FAT SHACK INC.

FRANCHISE DISCLOSURE DOCUMENT

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FAT SHACK INC.
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Fat Shack Inc. is offering franchises for the operation of specialty quick service sandwich restaurants under the name Fat Shack®. A Fat Shack® Restaurant features "Fat Sandwiches," burgers and wings, together with appetizers, desserts and hot and cold beverages, and related merchandise, for dine in, takeout and delivery. Fat Shack® Restaurants specialize in late night delivery of its products to its customers.

The total investment necessary to begin operation of a single FAT SHACK franchise ranges from $112,750 to $291,250. This includes between $32,500 and $33,250 that must be paid to the franchisor or its affiliates. The franchisor may offer to qualified candidates the right to develop multiple FAT SHACK Restaurants under the terms of an Area Development Agreement, in which case the total investment stated above will increase by an amount equal to $5,000 times the number of additional FAT SHACK Restaurants to be developed under the Area Development Agreement, which amounts are paid to the franchisor. The minimum number of additional FAT SHACK Restaurants to be developed under the Area Development Agreement is two, in addition to the first FAT SHACK Restaurant.

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

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 Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: March 31, 2021

FOR USE IN: AL, AK, AZ, AR, CA, CO, CT, DE, DC, GA, FL, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY, and U.S. TERRITORIES (see State Effective Dates page for effective dates in certain states.)

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 Attachments E and F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Attachment G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only FAT SHACK 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 FAT SHACK franchisee?	Item 20 or Attachments E and F lists 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 Attachment K.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Colorado. 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 Colorado than in your own state.
2. **Spouse Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, are at risk if your franchise fails.
3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of territorial rights you are granted, termination of your franchise, and loss of your investment.

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.

INFORMATION FOR PROSPECTIVE FRANCHISEES IN MICHIGAN

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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(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 provisions 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 five 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 six 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. (The above language has been included in this Disclosure Document as a condition for registration. We and you do not agree that the parties are restricted from choosing to conduct arbitration outside of Michigan and believe that each of the provisions of the Franchise Agreement, including each of the arbitration provisions, is fully enforceable. We and you intend to rely on the federal pre-emption under the Federal Arbitration Act.)

(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 franchisee 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.

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.

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 or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

Any questions regarding the notice should be directed to:

State of Michigan
Department of Attorney General
Franchise Section - Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

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ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

The Franchisor, Predecessors, Affiliates and Parent

The name of the franchisor is Fat Shack Inc. For ease of reference, Fat Shack Inc. will be referred to as "**we**," "**us**" or "**Fat Shack**" in this Disclosure Document. We will refer to the person who buys the franchise as "**you**" throughout this Disclosure Document. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners and will be noted in this Disclosure Document.

Our principal offices are located at 420 E 58th Avenue, Suite 128B, Denver, Colorado 80216. We presently do business under the name "Fat Shack Inc." and no other name. We offer and sell franchises that operate under the name "Fat Shack." We were formed on February 20, 2013 as a Delaware limited liability company under the name of Fat Shack America, LLC. On March 22, 2019, we converted from a Delaware limited liability company to a Delaware corporation, and changed our name to Fat Shack Inc. Our agents for service of process are listed on Attachment K.

We have three affiliate companies, Fat Shack Fort Collins, LLC, a Colorado limited liability company formed on July 1, 2011 ("**FS Fort Collins**"), Fat Shack Loveland LLC, a Colorado limited liability company formed on August 11, 2016 ("**FS Loveland**") and FS Chicago Cloud LLC ("**FS Chicago**"), an Illinois limited liability company formed on August 14, 2019. FS Fort Collins and FS Loveland each operate a Fat Shack restaurant similar to the type of restaurant offered under this Disclosure Document. The principal business address of FS Fort Collins is 706 South College Avenue, Suite 102, Fort Collins, Colorado 80524. The principal business address of FS Loveland is 1433 North Denver, Loveland, Colorado 80538. FS Chicago will begin operating in 2020 two delivery service only outlets in the Chicago, Illinois market. It will not be operating Fat Shack restaurants of the type being offered in this Disclosure Document. The principal business address of FS Chicago is 2537 South Wabash Avenue, Chicago, Illinois 60616.

We also had two other affiliated companies, Fat Shack Boulder, LLC, a Colorado limited liability company formed on August 8, 2013 ("**FSB**"), which operated a Fat Shack restaurant in Boulder, Colorado until it sold the restaurant to a franchisee of ours in October 2015, and Fat Shack Support LLC ("**FS Support**"), which operated an affiliated-owned Fat Shack restaurant in Denton, Texas. FSB was dissolved on November 1, 2018. The ownership interests of FS Support were sold to a third party in June 2019 and the Denton, Texas Fat Shack restaurant is now operated as a franchisee location.

FS Fort Collins and FSB may also be considered predecessors of ours.

We acquired many of the techniques and other assets comprised in the Licensed Methods discussed below from Fat Shack Late Night Delivery LLC, a New Jersey limited liability company formed in January 2010 and owned by one of our officers ("**FS LND**"). FS LND owned and operated a business similar to a FAT SHACK Restaurant discussed below in Ewing, New Jersey that led to the development of our Licensed methods. It is currently not operating any business. FS LND is a predecessor of ours.

We have no other affiliates or predecessors and have no parent company.

Our Business

We franchise the operation of specialty quick service sandwich restaurants under the name Fat Shack® ("**FAT SHACK Restaurants**" or "**Restaurants**") that sell "Fat Sandwiches," burgers and wings, together with appetizers, desserts and hot and cold beverages, and related merchandise, for dine in, takeout and delivery. Some FAT SHACK Restaurants serve alcohol beverages but serving alcohol beverages is optional. FAT SHACK Restaurants specialize in late night delivery of its products to its customers.

The Franchise

A franchise agreement ("**Franchise Agreement**"), which is attached as Attachment A to this Disclosure Document, is signed for each FAT SHACK Restaurant purchased. You will receive the right to use our Marks and Licensed Methods to operate your FAT SHACK Restaurant at a location approved by us ("**Restaurant Location**") and identified in the Franchise Agreement.

A FAT SHACK Restaurant may be located in a strip mall or other suitable facility that we will approve before you develop the facility. A FAT SHACK Restaurant will typically be on or close to a college campus. FAT SHACK Restaurants are typically between 1,200 and 2,500 square feet, in leased or owned retail space that may include a patio. FAT SHACK Restaurants are customarily designed to seat approximately 5 to 35 people inside. The customer seating area includes a fun, casual atmosphere where much of the décor is unique to the area in which the FAT SHACK Restaurant is located. The walls are painted in local college and/or high school colors and school banners, memorabilia, and logos throughout the space, which compliments the Fat Shack logos and related artwork. Each customer seating area will include at least one wall-mounted flat-screen television.

FAT SHACK Restaurants specialize in late night services. At a minimum, your Restaurant will remain open until 2:30 a.m. two nights a week, and until 12:30 a.m. five days per week. These minimum standards may be changed by us by changes to the Operations Manual, described more fully in Item 8 to this Disclosure Document.

We also offer Area Development Agreements that allow select franchisees to purchase a protected area ("**Protected Area**") to open two or more FAT SHACK Restaurants within the Protected Area in addition to the first FAT SHACK Restaurant. The Area Development Agreement is attached to this Disclosure Document as Attachment B (the "**Development Agreement**"). During the term of the Development Agreement, we will not establish, nor will we license any other party to establish, FAT SHACK Restaurants using the Marks and Licensed Methods anywhere within the Protected Area except as is described in Item 12 related to Captive Audience Venues. For each FAT SHACK Restaurant developed under the Development Agreement, you will sign a separate franchise agreement, which may be different than the form of Franchise Agreement attached to this Disclosure Document.

