the Assets located at such Shop, Purchaser shall provide written notice of the alleged deficiencies to Seller within two (2) Business Days of the date of such inspection. If Seller reasonably determines upon its receipt of such a written notice that the aggregate costs of repairing or replacing the deficient Assets that are located at a particular Shop identified by Purchaser in such written notice would equal or exceed Five Thousand Dollars (\$5,000.00), Seller shall, in its sole discretion, (i) agree to either repair or replace any such deficient Assets, in which case Purchaser shall cooperate with Seller in such repair or replacement, (ii) reduce the Purchase Price to be paid by Purchaser by the reasonable cost of repairing or replacing such deficient Assets, as estimated by Seller, or (iii) terminate this Agreement solely with respect to the affected Shop(s). Notwithstanding the foregoing, in the event Seller elects to terminate this Agreement as provided in the immediately-preceding sentence, Purchaser shall have the option to

rescind Seller's termination by delivering written notice to Seller prior to the Closing Date, in which event, (A) Seller's termination notice shall be null and void, (B) this Agreement shall continue in full force and effect and (C) Seller's liability to repair or replace the deficient Assets shall not exceed Five Thousand Dollars (\$5,000.00). For the avoidance of doubt, (A) if Seller reasonably determines upon its receipt of such a written notice that the aggregate costs of repairing or replacing the deficient Assets that are located at a particular Shop identified by Purchaser in such written notice would be less than Five Thousand Dollars (\$5,000.00), Seller shall not be responsible for repairing or replacing any such deficient Assets located at such Shop.

(c) Purchaser, at its sole cost and expense, may obtain a title report or other information concerning the status of title to the Leased Real Property. Not later than five (5) Business Days prior to the Closing Date, Purchaser may notify Seller in writing of any defects that render the title unacceptable (together with copies of all relevant documents related thereto). If Seller reasonably determines upon its receipt of such a written notice that the aggregate costs of correcting the defect with respect to any particular parcel of Leased Real Property identified by Purchaser in such written notice would equal or exceed Five Thousand Dollars (\$5,000.00), Seller may at its option: (i) agree to correct the defect, in which case Purchaser shall cooperate with Seller in obtaining said correction; (ii) reduce the Purchase Price by the reasonable cost of correcting the defect; or (iii) terminate this Agreement solely with respect to the affected Shop(s). Notwithstanding the foregoing, in the event Seller elects to terminate this Agreement as provided in the immediately-preceding sentence, Purchaser shall have the option to rescind Seller's termination by delivering written notice to Seller prior to the Closing Date, in which event, (A) Seller's termination notice shall be null and void, (B) this Agreement shall continue in full force and effect and (C) Seller's liability to correct the title defect shall not exceed Five Thousand Dollars (\$5,000.00). If Purchaser fails to notify Seller of any claimed title defects by the date set forth above, Purchaser shall be deemed to have approved title. Purchaser shall pay the cost of all searches, title examinations, and title opinions. Purchaser shall have no rights under this Section 6.01(c) unless the amount required to correct the defect with respect to any particular parcel of Leased Real Property, as reasonably determined by Seller, equals or exceeds Five Thousand Dollars (\$5,000.00), and then only to the extent that Seller does not exercise its option pursuant to subsection (iii) of this Section 6.01(c).

(d) If any of the Assets are destroyed or damaged by fire or other casualty prior to Closing (a "**Casualty Damage**"), Seller shall notify Purchaser within five (5) days of such event. If Seller reasonably determines that the aggregate costs of repairing or replacing a Casualty Damage at a particular Shop would equal or exceed Five Thousand Dollars (\$5,000.00), Seller shall, in its sole discretion, (i) agree to either repair or replace any such Casualty Damage, in which case Purchaser shall cooperate with Seller in such repair or replacement, (ii) assign and transfer to Purchaser on the Closing Date, without warranty or recourse, all of Seller's rights to all of the insurance proceeds paid or payable to Seller on the account of such Casualty Damage, together with the amount of any applicable deductible under Seller's insurance policy, or (iii) remove the Assets associated with the particular Shop from the transaction contemplated under this Agreement. For the avoidance of doubt, if Seller reasonably determines that the

aggregate costs of repairing or replacing a Casualty Damage at a particular Shop would be less than Five Thousand Dollars (\$5,000.00), Seller shall not be responsible for repairing or replacing any such Casualty Damage at such Shop and there will be no adjustment to the Purchase Price.

(e) EXCEPT AS EXPRESSLY SET FORTH HEREIN, PURCHASER AND GUARANTOR ACKNOWLEDGE AND AGREE THAT THE ASSETS ARE BEING CONVEYED AND SOLD ON AN “AS IS,” “WHERE IS,” “WITH ALL FAULTS” BASIS IN RELIANCE ON PURCHASER’S AND EACH OF THE GUARANTOR’S OWN INSPECTIONS AND EXAMINATIONS. EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE IV OF THIS AGREEMENT, PURCHASER AND GUARANTOR ACKNOWLEDGE AND AGREE THAT NEITHER SELLER NOR ANY OF ITS AFFILIATES NOR ANY OF THEIR RESPECTIVE REPRESENTATIVES HAS MADE ANY REPRESENTATIONS OR WARRANTIES, DIRECT OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE BUSINESS, THE SHOPS, THE LEASED REAL PROPERTY OR THE ASSETS OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. FURTHER, PURCHASER AND GUARANTOR ACKNOWLEDGE AND AGREE THAT NEITHER PURCHASER NOR GUARANTOR HAS RELIED UPON ANY REPRESENTATIONS OR WARRANTIES (WHETHER EXPRESS OR IMPLIED, INCLUDING FOR A PARTICULAR USE OR PURPOSE AND MERCHANTABILITY) REGARDING THE CONDITION (FINANCIAL OR OTHERWISE) OF THE BUSINESS, THE SHOPS, THE LEASED REAL PROPERTY OR THE ASSETS, EXCEPT IN EACH CASE FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH IN ARTICLE IV OF THIS AGREEMENT. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH IN ARTICLE IV OF THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED.

Section 6.02 **Transfer Fees.** All sales, transfer, recording, filing and similar taxes and fees (including any penalties or interest) incurred in connection with this Agreement and the transactions contemplated hereby (collectively, the “**Transfer Fees**”) shall be borne by Purchaser. Purchaser shall timely remit to the appropriate Governmental Authority all Transfer Fees, including any sales or transfer tax that may be due at the Closing. The Parties will use commercially reasonable efforts to assist each other in the filing of all necessary tax returns and other documentation with respect to all such Transfer Fees and, if required by applicable Law, will join in the execution of any such tax returns or other documentation. If any Transfer Fees are based on the amount of the Purchase Price or an allocation of the Purchase Price and the Purchase Price or allocation thereof is adjusted after the Closing pursuant to the terms hereof, such Transfer Fees shall be recalculated using the adjusted amounts and Purchaser shall file any required amendments or other documents with the applicable Governmental Authority and, if additional Transfer Fees are due, Purchaser shall timely remit such additional Transfer Fees to such Governmental Authority. Promptly upon the remittance of any Transfer Fees to the applicable Governmental Authority, Purchaser shall provide evidence to Seller reasonably satisfactory to Seller that such Transfer Fees were properly and timely remitted.

Section 6.03 **Expenses**. Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such costs and expenses, whether or not the transactions contemplated hereby are consummated.