You are licensed to use the trade name and service mark "FAT SHACK" and related trademarks, service marks, logos and designs ("**Marks**") and our distinctive business format, systems, methods, procedures, designs, layouts and specifications ("**Licensed Methods**") in conjunction with the operation of a FAT SHACK Restaurant.

Regulations

The restaurant industry is highly regulated. You must comply with all local, state and federal health and sanitation laws relating to food handling and preparation, and the sale of food. If you decide, with our consent, to serve beer and wine, you will also need to obtain a liquor license. State and local

laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor and its consumption. You will need to understand and comply with those laws in operating your Restaurant franchise. You should also familiarize yourself with other federal, state or local laws of a more general nature which affect the operation of your FAT SHACK Restaurant. You should consult with your attorney regarding state and local laws and regulations that may affect the operation of your FAT SHACK Restaurant at your particular location. Franchisees must comply with all laws which affect the operation of a FAT SHACK Restaurant, including employment, worker's compensation, insurance, corporate, taxing, licensing and similar laws and regulations.

Market and Competition

The market for quick service sandwich restaurants is well established and highly competitive. In addition to sandwich restaurants in general, you will compete with regular and quick service hamburger establishments, pizza establishments, and any other type of restaurants, especially restaurants that offer late night hours and delivery service, including those operating under well-known and recognizable trade names, as well as with independent restaurants. Finally, you will compete with grocery store chains, carts, kiosks, vending machines and the establishments offering premade sandwiches to the consumer. You may even experience competition from other FAT SHACK Restaurants within the same market area as your FAT SHACK Restaurant.

Many FAT SHACK Restaurants are located on or near college campuses. Those Restaurants may experience seasonal declines in business during the summer months.

Business History

Our principals, Thomas J. Armenti and Kevin J. Gabauer, have over 19 combined years in the quick service restaurant business. Our predecessor FS LND operated a precursor prototype business to a FAT SHACK Restaurant from January 2010 until December 2012. Our affiliate FS Fort Collins has operated a FAT SHACK Restaurant of the type being offered under this Disclosure Document in Fort Collins, Colorado since 2011. Our affiliate FS Loveland has operated a FAT SHACK Restaurant of the type being offered under this Disclosure Document since June 2019, and previously operated it from August 2016 to August 2018, with the FAT SHACK Restaurant operated by a franchisee of ours during the intervening period. Our affiliate FSB operated a FAT SHACK Restaurant of the type being offered under this Disclosure Document in Boulder, Colorado between 2013 and 2015, when that Restaurant was sold to a franchisee of ours. Our affiliate FS Support operated a FAT SHACK Restaurant of the type being offered under this Disclosure Document in Denton, Texas from January 2018 to June 2019, when it was sold to a franchisee of ours. We have granted a license to one retail outlet located in New Jersey to serve FAT SHACK products using the FAT SHACK trade name, but this licensed store is not the same as a FAT SHACK Restaurant described in this Disclosure Document.

We have offered franchises for FAT SHACK Restaurants since February 2015. We do not operate businesses of the type being franchised. We have not conducted business in any other line of business nor have we franchised any other type of business. Except as described above, none of our predecessors, affiliates or parents have conducted business or offered franchises in this or any other line of business.

ITEM 2

BUSINESS EXPERIENCE

CEO, President and Board Member: Thomas J. Armenti

Tom Armenti has been our CEO, President and a member of our Board of Directors since we converted to a corporation. He was one of our Managing Members from our inception in 2013 until our conversion to a corporation. He also has served as a Managing Member of FS Fort Collins and FS Loveland since each of their inceptions (July 1, 2011 for FS Fort Collins and August 11, 2016 for FS Loveland). However, FS Loveland remained inactive during the period of August 2018 through June 2019, during which period the FAT SHACK Restaurant was owned and operated by a franchisee of ours. He previously served as the Managing Member of FS Support from its inception in January 2018 until June 2019, when it was sold to a franchisee of ours. He served as a Managing Member of FSB from its inception on August 8, 2013 until it ceased operations in October 2015. Mr. Armenti operates out of our location in Denver, Colorado.

CFO, Executive Vice President and Board Member: Kevin J. Gabauer

Kevin Gabauer has been our CFO, Executive Vice President and a member of our Board of Directors since we converted to a corporation. He was one of our Managing Members from our inception until our conversion to a corporation. He also has served as a Managing Member of FS Loveland since its inception. He served as a Managing Member of FSB from its inception until it ceased operations in October 2015 and of FS Support from its inception until June 2019. Mr. Gabauer operates out of our location in Denver, Colorado.

Secretary and Board Member: Robert A. Armenti

Robert Armenti has been Secretary and a member of our Board of Directors since we converted to a corporation. He was an Advising Member of ours from our inception until our conversion to a corporation. He provides advising and consulting services to us. Since May 1993, he has owned and is the President of Armenti Consulting LLC, a consulting business to the pharmaceutical industry located in Ramsey, New Jersey.

Director of Expansion: Cory J. Whitman

Cory Whitman has served as our Director of Expansion since March 2019. Before that, he was an employed agent for us since January 2017. From February 2015 to March 2019, he was also the Managing Member of Fat Shack DU, LLC, a franchisee of ours operating a FAT SHACK Restaurant in Denver, Colorado. He was also previously employed with our affiliate FS Fort Collins from April 2012 to February 2015. Mr. Whitman operates out of our location in Denver, Colorado.

Director of Operations: Charles G. Walker

Charles Walker has served as our Director of Operations since March 2019. Before that, he was an employed agent for us since January 2017. From October 2015 to April 2017, he also served as the Managing Member of FS Boulder, LLC, a franchisee of ours operating a FAT SHACK Restaurant in Boulder, Colorado ("**FS Boulder**"). From September 2013 to October 2015, he was the General Manager of our affiliate FSB that operated the Boulder, Colorado FAT SHACK Restaurant. Mr. Walker operates out of our location in Denver, Colorado.

Director of Digital Solutions: Chris D. Juliano

Chris Juliano has been our Director of Digital Solutions since August 2019. Since January 2019, he has also served as Regional Manager of FS Wheat Ridge, LLC ("**FS Wheat Ridge**") and Ginter Foods, LLC ("**Ginter Foods**"), each of which operate a FAT SHACK Restaurant in Colorado. Since May 2017, he has also been employed with FS Boulder, first as Assistant General Manager, then General Manager, and currently as Regional Manager. From January 2017 to April 2017, he worked as a cook at That's Amore Pizza, Inc., a restaurant located in Crystal Lake, Illinois. During that same period, he also worked as a Youth Assistant with the Catholic Diocese of Rockford in Rockford, Illinois. From July 2016 to April 2017, Mr. Juliano was employed in banquet operations with Boulder Ridge Country Club located in Lake in the Hills, Illinois. During the summer periods of May 2015 through August 2015 and May 2016 through August 2016, he was employed as Grounds Assistant for Crystal Lake Elementary 47 in Crystal Lake, Illinois. From August 2015 to May 2016, Mr. Juliano worked as a factotum for the Archdiocese of Denver, Colorado. During the same period from August 2015 to May 2016, he worked as a cook for the FAT SHACK Restaurant operated in Boulder, Colorado, first with our affiliate FSB until it sold the Restaurant in October 2015, and thereafter with our franchisee FS Boulder.