Section 6.04 **Notices**. Between the date hereof and the Closing Date, each Party shall promptly inform the other Parties in writing of the occurrence of any events or the existence of any circumstances, the effect of which would constitute a breach by such Party of any of its covenants or agreements in this Agreement, or which would result in any of its representations or warranties in this Agreement being or becoming untrue or inaccurate.

Section 6.05 **Utilities**.

(a) Schedule 6.05(a) sets forth a list of certain agreements that Seller has entered into with telecommunications suppliers (collectively, the “**Suppliers**”) for telecommunications services with respect to the Shops identified on Schedule 6.05(a) (such agreements, the “**Supply Agreements**”). At or prior to the Closing and effective as of the Effective Time, Purchaser shall enter into such agreements and provide such other documentation as may be reasonably requested or required by the Suppliers in order for Purchaser to assume Seller’s and/or its Affiliates’ rights and obligations arising from and after the Effective Time under such Supply Agreements, in each case to the extent related to such Shops. In furtherance of the foregoing, if any Supplier determines based on its review of Purchaser’s credit that any deposits, letters of credit, guarantees or other security is required in order for Purchaser to undertake the foregoing assumption, Purchaser agrees to provide, or cause to be provided, such deposits, letters of credit, guarantees or other security as may be reasonably required by the Supplier.

(b) Prior to the Closing, Seller and Purchaser shall (i) notify those utility companies that service the Shops that Purchaser shall be responsible for the payment of any and all obligations related to such utility services incurred from and after the Effective Time and (ii) to the extent practicable, cause meters to be read as of the Effective Time (or as soon as reasonably practicable thereafter) to determine the actual amounts attributable to Seller and Purchaser in respect of such utilities for the operation of the Business pre- and post-Closing.

Section 6.06 **Cash Services**. Seller and/or one or more of its Affiliates is currently a party to an agreement with Garda CL Great Lakes, Inc. and/or one or more of its Affiliates (the “**Armored Car Service**”) pursuant to which the Armored Car Service provides certain cash collection services with respect to the Shops (such agreement, the “**Cash Services Agreement**”). At or prior to the Closing and effective as of the Effective Time, Purchaser shall enter into such agreements and provide such other documentation as may be reasonably requested or required by the Armored Car Service in order for Purchaser to assume Seller’s and/or its Affiliates’ rights and obligations arising from and after the Effective Time under such Cash Services Agreement, in each case to the extent related to the Shops. If Purchaser fails to assume such rights and obligations, Purchaser shall reimburse Seller for the costs and fees charged for the termination of the Cash Services Agreement between Seller and the Armored Car Service with respect to the Shops.

Section 6.07 **Conduct of Business Pending the Effective Time.** Seller agrees that from the date hereof until the Effective Time, unless otherwise consented to by Purchaser in writing (which consent shall not be unreasonably conditioned, withheld or delayed) or contemplated or permitted by this Agreement, Seller (a) shall conduct the Business (i) in substantially the same manner as heretofore conducted and (ii) in the ordinary course of business consistent with past practice and (b) shall not enter into any Contracts relating exclusively to the Shops except in the ordinary course of business and consistent with past practice.

Section 6.08 **Computer/POS Systems.** Seller will notify its processing agents for credit card, debit card and gift card transactions of the change in ownership of the Shops. Purchaser will obtain and maintain all requisite licenses and services, including for application software and programs and wireless network software, necessary to conduct business at the Shops, including to operate all point of sale systems, manager work stations, and training work stations, all in accordance with the Franchise Documents.

Section 6.09 **Insurance.** Prior to the Closing Date, Purchaser shall procure and maintain in full force and effect in accordance with the terms and conditions of the Franchise Documents, at Purchaser's expense, the following insurance policy or policies in connection with the Shops, or as required by your state, city or municipality by reason of the construction, operation or occupancy of the Shops. Such policy or policies shall be satisfactory to Seller and obtained from reputable insurers having an A.M. Best rating of A-VII or better, and the coverage terms must be as good or better than what is commonly purchased by restaurant owners in your area. Coverage shall include, at a minimum, the following:

- (a) Commercial general liability insurance of \$1 million per occurrence and \$2 million in the aggregate, including \$300,000 in coverage for fire legal liability. Coverage must be primary and non-contributory to any other coverage Seller has, provide waiver of subrogation and there should be at least \$1 million for personal and advertising injury;
- (b) Automobile liability insurance of \$1 million covering bodily injury and property damage for all owned, non-owned, and hired vehicles;
- (c) Umbrella liability insurance of at least \$2 million per occurrence;
- (d) Employment practices liability of at least \$500,000, including third-party liability and endorsement naming Seller as co-defendant;
- (e) Statutory workers' compensation insurance the law requires, including employer's liability for at least \$1 million;
- (f) Property insurance for the replacement cost of your leasehold improvements, equipment, and business personal property;
- (g) Business income and extra expense coverage for not less than 6 months of sales;

(h) Employee dishonesty insurance of at least \$25,000 and any other insurance required by your lender or landlord; and

(i) Cyber-security insurance of at least \$1 million limit and PCI Fines and Penalties sub-limit of \$500,000.

Purchaser shall provide to Seller at the Closing one or more certificates (the “**Insurance Certificate**”) evidencing the insurance specified in this Section 6.09 and naming Seller and each of its Affiliates, directors, agents, and employees (as may be specified by Seller) as additional insureds and, in the case of property insurance, such parties shall be named as their interest may appear. All Insurance Certificates shall expressly provide that no less than thirty (30) days’ prior written notice shall be given to Seller in the event of material alteration to, or cancellation of, or non-renewal of the coverages evidenced by such Insurance Certificates.

Section 6.10 Efforts to Complete Transaction. After the date hereof until the Effective Time, subject to the terms and conditions of this Agreement, each Party shall use commercially reasonable efforts to take all actions and to do all things necessary or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the Closing conditions set forth in Article VIII and Article IX of this Agreement).

Section 6.11 Misdirected Payments. To the extent that, after the Effective Time, either Purchaser or Seller shall receive any payments from any third parties (other than the Parties hereto or their respective Affiliates) relating to the Business and attributable to the period prior to (in the case of receipt by Purchaser) or after (in the case of receipt by Seller) the Effective Time, the Party receiving the same shall promptly make delivery thereof to the applicable Party entitled to such payment.

Section 6.12 Access to Information. In addition to Potbelly Franchising, LLC’s rights under the Franchise Documents, from and after the Effective Time, Purchaser shall afford Seller and its Affiliates and their respective Representatives with reasonable access to all books and records, at reasonable times and on reasonable notice, relating to the Business or Assets as shall be necessary for Seller’s or its Affiliates’ preparation of any federal, state or local tax returns relevant to Seller’s operation of the Shops or ownership of the Business or Assets, in each case for any periods prior to the Effective Time.

Section 6.13 Consents and Approvals. Prior to the Closing, Seller and Purchaser shall use commercially reasonable efforts to obtain duly-executed consents from (a) each counterparty to a Contract that relates exclusively to the Business and for which such consent is required for it to be assigned to Purchaser, (b) each Governmental Authority identified on Schedule 4.04, and (c) each applicable landlord as may be necessary to assign the Real Property Leases or sublease the Leased Real Property under the Real Property Leases for the Locations of the Shops. If Seller is unable to obtain any such consent to assign any Real Property Leases or to sublease thereunder, Seller and Purchaser shall enter into a management agreement whereby Purchaser shall receive the economic benefit of the applicable Shop as if Purchaser were the subtenant under such Real Property Lease (the “**Management Agreement**”).

ARTICLE VII.