Director of Brand Development: Ryan Ginter

Ryan Ginter has been our Director of Brand Development since March 2019. He has also served as Managing Member of each of Ginter Foods, FS Boulder, and FS Wheat Ridge since March 2015, April 2017, and October 2018, respectively. Each of these companies operates a franchised FAT SHACK Restaurant in Colorado.

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 Franchise Fees

You must pay an initial franchise fee of $25,000 for the first Franchise Agreement that you sign, and $15,000 for each subsequent Franchise Agreement that you sign ("**Initial Franchise Fee**"). You must sign a separate Franchise Agreement for each FAT SHACK Restaurant you operate and pay the Initial Franchise Fee in a lump sum when you sign each Franchise Agreement.

Development Agreement Fees

Under the Development Agreement, you must pay us the Initial Franchise Fee noted above for your first FAT SHACK Restaurant franchise plus a $5,000 fee ("**Development Fee**") multiplied by the

number of additional FAT SHACK Restaurants to be developed. We will credit the Development Fee attributable to the each subsequent FAT SHACK Restaurant to be developed under the Development Agreement to the Initial Franchise Fee due under the Franchise Agreement for such FAT SHACK Restaurant. The total Initial Franchise Fee payable for each of the second and subsequent FAT SHACK Restaurants is $15,000 per franchise. The balance of the Initial Franchise Fee for each FAT SHACK Restaurant you open is due upon your execution of the Franchise Agreement for that FAT SHACK Restaurant. Under the Development Agreement, you must agree to open at least two additional FAT SHACK Restaurants in addition to your first FAT SHACK Restaurant.

Lease Review Program

After you select a location for your FAT SHACK Restaurant, we must approve that location. If the site is approved, we will review your lease, or, if applicable, purchase agreement, for your Restaurant Location. This review is solely for our benefit, and any legal counsel or other professional advisors we engage to assist with the review will be acting only on our behalf. Our approval of a lease indicates only that the lease meets our minimum criteria for the operation of a FAT SHACK Restaurant and that our interests and those of our affiliates are protected. Our approval of the lease does not guarantee that the FAT SHACK Restaurant will be successful. We will review up to two leases or purchase agreements without a charge to you. If we are required to review three or more leases or purchase agreements, you must pay us a $750 fee ("**Lease Review Fee**") plus our out-of-pocket costs of reviewing and (if we so choose) negotiating the lease. The Lease Review Fee must be paid to us at the time we receive the third and each subsequent lease for our review. We may waive all or a portion of the Lease Review Fee for additional sites if we feel that it is appropriate to do so. Notwithstanding your payment of the Lease Review Fee, neither we nor our legal counsel or other professional advisors involved in the lease review are representing you or your interests in relation to the review and approval. You may elect to hire your own attorney or other professional advisors to review your lease or purchase agreement, and we recommend that you do so. You will pay for their services in addition to the Lease Review Fee. You may not sign a lease that we have not approved.

Initial Starting Package

Before your FAT SHACK Restaurant opens for business, you must purchase an initial starting package of materials from us, including smallwares, kitchen signage, take-out menus, promotional items, stereo system receiver and interior décor. You will be required to pay us $7,500 for this initial starting package. We reserve the right to require that this package be purchased from our approved supplier rather than from us directly.

On-Site Opening Assistance Fee

If the FAT SHACK Restaurant to be opened under this Agreement is your first FAT SHACK Restaurant, one or more of our representatives will provide opening assistance on site at the Restaurant Location for not less than 30 days to assist you in opening the FAT SHACK Restaurant. You will be responsible for hiring in advance of the opening date and be exclusively responsible for the training, compensation and control of your employees. If our representatives must travel more than 100 miles and incur room and board expenses, you will pay us $125.00 per day for each day the on-site opening assistance is provided.

General

We do not offer financing for any portion of the initial fees or payments in this Item 5. Except as otherwise stated above for the Lease Review Fee, each of these initial fees and payments must be paid in

full when you sign the applicable agreement. The Initial Franchise Fee represents, in its entirety, payment for our pre-opening and grand opening support, and we have fully earned the Initial Franchise Fee upon completion of our pre-opening and grand opening support obligations. We fully earn the Development Fee, the Lease Review Fee, and other payments when paid. No fees are refundable under any circumstances. Refer to the state specific addendum for applicable initial fee deferrals by state, if any.

Except as described in this Item 5, all franchisees currently acquiring the same type of franchise pay the same applicable initial fees, except as described above. Except as may be discussed in this Item 5, no other fees are collected by or for us before your business opens.

ITEM 6

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty[1]	6% of your Gross Sales[2]	Payable weekly on Tuesday of each week based on the prior week's Gross Sales	The Royalty is for the ongoing grant of the rights to use the Marks and Licensed Methods, and on-going support. We will debit your bank account for the Royalty.[3] You must meet minimum Sales Quota. See Item 12.
Marketing and Promotion Fee[1]	None, but we reserve the right to charge up to 1½% of your Gross Sales[2]	Payable with the Royalty Fee	We will not require you to pay us a Marketing and Promotion Fee before January 1, 2022. Once commenced, we will debit your bank account for amounts due.[3] We may reallocate all or a portion of this fee to a Regional Advertising Program if one is established in your region. You must meet minimum Sales Quota. See Item 12.
Initial Training Program Expenses[4,5]	Costs associated with attending our initial training program	As incurred	Payable to third party suppliers.
Onsite Opening Assistance Fee1	$125 per day for each day the on-site opening assistance is provided	As incurred	Only payable if our representatives must travel more than 100 miles and incur room and board expenses in providing this assistance.
Management Fee[1]	3% of Gross Sales[2] plus our direct out-of-pocket costs and expenses	As incurred	Due when we manage your FAT SHACK Restaurant after your default or abandonment.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Transfer[1]	$6,000 for transfer of each of your Franchise Agreements, $3,000 for each undeveloped FAT SHACK Restaurant for transfer of Development Agreement	Before the transfer	Payable when your interest in the Franchise Agreement or Development Agreement, a material portion of your FAT SHACK Restaurant's assets, or an interest in you is transferred.
Relocation Fee[1]	25% of the then-current Initial Franchise Fee	Before you move your FAT SHACK Restaurant	Payable if you move your FAT SHACK Restaurant from one location to another.
Additional Training[1,4]	Tuition, if applicable, and costs associated with attending additional training programs	As incurred	We may require additional training periodically. Tuition, if any, is payable to us. All other costs are payable to third party suppliers.
Interest and Late Payment Charges[1]	Lesser of 1½% per month or highest rate of interest allowed by law, plus a $50 late filing charge	Upon demand	Begins to accrue the day after payments are due for the Royalty Fees and Marketing and Promotion Fees.
Successor Franchise (Renewal) Fee[1]	$6,000	When you renew your franchise and sign the then current Franchise Agreement	Payable when you renew the term of your Franchise Agreement.
Costs of Inspection and Audit[1]	Cost of audit, underpayment amount, late payment charges and interest. Varies according to your location	15 days after receipt of our notice to you of any underpayment	These costs are payable only if you understate your Gross Sales by more than 2%, do not submit reports to us or do not cooperate in performance of inspection and audit.
	If you commit an Act of Deception (as defined in Section 16.5 of the Franchise Agreement), minimum of $10,000	Payable in advance	If you commit an Act of Deception, you must pay us $10,000 immediately upon notice from us to cover the cost of the audit. Any amounts unpaid, unreported or underreported must also be paid in full.
Costs and Attorneys Fees[1]	Will vary under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement or Development Agreement.
Additional Meeting Fee[1,4]	Will vary, but will not be more than $1,000 per Additional Meeting	As incurred	If we request, you must attend up to two Additional Meetings each year. Tuition, if any, is payable to us. All other costs are payable to third party suppliers.
Testing Fee[1]	Cost of testing	As incurred	This covers the costs of testing new products or inspecting new suppliers you propose.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Noncompliance Service Charge[1]	No charge for first written notice of noncompliance, up to $150 per event of noncompliance for second notice, up to $500 per event of noncompliance for third notice, and up to $1,000 per event of noncompliance for fourth and later notices	As incurred	We have the right to impose this charge, in addition to our other rights and remedies, if you are not in compliance with your Franchise Agreement or our standards and specifications.
Insufficient Funds Fee[1]	$50 per violation	As incurred	Payable any time you bounce a check to us or your bank account does not have sufficient funds to cover any direct debits that we submit to your bank.
Indemnification Under Franchise Agreement[1]	Will vary depending on nature of the claim against us	As incurred	You have to reimburse us if we are held liable for claims resulting from your FAT SHACK Restaurant.
Insurance Premiums[5]	Will vary depending on your location and insurer	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us.
Unapproved Products[1]	Gross profit on sales of unapproved products	As incurred	Payable only if you sell products we have not pre-approved.
Site Acquisition Extension Fee[1]	$500 for each of the second and third 90-day extensions up to a total of 2 extensions following the first 90-day extension for which there is no charge	At least 5 days before the date that you are required to sign a lease or purchase an approved location for your FAT SHACK Restaurant	Payable if you do not sign a lease or otherwise acquire an approved location for your FAT SHACK Restaurant within one year plus 90 days and you wish to extend the amount of time you have to acquire an approved site.