EMPLOYEES

Section 7.01 **Termination of Employees.** At the Closing but effective as of the Effective Time, except for the Persons listed on Schedule 7.01, Seller will terminate all employees of Seller then employed at the Shops or whose employment is otherwise primarily related to the Business (collectively, the “**Employees**”). Seller shall be responsible for (a) compliance with all applicable Laws with respect to the employment or termination of all such Employees prior to the Effective Time and (b) the employment-related obligations with respect to Employees prior to the Effective Time including any paid time-off and sick or vacation amounts due or granted by Seller to any Employees prior to the Effective Time as well as any amounts due to any Employees resulting from Seller’s existing 401(k) or stock plans; provided, however, that Purchaser shall reimburse Seller for any severance or similar costs incurred by Seller or its Affiliates as a result of the termination of any such Employees.

Section 7.02 **Hiring of Seller’s Employees.** Except for the Employees listed on Schedule 7.01, prior to the Closing, Purchaser shall offer employment, effective as of the Effective Time, to all Employees. All such offers of employment shall be pursuant to Purchaser’s standard employment practices and policies. Purchaser shall be responsible for compliance with applicable Law with respect to the hiring of such Employees and the subsequent employment of the Employees who accept employment with Purchaser (collectively, “**Hired Employees**”). For the 12-month period following the Effective Time, Purchaser shall provide each Hired Employee with: (i) base salary or hourly wages and target bonus opportunities that are individually no less favorable than each such employee’s base salary or hourly wages and target bonus opportunities provided immediately prior to the Effective Time; and (ii) employee benefits that are no less favorable than the employee benefits provided to such employee immediately prior to the Effective Time. Purchaser shall be responsible for the employment-related obligations with respect to Hired Employees as of the Effective Time, including compensation for services performed for Purchaser from and after the Effective Time (and related employment and withholding taxes), benefits accrued under any Purchaser-sponsored plan or arrangement of Purchaser covering the Hired Employees from and after the Effective Time and workers’ compensation benefits with respect to injuries or incidents occurring from and after the Effective Time. With respect to each Purchaser benefit plan in which Hired Employees may participate, Hired Employees shall be eligible immediately to commence participation in such benefit plans without regard to any eligibility period, waiting period, elimination period, evidence of insurability requirements or pre-existing condition limitations. Purchaser will recognize all service of the Hired Employees with the Seller for all purposes (including for purposes of vesting, eligibility to participate and receive benefits, premium subsidies or credits, and paid time off accruals) under all existing, newly established and future Purchaser benefit plans or any benefit and compensation plans maintained by Purchaser. Purchaser further agrees to waive deductible and out-of-pocket requirements under Purchaser benefit plans that provide group health benefits and otherwise to give credit under the applicable Purchaser benefit plans for amounts paid under a corresponding Seller benefit plan that provides group health benefits, as though such amounts had been paid in accordance with the terms and conditions of the applicable Purchaser benefit plans.

ARTICLE VIII.

CONDITIONS TO OBLIGATIONS OF SELLER

Each and every obligation of Seller under this Agreement to be performed at the Closing shall be subject to the satisfaction, on or before the Closing Date, of each of the following conditions, unless waived in writing by Seller at its sole discretion.

Section 8.01 **Representations and Warranties True.** The representations and warranties of Purchaser and Guarantor contained herein shall, taken as a whole, be true, complete and accurate in all material respects as of the date of this Agreement and at and as of the Closing Date as though such representations and warranties were made at and as of such date (other than representations and warranties made as of another stated date, which representations and warranties shall have been true, complete and accurate in all material respects as of such date).

Section 8.02 **Performance.** Purchaser and Guarantor shall have performed, delivered and complied with all agreements, obligations and conditions required by this Agreement to be performed, delivered or complied with by Purchaser and/or Guarantor on or prior to the Closing Date.

Section 8.03 **No Injunction, Etc.** On the Closing Date, (a) there shall be no effective Order of any nature issued or threatened by a court or other Governmental Authority of competent jurisdiction directing that any of the transactions provided for herein may not be consummated as so provided or imposing any conditions on the consummation of the transactions contemplated hereby, and (b) no Action shall be pending before any such court or other Governmental Authority seeking such relief.

Section 8.04 **Consents and Approvals.** Each of the consents or approvals set forth on Schedule 8.04 shall have been obtained and shall be in full force and effect.

Section 8.05 **Franchise Approval.** Seller shall have granted to Purchaser and Guarantor the franchise rights to operate the Shops, and Purchaser and Guarantor shall have satisfied all terms, conditions, and requirements pertaining to the granting of such franchise rights.

Section 8.06 **Closing Deliverables.** Seller shall have received all of the deliverables described in Section 2.07 and Section 2.08.

ARTICLE IX.

CONDITIONS TO OBLIGATIONS OF PURCHASER

Each and every obligation of Purchaser under this Agreement to be performed at the Closing shall be subject to the satisfaction, on or before the Closing Date, of each of the following conditions, unless waived in writing by Purchaser at its sole discretion:

Section 9.01 **Representations and Warranties True.** The representations and warranties of Seller contained herein shall, taken as a whole, be true, complete and accurate in all material respects as of the date of this Agreement and at and as of the Closing Date as though such representations and warranties were made at and as of such date (other than representations and warranties made as of another stated date, which representations and warranties shall have been true, complete and accurate in all material respects as of such date).

Section 9.02 **Performance.** Seller shall have performed, delivered and complied with all agreements, obligations and conditions required by this Agreement to be performed, delivered or complied with by it on or prior to the Closing Date.

Section 9.03 **No Injunction, Etc.** On the Closing Date, (a) there shall be no effective Order of any nature issued or threatened by a court or other Governmental Authority of competent jurisdiction directing that any of the transactions provided for herein may not be consummated as so provided or imposing any conditions on the consummation of the transactions contemplated hereby, and (b) no Action shall be pending before any such court or other Governmental Authority seeking such relief.

Section 9.04 **Franchise Approval.** Potbelly Franchising, LLC shall have granted to Purchaser the franchise rights to operate the Shops.

Section 9.05 **Closing Deliverables.** Purchaser shall have received all of the deliverables described in Section 2.06.

ARTICLE X.

SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

Section 10.01 **Survival.** The representations, warranties, covenants and agreements made by the Parties in this Agreement shall survive the Closing to the extent provided for in this Section 10.01 (the applicable survival period, the “**Survival Period**”).

(a) All of the representations and warranties of Seller contained in this Agreement shall survive the Closing for a period of eighteen (18) months following the Closing Date, except that the representation and warranties of Seller contained in Section 4.11 (Environmental Matters) shall survive the Closing until the expiration of the statute of limitations applicable to the matters covered thereby.

(b) All of the representations and warranties of Purchaser and Guarantor contained in this Agreement shall survive until the expiration or termination of all Purchaser Franchise Agreements or, if earlier, until the latest date permitted by applicable Law.

(c) All covenants and agreements contained in this Agreement that by their terms are to be performed at or after the Closing shall survive the Closing until fully discharged or, if earlier, the latest date permitted by applicable Law. All other covenants

or agreements made by the Parties in this Agreement shall not survive the Closing and shall terminate and expire at the Closing.

(d) Upon the expiration of the applicable Survival Period, the representations, warranties, covenants and agreements made by the Parties in this Agreement shall expire, and all claims for any breach of such representations, warranties, covenants or agreements shall be deemed waived unless a Claims Notice with respect to the breach shall have been given to the breaching Party in accordance with Section 10.05(a) or Section 10.05(b) prior to the expiration of such Survival Period, in which event such representations, warranties, covenants or agreements shall survive to the extent of the Claim referred to in such notice until such Claim has been resolved.

Section 10.02 Agreement of Seller to Indemnify. Subject to the terms and conditions of this Article X, from and after the Closing, Seller hereby agrees to indemnify, defend and hold Purchaser and Guarantor (collectively, the “**Purchaser Indemnified Parties**”) harmless from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses including interest, penalties and attorneys’ fees and expenses (collectively, “**Damages**”) asserted against, resulting to, imposed upon or incurred by any Purchaser Indemnified Party by reason of or resulting from: (a) the Retained Liabilities; (b) a breach by Seller of any of its representations or warranties contained in Article IV of this Agreement; (c) a breach by Seller of any of its covenants or agreements contained in this Agreement, other than any such covenants or agreements contained in Section 6.08; (d) a breach by Seller of any of its covenants or agreements contained in Section 6.08 to the extent resulting from Seller’s or its Affiliates’ gross negligence or willful misconduct; or (e) the termination by Seller of the employment of any Employees (other than any severance or similar costs resulting from the termination of any such Employees).

Section 10.03 Agreement of Purchaser and Guarantor to Indemnify. Subject to the terms and conditions of this Article X, from and after the Closing, Purchaser and Guarantor, jointly and severally, hereby agree to indemnify, defend and hold harmless Seller, its Affiliates and their respective Representatives (collectively, the “**Seller Indemnified Parties**”) from and against all Damages asserted against, resulting to, imposed upon or incurred by any Seller Indemnified Party by reason of or resulting from: (a) the Assumed Liabilities; (b) a breach by Purchaser or Guarantor of any representation or warranty of Purchaser or Guarantor contained in this Agreement; (c) a breach by Purchaser or Guarantor of any covenant or agreement of Purchaser or Guarantor contained in this Agreement; (d) the ownership or use or operation of the Assets or any Shop from and after the Effective Time; (e) the employment or termination of employment of any Hired Employees by Purchaser or its Affiliates; or (f) any Transfer Fees.

Section 10.04 Limitation of Liability.

(a) No indemnification by Seller under Section 10.02(b) shall be required to be made:

(i) with respect to Damages resulting from Claims as to which Seller has not received a written Claims Notice in accordance with Section 10.05(a) or

Section 10.05(b) within the applicable time period set forth in Section 10.01(a); and

(ii) unless the aggregate amount of Damages sustained by the Purchaser Indemnified Parties with respect to indemnification claims for breaches of representations and warranties made in Article IV of this Agreement which are subject to indemnification by Seller under Section 10.02(b) hereof exceeds an aggregate threshold of [•] Dollars (\$[•]), and then only with respect to the amount in excess of [•] Dollars (\$[•]) in the aggregate.

(b) In no event shall the aggregate liability of Seller for indemnification under Section 10.02(b) exceed [•] Dollars (\$[•]).

(c) In no event shall the aggregate liability of Seller for indemnification under Section 10.02(d) exceed Five Thousand Dollars (\$5,000.00).

Section 10.05 Procedures Relating to Indemnification.

(a) In the event that either a Purchaser Indemnified Party or a Seller Indemnified Party desires to assert a demand, claim or circumstance that, immediately or with the lapse of time, could give rise to a claim (a “**Claim**”) for indemnification pursuant to this Article X, such Person seeking indemnification (the “**Indemnitee**”) shall, as promptly as is reasonably practicable after becoming aware of the demand, claim or circumstance, deliver written notice (such notice, a “**Claims Notice**”) to the Party from whom indemnification is sought (the “**Indemnitor**”); provided, however, that, except as otherwise provided in Section 10.01 or Section 10.06(a), a failure to give such notice shall not affect the Indemnitee’s right to indemnification hereunder except to the extent that the Indemnitor is actually prejudiced thereby. The Claims Notice shall describe the Claim in reasonable detail and shall indicate the amount (estimated, if necessary) and nature of the Damages, and the method of computation thereof, that has been or may be suffered by the Indemnitee and the provisions of this Agreement in respect of which such right of indemnification is sought or arises.

(b) Promptly after receipt from any third-party by an Indemnitee of a notice of any demand, claim or circumstance that, immediately or with the lapse of time, could give rise to a claim or the commencement (or threatened commencement) of any Action or investigation (a “**Third-Party Claim**”) that may result in Damages with respect to which the Indemnitee would be entitled to indemnification pursuant to this Article X, the Indemnitee shall deliver a Claims Notice with respect thereto together with copies of any notices or other documents (including any court papers) received by the Indemnitee relating to such Third-Party Claim; provided, however, that, except as otherwise provided in Section 10.01 or Section 10.06(a), a failure to provide such notice shall not affect the Indemnitee’s right to indemnification hereunder except to the extent that the Indemnitor is actually prejudiced thereby (except that the Indemnitor shall not be liable for any expenses incurred during the period in which the Indemnitee failed to provide such notice).

(c) The Indemnitor shall be entitled to settle or assume and control the defense of any Third-Party Claim at its own expense and by its own counsel. If the Indemnitor elects to settle or defend such Third-Party Claim, it shall notify the Indemnatee of its intent to do so, and the Indemnatee shall cooperate in the settlement of, or defense against, such Third-Party Claim including, if appropriate, making any reasonable counterclaim against such third-party or any cross claim or third-party claim against any Person related to such Third-Party Claim. Such cooperation shall also include (i) the retention of records and information that are reasonably relevant to such Third-Party Claim, (ii) promptly supplying the Indemnitor with copies of all papers, documents and evidence in the Indemnatee's possession or control and such other information within the Indemnatee's knowledge pertinent to such Third-Party Claims, (iii) making employees available on a mutually-convenient basis to provide additional information and explanation of any information or materials provided hereunder and producing at the appropriate place or places, at reasonable times, such witnesses under the Indemnatee's control as may reasonably be requested by the Indemnitor or its Representatives and (iv) promptly providing written notice of all material developments in connection with any such Third-Party Claims. The Indemnatee shall have the right to employ, at its own expense, separate counsel in the defense of any such Third-Party Claim and participate in the defense thereof (it being understood that the Indemnitor shall control such defense). The Indemnitor shall not settle or compromise any Third-Party Claim without the Indemnatee's prior written consent (which shall not be unreasonably conditioned, withheld or delayed), unless such settlement or compromise (A) includes a complete and unconditional release of the Indemnatee in respect of such Third-Party Claim, (B) does not subject the Indemnatee to any injunctive relief or other equitable remedy and (C) there is no finding or admission of any violation of Law and does not include a statement or admission of fault or culpability by or on behalf of any Indemnatee.

(d) If the Indemnitor either (i) notifies the Indemnatee that it does not intend to settle or assume and control the defense of such Third-Party Claim, or (ii) within a reasonable time after its receipt of any Claims Notice in respect of a Third-Party Claim, fails to notify the Indemnatee of its intent to settle or assume and control the defense of such Third-Party Claim, the Indemnatee shall (upon further notice to the Indemnitor) have the right to undertake the defense of such Third-Party Claim (without impairing or otherwise affecting its rights to obtain indemnification pursuant to this Article X), subject to the right of the Indemnitor to assume the defense of such Third-Party Claim at any time prior to the final settlement or compromise thereof. Whether or not the Indemnitor assumes the defense of a Third-Party Claim, the Indemnatee shall not consent to the entry of any judgment or admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably conditioned, withheld or delayed).

Section 10.06 Other Indemnification Limits.