[1] Except as otherwise noted, fees are uniformly imposed and collected by and payable to us or our affiliates. No fees are refundable.

[2] "**Gross Sales**" are defined as sales of any kind for all services or products purchased from or through your FAT SHACK Restaurant, including sales made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your FAT SHACK Restaurant or off-site, but excluding discounts, sales taxes, or other similar taxes and credits. "Gross Sales" includes delivery fees and revenue from the redemption of FAT SHACK gift certificates, customer loyalty cards, gift cards and other prepaid cards. "Gross Sales" also includes the fair market value of any services or products you receive in barter or exchange for your products and services.

[3] Before you open your FAT SHACK Restaurant, you must sign and deliver to us and your bank all documents needed to permit us to debit your bank account for each week's Royalty and Marketing and Promotion Fees and other payments due under the Franchise Agreement or otherwise. If you change your account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and your bank new documents to permit us to debit your bank account within three days. However, we may require you to pay all amounts due by means other than automatic debit whenever we deem appropriate.

[4] This includes expenses associated with travel, meals, and lodging while you attend initial training sessions. All of these expenses are paid to third parties. We reserve the right to charge a tuition fee for training additional managers, although as of the date of this Disclosure Document, we have not charged a fee for this additional training.

[5] Fees that are not paid to us but may not be refundable.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Column 1	Column 2		Column 3	Column 4	Column 5
Type of expenditure	Amount (Low)	Amount (High)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee and Development Fee (See Note 1)	$25,000	$25,000	Lump Sum	At signing of Franchise Agreement and Development Agreement	Us
Lease Costs (See Note 2)	$3,000	$11,000	As arranged	Before Opening	Landlord
Space Acquisition and Leasehold Improvements (See Note 3)	$20,000	$105,000	As arranged	Before Opening	Other Suppliers
Architectural Design and Professional Fees (See Note 4)	$1,500	$12,000	As arranged	Before Opening	Other Suppliers
Furnishings and Equipment (See Note 5)	$25,000	$55,000	As arranged	Before Opening	Other Suppliers
Signs (See Note 6)	$5,000	$12,500	As arranged	As incurred	Other Suppliers
Computer, Software and Office Equipment (See Note 7)	$750	$2,000	As arranged	Before Opening	Other Suppliers

Column 1	Column 2		Column 3	Column 4	Column 5
Type of expenditure	**Amount (Low)**	**Amount (High)**	**Method Of Payment**	**When Due**	**To Whom Payment Is To Be Made**
POS System (See Note 8)	$7,000	$12,000	As arranged	Before Opening	Other Suppliers
Security Surveillance System (See Note 9)	$500	$4,000	As arranged	Before Opening	Other Suppliers
Opening Inventory and Supplies (See Note 10)	$5,000	$10,000	Lump Sum	Before Opening	Other Suppliers
Smallwares and Print Materials (See Note 11)	$7,500	$7,500	Lump Sum	Before Opening	Us
Security Deposits, Utility Deposits, Business Licenses (See Note 12)	$2,500	$6,000	As arranged	Before Opening	Other Suppliers
Lease Review Fee (See Note 13)	$ -0-	$750	As arranged	On delivery of third and each subsequent lease or purchase agreement for our review	Us
Pre-Opening Hiring and Training of Employees (See Note 14)	$3,000	$6,000	As arranged	As arranged	Your Employees
Opening Marketing (See Note 15)	$1,000	$5,000	As arranged	As incurred	Other Suppliers
Business Insurance (See Note 16)	$1,000	$2,500	As arranged	As incurred	Other Suppliers
Additional Funds - 3 months (See Note 17)	$5,000	$15,000	As arranged	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 18)	**$112,750**	**$291,250**			

Unless otherwise indicated in this document, all items are non-refundable.

Explanatory Notes

Note 1: Initial Franchise Fee. See Item 5 for an explanation of the Initial Franchise Fee.

Note 2: Lease Payments. You must purchase or lease retail space in which to operate your FAT SHACK Restaurant. A FAT SHACK Restaurant requires between 1,200 to 2,500 square feet of space, and is typically located in a mall, strip center, or office or retail building on or close to a college campus. Typically, smaller leased space have higher rent rates on a price per square foot basis. Sometimes,

landlords are willing to give one or more months of free rent or other lease concessions. These types of concessions are not considered in the chart. We have estimated the lease rent rates in the chart based on lease rates incurred by our current and past affiliates, FS Fort Collins, FSB, FS Loveland, and FS Support. However, the lease rate will vary considerably from location to location.

If you purchase property or a building, or both, for your FAT SHACK Restaurant, your additional costs will depend on the location and size of the land and building, and the market to purchase real estate in your area. We do not typically invest in the land and building for a FAT SHACK Restaurant. We are unable to estimate these costs due to the significant variances based on location and market conditions.

Note 3: Space Acquisition and Leasehold Improvements. Your Restaurant Location must meet our standards and specifications. The high estimates in the above chart reflect the build-out of a 2,500 square foot space, although your actual costs may vary under or over the estimates, depending on the square footage of your space and costs of the improvements and labor in your area. Your costs to improve the Restaurant Location will also depend in large part on whether your space is completely constructed or is the remodel of an existing space. The leasehold improvements that you will typically make include interior remodeling, floor covering, painting, wall covering, HVAC, Type I hood, electrical, plumbing, design, millwork, and various other improvements. These costs may vary significantly from market to market. You will be responsible for these costs. Leasehold Improvements may be higher if you elect to have special customization build out of your space.