(a) The indemnities provided in this Agreement shall survive the Closing; provided, however, that the indemnities provided under Section 10.02(b), Section 10.02(c), Section 10.02(d), Section 10.03(b) and Section 10.03(c) shall terminate and expire with respect to any representation, warranty, covenant or agreement when

such representation, warranty, covenant or agreement terminates pursuant to Section 10.01.

(b) The Parties agree, for themselves and on behalf of their respective Affiliates and their respective Representatives, that the amount of any Damages that are subject to an indemnification obligation under this Article X shall be reduced by any insurance proceeds or indemnity, contribution or other similar payments received by the Indemnitee (after taking into account any deductibles, copayments or other cost sharing arrangements) on account of such Damages. In the event that the Indemnitee subsequently collects any such insurance proceeds or indemnity, contribution or other similar payments in respect of such Damages after receiving any indemnification payments from the Indemnitor under this Article X, such Indemnitee shall promptly pay over to the Indemnitor the amount of such insurance proceeds or indemnity, contribution or other similar payments actually received by the Indemnitee; provided, however, that in no event shall the Indemnitee be required to pay over to the Indemnitor an amount in excess of the amount previously paid by the Indemnitor to or on behalf of the Indemnitee in respect of such Claim.

(c) The Parties shall cooperate with each other with respect to resolving any Claim with respect to which any Indemnitor is or may be obligated to indemnify any Indemnitee hereunder, including by making commercially reasonable efforts to mitigate or avoid any Damages in connection therewith. In the event that any Party shall fail to make such commercially reasonable efforts to mitigate or avoid any such Damages, then, notwithstanding anything else to the contrary contained herein, the Indemnitor shall not be required to indemnify any Person for any Damages to the extent that such Damages could have reasonably been expected to have been mitigated or avoided had such efforts been made.

(d) Notwithstanding anything to the contrary contained in this Agreement, Seller shall not be liable to any Person (whether in contract, in tort or otherwise) for any consequential, incidental, indirect, special or punitive damages, or any loss of future revenue, income or profits, or any diminution of value or multiples-of-earnings damages relating to a breach or alleged breach hereof, whether or not the possibility of such damages has been disclosed to Seller in advance or could have been reasonably foreseen by Seller.

Section 10.07 Exclusive Remedy. If the Closing occurs, this Article X sets forth the sole and exclusive remedy for any breach, inaccuracy, nonperformance or violation of this Agreement regardless of whether a claim or counterclaim is based in tort, contract or any other legal theory, or arises under law or in equity, except for (a) claims or counterclaims of, or causes of action arising from, Fraud and (b) any rights and remedies expressly granted under any Franchise Document or in any other Transaction Agreement. In furtherance of the foregoing, each of the Parties hereby irrevocably waives, from and after the Closing, to the fullest extent permitted under applicable Law, any and all rights, claims, counterclaims and causes of action (other than any claims or counterclaims of, or causes of action arising from, Fraud) it may have against the other Parties arising under or based upon this Agreement or the transactions contemplated hereby, except (i) pursuant to the provisions of this Article X and (ii) any rights

and remedies explicitly granted under any Franchise Document or in any other Transaction Agreement.

ARTICLE XI.

TERMINATION

Section 11.01 **Methods of Termination.** This Agreement may be terminated prior to the Closing:

- (a) By mutual written agreement of the Parties;
- (b) By Seller, if the Closing has not occurred by [•] provided that a default by Seller under this Agreement is not responsible for the Closing not having occurred by such date;
- (c) By Purchaser, if the Closing has not occurred by [•], provided that a default by Purchaser or Guarantor under this Agreement is not responsible for the Closing not having occurred by such date;
- (d) By Seller in writing if Purchaser or Guarantor shall (i) fail to perform any of their respective covenants or agreements contained herein required to be performed by them prior to the date of such termination, or (ii) breach any of their respective representations or warranties contained herein or if any such representations or warranties become inaccurate, in each case so as to cause a condition to the Closing to be incapable of satisfaction, which failure, breach or inaccuracy is not cured within fifteen (15) days after Seller has notified Purchaser in writing of its intent to terminate this Agreement pursuant to this Section 11.01(d); or
- (e) By Purchaser in writing if Seller shall (i) fail to perform any of its covenants or agreements contained herein required to be performed by it prior to the date of such termination, or (ii) breach any of its representations or warranties contained herein or if any such representations or warranties become inaccurate, in each case so as to cause a condition to the Closing to be incapable of satisfaction, which failure, breach or inaccuracy is not cured within fifteen (15) days after Purchaser has notified Seller in writing of its intent to terminate this Agreement pursuant to this Section 11.01(e).

Section 11.02 **Effect of Termination.** If Seller or Purchaser terminates this Agreement pursuant to Section 11.01, (a) this Agreement shall forthwith become null and void and of no further force and effect, (b) the transactions contemplated by this Agreement shall be abandoned without further action by any Party and (c) all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party; provided, however, that (i) nothing in this Section 11.02 shall relieve any Party hereto from any liability with respect to any willful or intentional breach of this Agreement prior to such termination and (ii) the provisions of Section 6.03, this Section 11.02 and Article XII (other than Section 12.12) shall survive the termination of this Agreement and shall remain in full force and effect.

ARTICLE XII.

MISCELLANEOUS PROVISIONS

Section 12.01 **Amendment and Modification**. This Agreement may be amended, modified and supplemented only by a written instrument executed by each of the Parties.

Section 12.02 **Waivers**. No waiver shall be binding on a Party unless executed in writing by the Party making the waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. The failure by any Party to enforce against another Party any term or provision of this Agreement shall not be deemed to be a waiver of such Party's right to enforce against the other Party the same or any other term or provision of this Agreement in the future.

Section 12.03 **Notices**. All notices, requests, demands and other communications required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given upon (a) actual delivery, if delivered by personal delivery, (b) when sent by electronic mail, on the date of transmission to such recipient if no failure to deliver message is received, (c) one (1) Business Day after deposit with an overnight courier service for next day delivery, with service prepaid, or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid.

If to Purchaser or any Guarantor, to:

[•]

or to such other Person or address as Purchaser shall furnish to Seller in writing;

If to Seller, to:

Potbelly Sandwich Works, LLC

~~111 N Canal St, Ste 325~~ 500 West Madison Street, Suite 1000

Chicago, Illinois 60606

Attention: Legal Department

Email: legal@potbelly.com

or to such Person or address as Seller shall furnish to Purchaser in writing in accordance with this Section 12.03.

Section 12.04 **Assignment**. This Agreement, and all of the provisions hereof, shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. No Party may assign this Agreement or any of its rights hereunder or delegate any of its obligations hereunder without the prior written consent of the other Parties; provided that Seller may, without the consent of Purchaser or any Guarantor, assign this Agreement or any of its rights hereunder, or delegate any of its obligations hereunder, to any of its Affiliates (provided that Seller remains principally liable for its obligations hereunder) or to any successor in interest (whether by purchase, merger, consolidation, conversion or otherwise) to all or

substantially all of the business operations and/or assets of Seller. Any attempt or purported assignment or delegation in contravention of the foregoing shall be deemed void *ab initio*.

Section 12.05 **Governing Law**. THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY, AND ALL CLAIMS AND DEFENSES ARISING OUT OF OR RELATING TO ANY SUCH TRANSACTION OR THIS AGREEMENT OR THE FORMATION, BREACH, TERMINATION OR VALIDITY OF ANY PART OF THIS AGREEMENT, SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS WITHOUT GIVING EFFECT TO ANY CONFLICTS OF LAW PRINCIPLES OF SUCH STATE THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

Section 12.06 **Jurisdiction**. Each Party to this Agreement hereby irrevocably and unconditionally: (a) submits itself and its property to the exclusive jurisdiction of any federal or state court sitting in the State of Illinois in any action directly or indirectly arising out of or relating to this Agreement, the transactions contemplated by this Agreement, or the formation, breach, termination or validity of this Agreement and agrees that all claims in respect of any such action shall be heard and determined solely in such court; (b) consents that any such action shall be brought in such court and waives any objection that it may now or hereafter have to the venue or jurisdiction of any such action in such court or that such court is an inconvenient forum for the action and agrees not to assert, plead or claim the same; (c) agrees that the final judgment of such court shall be enforceable in any court having jurisdiction over the relevant Party or any of its assets; (d) agrees that service of process in any such action may be effected by mailing a copy of such process by registered or certified mail (or any substantially-similar form of mail), postage prepaid, to such Party at its address as provided in Section 12.03; and (e) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the applicable rules of procedure.

Section 12.07 **Waiver of Jury Trial**. EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (a) NO OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (c) IT MAKES THIS WAIVER VOLUNTARILY AND (d) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS SECTION 12.07. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 12.08 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all of

which together shall constitute one agreement binding on the parties hereto. Counterparts may be executed by hand or by any electronic signature complying the U.S. federal ESIGN Act of 2000, as amended (the “**ESIGN Act**”). Executed counterparts may be delivered via facsimile, electronic mail or other similar transmission method, and any executed counterpart so delivered shall be valid and effective for all purposes. No party shall raise the use of any electronic signature that complies with the ESIGN Act (including www.docusign.com), or the use of a facsimile machine, electronic mail or other similar transmission method as a means to deliver a signature to this Agreement or any amendment hereto as a defense to the formation or enforceability of this Agreement and any other Transaction Agreement and each party forever waives any such defense.

Section 12.09 **Interpretation**. Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Preamble, Recitals, Article, Section, paragraph, Schedule and Exhibit are references to the Preamble, Recitals, Articles, Sections, paragraphs, Schedules and Exhibits to this Agreement unless otherwise specified; (c) references to “\$” shall mean U.S. dollars; (d) the word “including” and words of similar import shall mean “including without limitation,” unless otherwise specified; (e) the word “or” shall not be exclusive; (f) the words “herein,” “hereof,” “hereunder” or “hereby” and similar terms are to be deemed to refer to this Agreement as a whole and not to any specific Section; (g) this Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted; (h) if a word or phrase is defined, the other grammatical forms of such word or phrase have a corresponding meaning; (i) references to any statute, listing rule, rule, standard, regulation or other Law include a reference to (A) the corresponding rules and regulations and (B) each of them as amended, modified, supplemented, consolidated, replaced or rewritten from time to time; (j) references to any section of any statute, listing rule, rule, standard, regulation or other Law include any successor to such section; (k) references to any Person include such Person’s predecessors or successors, whether by merger, consolidation, amalgamation, reorganization or otherwise; (l) references to any contract (including this Agreement) or organizational document are to the contract or organizational document as amended, modified, supplemented or replaced from time to time, unless otherwise stated; (m) the table of contents, headings of the Sections and Articles of this Agreement and table of defined terms in Section 1.02 are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement; and (n) each representation, warranty, covenant, agreement and condition contained in this Agreement and in each of other agreements, documents and instruments contemplated hereby will be deemed to have independent significance.

Section 12.10 **Entire Agreement**. Except for the Ancillary Agreements, this Agreement, together with the Exhibits and Schedules hereto, and the Confidentiality Agreement set forth the entire understanding among the Parties concerning the subject matter of this Agreement and incorporates all prior negotiations and understandings. There are no covenants, promises, agreements, representations, warranties, conditions or understandings, either oral or written, among the Parties or their respective Affiliates relating to the subject matter of this Agreement, other than those set forth herein or in the Ancillary Agreements. No alteration, amendment, change or addition to this Agreement shall be binding upon any Party unless in

writing and signed by all the Parties. The submission of any unexecuted copy of this Agreement shall not constitute an offer to be legally bound by any provision of the document submitted, either currently or in the future, and no Party shall be bound by this Agreement until it is fully executed and delivered by all Parties.

Section 12.11 **Third Parties**. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person other than the Parties hereto and their successors or assigns any rights or remedies under or by reason of this Agreement.

Section 12.12 **Further Assurances**. Subject to the terms and conditions of this Agreement, at any time after the Closing, each Party shall take such further actions and execute such further documents as may be necessary or reasonably requested by another Party in order to effectuate the intent of this Agreement.

Section 12.13 **Schedules**. Matters reflected in the schedules corresponding to the Sections of Article IV and Article V are not necessarily limited to matters required by this Agreement to be so reflected. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. No reference to or disclosure of any item or other matter in any such schedule shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in this Agreement or such schedules. Without limiting the foregoing, no such reference to or disclosure of a possible breach or violation of any Contract or Law shall be construed as an admission or indication that a breach or violation exists or has actually occurred.

Section 12.14 **Invalidity**. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner adverse to any Party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually-acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible. Nothing in this Section 12.14 shall affect a Party's right to terminate this Agreement pursuant to Section 11.01 of this Agreement.

Section 12.15 **Confidentiality**.

(a) Except to the extent (i) inconsistent with the terms of this Agreement, (ii) disclosure or use of any information subject to the terms of the Confidentiality Agreement (defined below) is reasonably necessary for the performance by a Party of any of their respective obligations under this Agreement or (iii) disclosure or use of any information subject to the terms of the Confidentiality Agreement is necessary in connection with the enforcement of any right or remedy relating to this Agreement, the terms of that certain Confidentiality Agreement dated [•], by and among Seller and Purchaser (the "**Confidentiality Agreement**"), are incorporated into this Agreement by

reference and shall continue in full force and effect until the Closing, at which time the confidentiality obligations under the Confidentiality Agreement shall terminate.

(b) Whether or not the Closing occurs, except as otherwise agreed to in writing by the Parties or to the extent necessary to perform its obligations or enforce its rights under this Agreement, each Party hereto shall, and shall cause its respective Affiliates and its and their respective Representatives to, keep confidential the existence and terms of this Agreement and the transactions contemplated hereby; provided, however, that if Seller or its Affiliates determines that it is required by applicable Law or the rules of any stock exchange on which securities of Seller or any of its Affiliates are listed to make any public announcement or disclosure regarding the transactions contemplated hereby, nothing in the Confidentiality Agreement or this Agreement shall prohibit or restrict Seller and its Affiliates from making any public announcement or disclosure that it determines is necessary or appropriate.

Section 12.16 **Guarantee.**

(a) To induce Seller to enter into this Agreement, Guarantor hereby absolutely, unconditionally and irrevocably guarantees to Seller, as a primary obligor and not merely as a surety, the due and punctual performance and observance of, and compliance with, all covenants, agreements, liabilities, representations and warranties of Purchaser under or arising out of this Agreement from and after the date hereof (all such obligations, the “**Guaranteed Obligations**”). The Guaranteed Obligations hereunder are joint and several. Guarantor further agrees that the Guaranteed Obligations may be amended, modified, extended or renewed, in whole or in part, without notice to or further assent from Guarantor, and that Guarantor will remain bound upon its guarantee notwithstanding any amendment, modification, extension or renewal of any of the Guaranteed Obligations, whether or not any of the foregoing would in any way increase any Guarantor’s obligations hereunder.