Note 4: Architectural Design and Professional Fees. This estimate includes payments to architects, accountants and attorneys. You are not required to employ an architect to design your space configuration, but you may elect to do so. This item also includes other estimated costs for your legal and financial services associated with developing your FAT SHACK Restaurant. These costs may be significantly higher if you choose to purchase raw land and build a structure.

Note 5: Furnishings and Equipment. This item includes the estimated costs to obtain required furniture, front counter, grills, fryers, prep tables, refrigeration and freezer units, and other items.

Note 6: Signs. This estimate includes costs to purchase both exterior and interior signs for your FAT SHACK Restaurant. The high range includes exterior signs for a corner location, where more than one exterior sign is required.

Note 7: Computer, Software and Office Equipment. This item includes the estimated costs to purchase a required back office equipment, including a laptop computer and software for it, desk, chair, safe, telephone system, and photocopier. We reserve the right, in the Franchise Agreement, to license to you our own proprietary software if we develop proprietary software in the future. See Item 11 for a description of the required computer hardware and software for your FAT SHACK Restaurant.

Note 8: POS System. This item includes the estimated costs to purchase a computerized point-of-sale system ("**POS System**") loaded with software customized for FAT SHACK Restaurants. The low estimate reflects the charges for two POS System terminals and the high estimate includes four POS System terminals. The costs of the POS System hardware and software are paid to a third party supplier not related to us. See Item 11 for a description of the required computer hardware and software for your FAT SHACK Restaurant. There will be an initial set up fee charged by the POS System provider. You will also pay between $350 and $450 per month for required support and maintenance of your POS System. The amount of the initial set up fee charged and the first three months of support and maintenance charges are included in the estimated range shown in the table.

Note 9: Surveillance Security System. You must purchase a surveillance security system, including cameras and video recording devices.

Note 10: Opening Inventory. You must open with and maintain an inventory of bread, frozen goods, sauces, produce, drinks, packaging and paper goods, and related retail items. A majority of the inventory will consist of frozen goods which include chicken fingers, French fries, mozzarella sticks, Philly cheese steak, onion rings and milkshake mix.

Note 11: Smallwares, Print Materials and Store Décor. This includes items such as smallwares, kitchen signage, take-out menus, promotional items, stereo system receiver and interior décor. You will purchase an initial starting package of these items from us.

Note 12: Security Deposits, Utility Deposits, Business Licenses. You will have lease security deposits, typically ranging from zero to an amount equal to two months' rent, utility deposits and business licenses fees. These deposits and fees vary depending on your location.

Note 13: Lease Review Fee. See Lease Review Program discussed in Item 5. The high end assumes you have presented three leases or purchase agreements to us for our review.

Note 14: Pre-Opening Hiring and Training of Employees. Before you open your Restaurant, you will need to hire your initial staff and conduct training of them. You will incur payroll and other expenses during this time.

Note 15: Opening Marketing. This item includes the costs of marketing pieces and advertising related to the grand opening of your FAT SHACK Restaurant, including print ads, door hangers, discount coupons, banners, and food, T-Shirts and other giveaways.

Note 16: Insurance. You will need to maintain the insurance coverages set forth in Item 8 below. We must be named as an additional insured on all liability policies. Premiums are typically paid on a monthly basis. The range set forth in the table estimates the first three months of payments.

Note 17: Additional Funds. The disclosure laws require us to include this estimate of all costs and expenses to operate your FAT SHACK Restaurant during the "initial period" of the business, which is defined as three months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period," so our disclosures cover a three-month period. This estimate includes your pre-operational expenses that are not listed above, as well as additional funds necessary for the first three months of your FAT SHACK Restaurant operations. Your costs depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during this initial period. This item includes a variety of expenses and working capital items during your start-up phase such as: travel and living expenses associated with the initial training program; advertising and promotional expenses and materials; employee salaries; and other miscellaneous costs. However, this item excludes your salary or other amounts payable to you.

We relied on our principals' more than 19 combined years of experience in operating FAT SHACK Restaurants of the type being offered under this Disclosure Document when preparing these figures. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

Note 18: Basis for Estimates; Financing. We do not offer any financing in connection with your initial investment.

B. Area Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT[1, 2, 3, 4]

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment Is To Be Made
Development Fee	$5,000 - $15,000	Lump Sum	When you sign Development Agreement	Us

Explanatory Notes

1. None of the fees or costs estimated in the chart above are refundable.

2. This chart shows the estimated initial investment associated with signing a Development Agreement for the right to develop one to three FAT SHACK Restaurants, in addition to your initial FAT SHACK Restaurant. You may acquire the right to open more than three additional FAT SHACK Restaurants under the Development Agreement, in which case your Development Fee will increase.

3. The Initial Franchise Fee for each of the second and subsequent FAT SHACK Restaurants opened under the Development Agreement is $15,000. We will apply $5,000 of the Development Fee for each additional Restaurant towards the Initial Franchise Fee. The balance of each Initial Franchise Fee for the additional Restaurants to be developed under the Development Agreement is due upon the earlier of the execution of the Franchise Agreement for that Restaurant or the deadline for signing the Franchise Agreement for that particular FAT SHACK Restaurant.

4. This chart does not include the initial investment to open each of the Restaurants under the Development Agreement. The initial investment for opening your first FAT SHACK Restaurant is described separately in Chart A of this Item 7.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations

Your FAT SHACK Restaurant must be established and operated in compliance with your Franchise Agreement. It is mandatory that you comply with the standards and specifications contained in an operations manual we provide to you, in the form of one or more manuals, technical bulletins or other written materials ("**Operations Manual**"), which we may modify. We provide you with our standards and specifications for the services and products offered at or through your FAT SHACK Restaurant and for the Restaurant Location, products, fixtures, inventory, inventory mix, ordering and storage procedures, uniforms, supplies, forms, advertising and marketing material, and other items used at or sold through your FAT SHACK Restaurant. The Operations Manual and other standards and specifications we provide are designed to protect our reputation and the goodwill of the Marks, they are not designed to control the day-to-day operations of your FAT SHACK Restaurant.

FAT SHACK Restaurant Lease, Design and Build-Out

We must approve any lease or, if applicable, any purchase agreement for your FAT SHACK Restaurant before you sign any of these agreements. We do not charge for up to two lease or purchase agreement reviews. If we are required to approve more than two leases or purchase agreements, we charge you a fee plus our out-of-pocket costs for our lost opportunity and legal and other expenses incurred for this additional review for each lease or purchase agreement after the first two. A signed copy of the lease must be delivered to us within 15 days after signing.

The primary lease must contain certain provisions granting us certain rights, as your franchisor, including:

(i) The initial term of the lease, or the initial term together with any renewal terms (for which rent must be specified in the lease) must be for at least seven years;

(ii) The lease must give the landlord's consent to your use of the Marks and signage which we initially prescribe for the FAT SHACK Restaurant;

(iii) We must have the right to enter the premises to make any modification necessary to protect the Marks and the Licensed Methods;

(iv) We or our designee, without the landlord's approval, must have the option to assume your occupancy rights under the existing lease terms and have the right to assign the lease or sublet the premises, for all or any part of the lease term, if you are in default under the lease or the Franchise Agreement or if the lease or Franchise Agreement is terminated;

(v) Your landlord must agree to provide us with a notice of default and an opportunity to cure any default; and

(vi) The lease must contain a use provision which is acceptable to us, including the requirement that only a FAT SHACK Restaurant may be operated on the premises without our prior written consent.

Your lease is then conditionally assigned to us as security for your timely performance of all obligations under the Franchise Agreement. You are responsible for obtaining the landlord's consent to the conditional assignment. A copy of a standard form of Conditional Assignment of Lease is attached to this Disclosure Document as Attachment D.

You must, at your expense, ensure that the FAT SHACK Restaurant is constructed, converted, designed and decorated, including installing outdoor signage, in accordance with our plans and specifications, through the assistance of contractors, architects and suppliers designated or approved by us. See also Item 7 for a discussion of related fees. We reserve the right to designate or approve the supplier of architectural drawings. If you request a change to the architectural drawings provided, we must review and approve those changes.

Our review and approval of the lease or purchase agreement and our review and approval of any changes to the architectural drawings, as applicable, is solely for our benefit, to satisfy us that the proposed documents comply with our minimum requirements and that our interests and those of our affiliates are protected. The legal counsel and any other professional advisors we engage to assist with the review will be acting only on our behalf and will not be representing you or your interests in relation to the review and approval. It is important that you review the lease closely and understand all of the terms and conditions before signing it. You may want to have your own attorney review the lease on your behalf at your expense, and we recommend that you do so.

In addition, we reserve the right to designate or approve the real estate broker you use to assist you in site selection and acquisition. We reserve the right to designate or approve the building contractors you use. You must obtain our written consent to any improvements to the FAT SHACK Restaurant site before construction begins.

POS System

You must purchase a designated POS System meeting our specifications. Each of our franchisees must also use operations and accounting software that have capabilities meeting our standards and specifications. The POS System operating software currently approved for use in the FAT SHACK Restaurants as of the date of this Disclosure Document is called the Toast POS System, available from our designated or approved supplier. It has been customized for our FAT SHACK Restaurants by our current designated supplier, a company not affiliated with us. You must purchase hardware and software maintenance and update services for the POS System from our designated or approved supplier and maintain them throughout the term of your Franchise Agreement. We may require you to use a new or different POS System and computer equipment in the future, in which case you must convert your POS System and computer equipment. We reserve the right to develop and license to you proprietary software for which we could derive revenue, although we have not developed any at this time.

Insurance

You must procure, maintain and provide evidence of (i) comprehensive general liability insurance including product liability, property damage, personal injury liability, bodily injury coverage and premises/operation liability for the Restaurant Location and its operations with a limit of not less than $1 million per occurrence - $2 million aggregate, written on an occurrence form, or such greater limit as may be required as part of any lease agreement for the Restaurant Location; (ii) automobile liability insurance for owned and non-owned automobiles including personal injury, wrongful death and property damage with single limit coverage in an amount not less than $100,000; (iii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; and (iv) all-risk personal property insurance in an amount equal to at least 100 percent of the replacement costs of the contents and tenant improvements located at the FAT SHACK Restaurant, less a reasonable deductible. We reserve the right to require that you obtain and maintain, in addition to all other policies of insurance, employment practices insurance in such amount as we specify. All of the required policies of insurance must name us as an additional insured with waiver of subrogation and must provide for a 30 day advance written notice to us of cancellation. Prior to opening your FAT

SHACK Restaurant, and within 15 days after each renewal, you must provide us with a certificate of insurance as to the insurance coverage maintained.

Purchases from Designated or Approved Sources

You must purchase from us an initial starting package of materials in order to launch your FAT SHACK Restaurant. This package includes smallwares, kitchen signage, take-out menus, promotional items, stereo system receiver and interior décor. We are currently the sole approved supplier for this initial starting package as of the date of this Disclosure Document, but we reserve the right to require that franchisees purchase this package through an approved supplier in the future.

We require that you purchase food and drink products, paper products, including cups and lids, napkins, and sandwich wrap paper, gift cards and loyalty cards, marketing materials, printed materials, including posters and branded merchandise, and your equipment from suppliers that we designate or approve. Depending on the supplier you use, you may be required to enter into agreements with the supplier.

All food, drink, and other products and related services sold through your FAT SHACK Restaurant, and all supplies and services used in your FAT SHACK Restaurant, must meet our standards and specifications and must be purchased from suppliers approved by us in advance. After you pay your Initial Franchise Fee, we will give you a list of our approved suppliers, the standards and specifications for products and services to be used, sold or leased by you through your FAT SHACK Restaurant, as well as our criteria for approving a supplier.

Other than the initial starting package, neither we nor any person affiliated with us are currently an approved supplier for our franchisees. However, we, either directly or through an affiliate, reserve the right to sell other products, equipment, supplies and services to franchisees and to derive revenue from such sales. During our last fiscal year (ending on December 31, 2020), we did not derive any revenues from products and services provided to franchisees. See our financial statement discussed in Item 21. No other affiliated company of ours derives revenues from the sale of any products or services to our franchisees. No officer of ours owns any interest in any of our approved suppliers.

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 46 to 75 percent of the total cost of establishing a FAT SHACK Restaurant and approximately 25 to 50 percent of the total cost of operating a FAT SHACK Restaurant after that time.

If you want to purchase or lease any inventory items, products, equipment, supplies, or services we have not approved or through a supplier who we have not previously approved, you must notify us in writing and obtain our approval in advance. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. You must reimburse us for the actual cost of any testing and the reasonable cost of investigation to determine whether those items or suppliers meet our specifications. We will advise you within 30 days after we receive all required information and complete any inspection or investigation whether the items or suppliers meet our specifications. We may, in our sole discretion, for any reason whatsoever, elect to withhold approval of the items or suppliers. We reserve the right to change the published standards regarding any approved supplier or any products, equipment, supplies, or services used, offered for sale or leased by franchisees on 30 days written notice to all franchisees and all approved suppliers. We may revoke our approval of any products, equipment, supplies, services, or suppliers previously approved by written notice to the supplier and each franchisee using that supplier.

We do not provide material benefits, such as renewal or granting additional franchises to you, based on your use of designated or approved sources or suppliers.

Advertising and Marketing

All marketing and promotion of your FAT SHACK Restaurant must conform to our standards and specifications. You must submit to us or our approved vendor samples of all advertising and promotional materials that have not been prepared or previously approved by us or them. You must pay for the cost of any necessary modifications we may require to conform to our standards and specifications for any proposed materials.

Except as prohibited or limited by law or unless we exempt you from a particular promotion, you must, at your sole cost, fully participate in all promotional campaigns, prize contests, special offers, discount programs, including deal-of-the-day and crowdsourcing programs, and other programs, whether national, regional, or local in nature, which we prescribe. In addition, at your sole cost, you must honor any coupons, gift certificates, gift cards, discounts, or other authorized promotional offers that we prescribe for the franchise system, unless we agree otherwise. In our discretion, we may create and make available to the public a mobile device application for the FAT SHACK system, which may incorporate these type of promotional programs and offers, which you must participate in and honor at your sole cost. We may impose additional conditions and requirements related to the application when operational.

We require that you purchase all advertising, promotional, and point-of purchase materials from either us or our designated vendor. We retain the right to develop and control all advertising using our Marks on the Internet. We reserve the right, upon 30 days prior written notice to you, to require that you participate in electronic advertising by creating, customizing or providing access to a linked web page or otherwise. All advertising, promotional, and point-of-purchase materials purchased from us must be paid by automatic transfer as described in Footnote 3 of Item 6, unless we agree to another form of payment.