(b) The obligations of Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected, at any time, by: (i) any compromise, waiver or release in respect of any Guaranteed Obligation of Purchaser, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of Purchaser, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Purchaser or its assets or any resulting release or discharge of any obligation of Purchaser or Guarantor contained in this Agreement; (iii) the existence of any claim, set-off or other rights that any Guarantor may have at any time against Seller or Purchaser, whether in connection herewith or otherwise; (iv) any invalidity or unenforceability of this Agreement relating to or against Purchaser for any reason, or any provision of applicable Law purporting to prohibit the payment or performance by Purchaser at the time and place specified herein of any of the Guaranteed Obligations; or (v) any other act or omission to act or delay of any kind by Purchaser, Seller or any other Person, or any other circumstance whatsoever that might, but for the provisions of this paragraph, constitute a legal or equitable discharge or defense of a guarantor or surety. Guarantor irrevocably waives presentment,

demand, protest and notice, as well as any requirement that at any time any action be taken by any Person against Purchaser or any other Person.

(c) Without limitation to the foregoing, Guarantor further agrees that its guarantee is a continuing guarantee of payment and performance of the Guaranteed Obligations when due (whether or not any bankruptcy, insolvency or similar proceeding under applicable Law shall have stayed the accrual or collection of any of the Guaranteed Obligations or operated as a discharge thereof) and not of collection, and waives any right to require that resort be had by Seller to the Purchaser for the collection and performance of the Guaranteed Obligations. If at any time any payment of any Guaranteed Obligation by Purchaser is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of Purchaser or otherwise, Guarantor's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

(d) Guarantor shall indemnify and reimburse Seller for any and all costs and expenses (including reasonable attorneys' fees) incurred by Seller in enforcing any rights under this Section 12.16.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first above written.

SELLER:

POTBELLY SANDWICH WORKS, LLC

By: _____
Name:
Title:

PURCHASER:

[INSERT ENTITY NAME]

By: _____
Name:
Title:

GUARANTOR:

Name:

EXHIBIT M

NON-TRADITIONAL ADDENDUM TO FRANCHISE AGREEMENT

Ex. M

POTBELLY FRANCHISING, LLC
NON-TRADITIONAL LOCATION ADDENDUM
TO FRANCHISE AGREEMENT

THIS NON-TRADITIONAL LOCATION ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) is made and entered into as of the ____ day of _____, 20____, (the “**Effective Date**”) (regardless of the dates of, but only upon, the parties’ full signatures) by and between **POTBELLY FRANCHISING, LLC**, an Illinois limited liability company with its principal business address at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061 (“**we**”, “**us**” or “**our**”) and _____, a(n) _____, whose principal business address is _____ (“**you**” or “**your**”).

1. Preambles and Acknowledgements. Simultaneously with signing this Addendum, we and you are signing a Franchise Agreement (the “**Franchise Agreement**”) to govern your development and operation of a Potbelly Sandwich Shop (defined below) at the Site. All initial capitalized terms used but not defined in this Addendum have the meanings given to these terms in the Franchise Agreement. We and you are signing this Addendum to modify certain provisions of the Franchise Agreement to recognize that the Potbelly Sandwich Shop will be located within the _____ (for purposes of this Addendum and in the Franchise Agreement, the “**Facility**”), which is a Non-Traditional Location (defined below), and to accommodate certain requests you have made as a result of that location. “**Non-Traditional Location**,” in this Addendum and in the Franchise Agreement, means any permanent or temporary food service facility that operates (1) under one or more of the Marks and all or part of the Franchise System, and (2) at locations that do not feature unlimited and unrestricted access to the general public. Non-Traditional Locations include, but are not limited to: hospitals or medical centers, airports, public or private schools, universities or college campuses, airport terminals, train or bus stations, convention centers, exhibition halls, amusement parks, fairgrounds, sports arenas, military bases, state or national parks, hotels, lodges, country clubs, social clubs, resorts, casinos, theaters, food trucks, or any other similar site or venue that generates customer flow that is independent from the general customer traffic flow of the surrounding area (collectively, “**Non-Traditional Venues**”).

2. Other Business. Subsection 1.C(6) of the Franchise Agreement is deleted in its entirety.

3. Grant of Franchise. Section 1.D of the Franchise Agreement is deleted in its entirety and replaced with the following:

D. GRANT OF FRANCHISE

You have applied for a non-traditional franchise to operate a Potbelly Shop at _____ (the “**Site**”). Subject to this Agreement’s terms, we grant you a franchise (the “**Franchise**”) to operate a Potbelly Shop (the “**Shop**”) at the Site, and to use the Franchise System in its operation, for a ten (10) year term beginning on the Effective Date (the “**Term**”) The Term is subject to earlier termination under Section 14. You agree to operate the Shop in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 14. You may use the Site during the Term only for the Shop. You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use best efforts to promote the Shop. You may not engage in any delivery or catering activities away from the Site, or take customer orders “on-line” (*i.e.*, through the System Website or any other Electronic Media), unless and until we require you to do so or notify you in writing that you may do so (although we have no obligation to allow such activities by a certain date or at all. If we require or allow you to engage in any or all of these activities, you must

comply with all System Standards for such activities, including without limitation, making available the Products identified as appropriate for delivery, using only the delivery service provider(s) we specify in writing for your Shop, and limiting the delivery services to any delivery area we specify to you in writing. Since the Site of the Shop is located at or within a Non-Traditional Location, your delivery and catering area will be limited to the Facility and shall be deemed exclusive to you only in the Facility. You acknowledge and agree that any delivery and/or catering services performed outside of the parameters of the Non-Traditional Location shall be deemed non-exclusive and we may engage, and/or allow other franchisees and third parties to engage, in any activities we desire within the non-exclusive delivery area without any restrictions (including allowing other Potbelly Shops and delivery service providers to provide delivery services in the delivery area). You further acknowledge and agree that any delivery area we specify is nothing more than the geographic boundaries in which you may deliver those Products approved for delivery from the Shop, and no other rights are granted to you whatsoever.

4. Site Selection. Section 2.A of the Franchise Agreement is deleted in its entirety and is replaced with the following:

A. **SITE SELECTION.**

You acknowledge that you located, and we accepted, the Site, and you negotiated, and we accepted the Site's occupancy agreement (the "Lease"), before you signed this Agreement. Our acceptance of the Site is not a representation or warranty of any kind, express or implied, of the Site's suitability for a Potbelly Shop or any other purpose. Our acceptance indicates only that we believe the Site meets our then acceptable criteria, unless we waive those criteria in a particular situation. Applying criteria appearing effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the Site we accepted fails to meet your expectations. You acknowledge that your acceptance of the Franchise was based on your own independent investigation of the Site's suitability for the Shop.

You also acknowledge that our review and acceptance of the Lease is not a guarantee or warranty, express or implied, of the successful operation or profitability of a Potbelly Shop at the Site. Our review and acceptance indicates only that we believe the Lease's terms meet our then current criteria for proposed Potbelly Shop sites.

If you lose the right to occupy the Site without your fault, or if the Site is destroyed, condemned, or otherwise rendered unusable, you may relocate the Shop to a new site reasonably acceptable to us. Any relocation will be at your sole expense, and we may charge you twenty percent (20%) of our then-current initial franchise fee for new franchisees for our involvement in the relocation process. If you choose to relocate, whether during the Term or in connection with your acquisition of a successor franchise (see Section 13 below), you agree, as a condition of that relocation, and within the timeframe we specify and at your own expense, to take all action we require to de-brand and de-identify the Shop's former Site so that it no longer is associated in any manner (in our reasonable opinion) with the Franchise System.