Purchasing Arrangements

We have no purchasing or distribution cooperatives at the current time. We have negotiated a pricing arrangement with our designated supplier for those items that you will purchase pursuant to the Participation Agreement. We may establish additional pricing programs with certain suppliers based on volumes purchased in the future. Periodically, we may negotiate purchase arrangements with suppliers for the benefit of our franchisees. However, you should not rely on the continued availability of any particular pricing or distribution arrangement, or the availability of any particular product or brand in deciding whether to purchase the franchise. We have the right to receive payments, rebates, commissions, incentives, or other benefits from suppliers on account of their dealings with you and other franchisees. During the fiscal year ended December 31, 2020, we received no amounts from suppliers as a result of franchisee purchases. In the future, we may, in our discretion, either retain the credit of any volume discounts, rebates, commissions, incentives, or other benefits received as a result of your purchases or contribute them to the Marketing and Promotion Fund, or pass those credits on to franchisees in such manner as we determine in our sole discretion.

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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	Item in Disclosure Document
(a) Site selection and acquisition/lease	Sections 3.1, 3.2 and Sections 6.1 through 6.4 of Franchise Agreement ("**FA**")	Items 5, 7, 8 and 11
(b) Pre-opening purchases/leases	Sections 6.5 through 6.8 and Section 11.1 of FA	Items 7 and 8
(c) Site development and other pre-opening requirements	Article 6 and Section 11.1 of FA	Items 7, 8 and 11
(d) Initial and ongoing training	Article 7 of FA	Item 11
(e) Opening	Section 6.9 of FA	Item 11
(f) Fees	Articles 4 and 5, and Sections 3.3, 6.3, 7.2, 10.1.d, 10.2, 11.4, 13.3, 14.4, 14.5, 16.4, 16.5, 17.2, 18.4, 19.4, 19.11, and 21.3 of FA; Article 2 of Development Agreement ("**DA**")	Items 5, 6, 7 and 10
(g) Compliance with standards and policies/Operations Manual	Articles 6 and 8 and Sections 2.2, 12.1, 13.1, 14.1, 14.3, 14.4 and 14.5 of FA	Items 8, 11 and 16
(h) Trademarks and proprietary information	Article 15 and Sections 21.4 and 21.5 of FA	Items 13 and 14
(i) Restrictions on products/services offered	Article 11 and Sections 12.1 and 14.3 of FA	Item 16
(j) Warranty and customer service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	Section 5.2 of FA; Article 3 of DA	Item 12
(l) On-going product/service purchases	Article 11 and Sections 7.2, 10.2, and 12.1 of FA	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 6.2, 6.5, 12.1 and 18.3 of FA	Items 7 and 11
(n) Insurance	Sections 12.1(n) and 12.1(o) of FA	Items 6 and 8
(o) Advertising	Article 13 of FA	Items 6, 7 and 11
(p) Indemnification	Section 20.3 of FA; Section 7.2 of DA	Item 6
(q) Owner's participation/management/ staffing	Sections 7.1, 7.2 and 12.1(c) of FA	Items 11 and 15

Obligation	Section in Agreement	Item in Disclosure Document
(r) Records and reports	Article 16 and Sections 12.1 and 19.4 of FA	Item 11
(s) Inspections and audits	Sections 14.2, 16.4 and 16.5 of FA	Items 6 and 11
(t) Transfer	Article 17 and Section 12.2 of FA; Article 5 of DA	Item 17
(u) Renewal	Sections 18.3 and 18.4 of FA	Item 17
(v) Post-termination obligations	Sections 19.8, 19.10, 19.11, 21.2 and 21.4 of FA; Article 6 and Section 4.5 of DA	Item 17
(w) Non-competition covenants	Sections 21.1 through 21.5 of FA; Article 6 of DA	Item 17
(x) Dispute Resolution	Article 22 of FA; Section 8.1 of DA	Item 17
(y) Personal Guarantee	Section 12.2 and Exhibit V of FA; Section 1.5 and Exhibit B of DA	Item 15

ITEM 10

FINANCING

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

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Assistance

Before you open your FAT SHACK Restaurant, we will:

1. Give you specifications for the FAT SHACK Restaurant's site if you do not have an approved location when you sign the Franchise Agreement. We base our approval of any proposed site on information you submit in a form sufficient to assess the location (Section 9.1.a, Franchise Agreement). We also might provide certain lease review and lease negotiation services, the terms of which are fully disclosed in Items 5, 8, and 9 and are referenced again later in this Item 11 (Sections 6.2 and 6.3, Franchise Agreement).

2. Give you advice regarding our standards and specifications for the required build out, interior design, layout, floor plan, signs, design, color, and decoration of the FAT SHACK Restaurant's premises (Section 9.1.b, Franchise Agreement).

3. Give you advice regarding our standards and specifications for the equipment, supplies, and materials used in, and the selection of suppliers and menu items offered for sale by, your FAT

SHACK Restaurant, which assistance consists of providing you with a list of approved and designated suppliers of equipment, supplies, and materials and, if available, a description of any national or central purchase and supply agreements that approved suppliers offer for the benefit of our franchisees (Section 9.1.c, Franchise Agreement).

4. Train you, or if you are an entity, the person designated to oversee the operations of your FAT SHACK Restaurant (the "**General Manager**") plus up to two other persons designated by you in Fort Collins, Colorado, Boulder, Colorado, or at another location we designate (Sections 7.1 and 9.1.e, Franchise Agreement).

5. We will advise you about approved suppliers of fixtures, supplies, equipment, menu boards, posters, interior signs and graphics, and materials used in and products sold through your FAT SHACK Restaurant. We do not install any of these items for you. (Sections 6.5, 6.6, 6.7 and 11.1, Franchise Agreement).

6. Loan you one copy of our Operations Manual covering the operating and marketing techniques of the FAT SHACK Restaurant and all updates and revisions (Article 8 and Section 9.1.g, Franchise Agreement).

7. If this is your first Restaurant, provide on-site opening assistance, from one or more of our representatives, to assist you for not less than 30 days in opening your FAT SHACK Restaurant. If our representatives must travel more than 100 miles and incur room and board expenses, we may charge you a fee of $125 per day to offset our food and board costs to provide this service. (Section 9.1.f, Franchise Agreement).

8. Provide you, directly or through our approved supplier, with an initial starting package of materials upon your payment for the package (Sections 9.1.h and 11.1, Franchise Agreement).

9. Guide you in implementing grand opening advertising and marketing programs, operating and sales procedures (Section 9.1.d, Franchise Agreement).

Continuing Assistance

During the operation of your FAT SHACK Restaurant, we will:

1. If you request, consult with you by telephone, electronic e-mail or other means acceptable to us, regarding the operation and management of your FAT SHACK Restaurant and give you advice regarding FAT SHACK Restaurant services, product quality control, menu items, suggested pricing, customer relations, and similar matters (Section 10.1.a., Franchise Agreement).

2. Give you access to advertising and promotional materials developed by us, the cost of which we may pass on to you. (Section 10.1.b., Franchise Agreement).

3. Provide you, as we deem necessary, on-going updates of information and programs regarding menu items and their preparation, the competition, the industry, the FAT SHACK Restaurant business and related Licensed Methods, including information about special or new services or products which we develop and make available to franchisees (Section 10.1.c., Franchise Agreement).

4. At our discretion, train your replacement General Manager during the term of the Franchise Agreement. We reserve the right to charge a tuition or fee for training, payable in advance, according to our then current published prices. You must pay all travel and living expenses for your

personnel during the training program. The availability of the training programs depends on the availability of training staff, space considerations and prior commitments to new FAT SHACK franchisees (Section 10.1.d., Franchise Agreement).