5. Lease of Premises. Section 2.B of the Franchise Agreement is deleted in its entirety.

6. Initial Franchise Fee. Section 3.A of the Franchise Agreement is deleted in its entirety and is replaced with the following:

A. **INITIAL FRANCHISE FEE**.

You agree to pay us a nonrecurring and, except as specifically provided in this Agreement, nonrefundable initial franchise fee of Twenty-Five Thousand Dollars (\$25,000). This fee must be paid, and is fully earned by us, when you sign this Agreement. We will credit toward the initial franchise fee any deposit you previously paid under a Shop Development Area Agreement, if applicable.

7. Advertising and Development Fund Contribution. Section 3.C of the Franchise Agreement is deleted in its entirety and the immediately following subsections are deemed re-lettered accordingly. You hereby acknowledge and agree that any further references to the brand fund contribution in this Agreement are also deleted.

8. Compliance With System Standards. Section 8.A of the Franchise Agreement is amended as follows:

(a) Days and Hours of Operation. We recognize and acknowledge that the Potbelly Shop will operate at a Non-Traditional Location and will be required to be open and operating on those days and during those hours that the Non-Traditional Location may set from time to time. Therefore, Subsection 8.A(13) of the Franchise Agreement is deleted.

(b) Participation in Franchisee Advisory. Section 8.A(17) is deleted in its entirety.

9. Marketing. The first paragraph of Section 9 of the Franchise Agreement is deleted in its entirety and is replaced with the following:

Potbelly Shops must engage in, and prepare materials for, various marketing, advertising, customer relationship management (“CRM”), public relations, and brand building and protection activities and programs we deem appropriate to enhance the Potbelly brand (collectively, “Marketing”). We describe the Marketing below. You must pay us, at the same time and in the same manner as the Royalty, the Production Fee described in Subsection 9.B.

10. Market Introduction. Section 9.A of the Franchise Agreement is deleted in its entirety.

11. Brand Fund. Section 9.B of the Franchise Agreement is deleted in its entirety and is replaced with the following:

B. **PRODUCTION FEE**.

You must pay us a production fee (the “**Production Fee**”) equal to one percent (1%) of the Shop’s Gross Sales. Said Production Fee will be payable in the same manner as the Royalty. We will use Production Fees to create, prepare, and produce video, audio, and written materials, graphics, and Electronic Media for Potbelly Shops; develop a Franchise System Website, Intranet and/or related strategies; conduct research; hire advertising, promotion, CRM, marketing, graphic design, and research agencies, other advisors, and personnel to provide assistance; support market research, customer satisfaction surveys, and other advertising promotion, CRM, marketing, graphic design, and research activities for Potbelly Shops; and pay third party vendors to customize advertising, promotion, CRM, and marketing materials for in-Shop and local use by franchisees. We have sole control over how and where to spend Production Fees. We will give

you, at no additional cost, one set of Marketing materials that we consider to be standard for a franchised Potbelly Shop. If you want additional supplies of these Marketing materials, you must pay us an amount equal to their direct production cost plus any related shipping, handling, and storage charges. We need not ensure that any Potbelly Shop benefits directly or in proportion to its Production Fees from the creation and development of Marketing Materials.

12. Your Local Marketing. You hereby acknowledge that Section 9.C of the Franchise Agreement has been deleted in its entirety and the immediately following subsections are deemed re-lettered accordingly. You hereby also acknowledge and agree that any further references to local marketing in this Agreement are also deleted.

13. Area Brand Cooperative. You hereby acknowledge that Section 9.D of the Franchise Agreement has been deleted in its entirety and the immediately following subsections are deemed re-lettered accordingly. You hereby also acknowledge and agree that any further references to an area brand cooperative in this Agreement are also deleted.

14. Entire Agreement. The Franchise Agreement, as amended and supplemented by this Addendum, contains the entire understanding of the parties. The parties can amend the Franchise Agreement further only by a signed writing. The provisions of the Franchise Agreement, as amended and supplemented by this Addendum, are ratified and affirmed.

You acknowledge you read and understand this Addendum and the Franchise Agreement and consent to be bound by all the terms and conditions of the Franchise Agreement as amended and supplemented by this Addendum.

IN WITNESS WHEREOF, the parties have signed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date.

POTBELLY FRANCHISING, LLC,
an Illinois limited liability company

[FRANCHISEE ENTITY],
a(n) _____

By: _____
[Signature]

By: _____
[Signature]

Name: _____
[Print Name]

Name: _____
[Print Name]

Title: _____

Title: _____

DATED: _____

DATED: _____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	April ~~30~~ , 2024 ⁴⁵
Hawaii	~~May 8, 2024~~ Pending
Illinois	April ~~30~~ , 2024 ⁴⁵
Indiana	April ~~30~~ , 2024 ⁴⁵
Maryland	~~May 24, 2024~~ Pending
Michigan	April ~~30~~ , 2024 ⁴⁵
Minnesota	~~May 21, 2024~~ Pending
New York	April ~~30~~ , 2024 ⁴⁵
North Dakota	~~June 17, 2024~~ Pending
Rhode Island	~~May 20, 2024~~ Pending
South Dakota	April ~~30~~ , 2024 ⁴⁵
Virginia	~~May 30, 2024~~ Pending
Washington	~~May 14, 2024~~ Pending
Wisconsin	April ~~30~~ , 2024 ⁴⁵

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

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 Potbelly Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Michigan 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. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Potbelly Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Potbelly Franchising, LLC, located at ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061. Its telephone number is (312) 951-0600.

The issuance date of this Franchise Disclosure Document is April 30, 20245. The franchise sellers for this offering are Robert Wright, Adiya Dixon, Adam Noyes, Lynette McKee, Todd Owen, David Bulger, Maureen DiStefano, Angelica Lara and _____ [blank completed only if applicable] at Potbelly Franchising, LLC, ~~111 North Canal~~500 West Madison Street, Suite ~~325~~1000, Chicago, Illinois 606061. Its telephone number is (312) 951-0600.

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states. I received a disclosure document from Potbelly Franchising, LLC dated as of April 30, 20245, that included the following Exhibits:

A. List of State Agencies/Agents for Service of Process	H. Franchisee Representations
B. Franchise Agreement	I. State Addenda and Franchise Agreement/Area Development Agreement Riders
C. Area Development Agreement	J-1. List of Franchisees
D. Principal's Agreement	J-2. List of Franchisees Who Left the System
E. Lease Rider/Collateral Assignment of Lease	K. Form of General Release
F. Operations Manual Table of Contents	L. Asset Purchase Agreement
G-1. Financial Statements	M. Non-Traditional Location Addendum to Franchise Agreement
G-2. <u>Guarantee of Performance of Potbelly Corporation</u>	

Date

Prospective Franchisee [Print Name]

(Date, Sign and Return to Us)

Prospective Franchisee [Signature]

After signing and dating the Receipt, you may return it to us (to the attention of Susan Cory) by sending the original via overnight courier or 1st class mail to our address above, by faxing a copy to (312) 276-4438, or by emailing a scanned copy to franchise@potbelly.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 Potbelly Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Michigan 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. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Potbelly Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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G-1. Financial Statements	M. Non-Traditional Location Addendum to Franchise Agreement
G-2. <u>Guarantee of Performance of Potbelly Corporation</u>	

Date

(Date, Sign and Keep for Your Own Records)

Prospective Franchisee [Print Name]

Prospective Franchisee [Signature]