5. Hold periodic conferences to discuss restaurant operations, bookkeeping, new product developments, new service suggestions, accounting, inventory control, performance standards, advertising programs, merchandising procedures and other topics deemed relevant by us. We may require you to attend these conferences. (Section 7.2 of Franchise Agreement.)

6. Permit you to use our Licensed Methods, as they may be modified. (Sections 2.1 and 15.2 of Franchise Agreement.)

7. Permit you to use our Marks in accordance with our specifications. (Sections 2.1 and 15.1 of Franchise Agreement.)

Advertising and Promotion

Local Advertising. Currently, we do not require franchisees to conduct any specific advertising of their FAT SHACK Restaurants, although we recommend that that they do advertise their businesses. Although we currently do not require you to expend a specific amount or percentage of your Gross Sales on advertising, we reserve the right to do so in the future. In that event, you will be required to submit regular reports to us accounting for the use of these funds. If a Regional Advertising program in your area is established, as discussed below, we may allocate a portion of your local advertising amounts to the Regional Advertising program.

If you propose to use any advertising not previously developed or approved by us, you must submit the proposed advertising to us for review and approval or, if necessary, modification, at your cost. You are responsible for the costs of printing all materials and any proposed supplier of printing services must be first approved by us. All advertising and promotion of your FAT SHACK Restaurant must also be in such media and of such type and format as we must first approve in writing, and it must be conducted in a dignified manner and must conform to the standards and requirements as we or our designated vendor may specify. Any proposed written advertising or a description of a marketing or promotional program not previously approved by us must be submitted to us at least 10 days prior to publication, broadcast or use.

We do not require Franchisees to participate in a local or regional advertising cooperative, although we reserve the right to do so in the future. We have not established any rules or regulations related to local or regional advertising cooperatives.

Marketing and Promotion Fund Contribution. We currently do not collect a Marketing and Promotion Fee, nor have we established a National Marketing and Promotion Fund or program. We will not require you to pay us a Marketing and Promotion Fee before January 1, 2022. Thereafter, upon not less than 180 days' notice, we may require you to remit to us a Marketing and Promotion Fee of up to 1½ percent of Gross Sales. We may change the percentage of the Marketing and Promotion Fee upon 180 days' notice, but not above 1½ percent of Gross Sales. The Marketing and Promotion Fee is due to us along with your Royalty Fee payment, payable weekly by automatic transfer on Tuesday of each week, based on the amount of Gross Sales in the previous week. The Marketing and Promotion Fee will be placed in a separate account ("**Marketing and Promotion Fund**") will be accounted for separately. All company-owned and affiliate-owned FAT SHACK Restaurants will pay into the Marketing and Promotion Fund on an equal percentage basis with all franchised FAT SHACK Restaurants.

Once established, we will administer the Marketing and Promotion Fund in our sole discretion. We may use the Marketing and Promotion Fund for the creation, production and placement of commercial advertising, agency costs and commissions, creation and production of video, audio, and written advertisements, including direct mail, radio and other media advertising, the establishment and operation of gift card and loyalty card programs, Internet advertising of FAT SHACK Restaurants, employing advertising agencies and in-house staff assistance, supporting public relations, market research and other advertising and marketing activities. We may also use the Marketing and Promotion Fund for product development and menu changes. We will not spend the Marketing and Promotion Fund's money on advertising that is principally the solicitation for the sale of franchises.

We may reimburse ourselves from the Marketing and Promotion Fund for administrative costs, salaries and overhead expenses related to the administration of the Marketing and Promotion Fund and its marketing programs, including conducting market research, preparing material and collecting and accounting for Marketing and Promotion Fund contributions. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all FAT SHACK Restaurants to the Marketing and Promotion Fund in that year. The Marketing and Promotion Fund may borrow from us or other lenders to cover deficits or cause the Marketing and Promotion Fund to invest any surplus for future use. Any amounts remaining in the Marketing and Promotion Fund at the end of each year accrue and we apply them toward the next year's expenses. Neither we nor the Marketing and Promotion Fund has any obligation to spend any amounts on advertising in your Protected Territory. We have no fiduciary obligation to you or other franchisees in regard to our administration of the Marketing and Promotion Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account.

We may use outside advertising agencies and vendors or in-house personnel, or both, to create local, regional or national advertising, including ad slicks, radio spots, direct mail and other marketing pieces and programs.

Since we have not collected the Marketing and Promotion Fee or established the Marketing and Promotion Fund as of the date of this Disclosure Document, we cannot advise how the Marketing and Promotion Fund was spent in prior fiscal years. Any excess contributions to the Marketing and Promotion Fund that are not spent in the year they are received will be applied towards future marketing expenses. Once established, and if you request it in writing, we will send you an annual unaudited financial statement for the Marketing and Promotion Fund that indicates how the Marketing and Promotion Fund has been spent during the previous year. Because we will not have the Marketing and Promotion Fund audited, audited financial statements will not be available to franchisees.

Advertising Council. There is not currently any advertising council composed of franchisees that advises us on advertising policies, although we may establish one in the future on terms we elect in our discretion.

See Item 6 of this Disclosure Document for more discussion of advertising.

Operations Manual

Attached to this Disclosure Document as Attachment H is the table of contents of our Operations Manual. There are 84 total pages in our Operations Manual.

Point of Sale and Computer Systems

As described in Item 8 above, you must purchase computer equipment and software for your back office and an electronic POS System meeting our specifications. You will need at least two cash register terminals in your POS System, but may need more terminals depending on the size of your space, counter space and design of your Restaurant Location. The POS System hardware currently approved for use in FAT SHACK Restaurants is the Toast point of sale system, customized for FAT SHACK Restaurants and include credit card processing capabilities. The Toast POS System will provide a cloud-based administration login to permit you to access it from any device with Internet access. We estimate the cost of purchasing the computer system and software will range from $7,000 for a two terminal system to $12,000 for a four terminal system. Support and maintenance costs are estimated to be approximately $350 to $450 monthly. We reserve the right to require you to pay us or our approved vendor for support and maintenance.

We require that you purchase from the supplier of the POS System or another designated supplier all modifications and upgrades to the POS System software. Except for the support, maintenance, repairs, upgrades, and updates provided in exchange for these payments to us or the approved supplier, neither we nor any approved supplier is obligated to provide ongoing support, maintenance, repairs, upgrades, or updates for your POS System. You may not install software on the POS System that has not been approved in advanced by us and our designated POS System supplier. The POS System installation, configuration, integration and operation must be performed in accordance with our standards and specifications, which are subject to change at our discretion without any contractual limitation.

We have the right to independently access all POS System information. We have no contractual limitation on our right to receive information through the POS System.

In addition to your POS System, you will need to obtain a computer system for your administrative office. This computer system is to be used for maintaining your financial and payroll records and other business records. You may use a laptop or other similar computer and business software. We do not currently have any requirements regarding the computer hardware and software, although we reserve the right to establish standards in the future.

You will also need to acquire and install a surveillance security system in your FAT SHACK Restaurant.

We may change the required POS System, back office computer hardware and software, and surveillance security system, in which case you will be required to convert your POS System, hardware, and software, and surveillance system at your cost. The costs associated with any new POS System, hardware, or software, may differ from those described above. We may require you to upgrade and update your POS System, your back office computer hardware and software, and your surveillance security system at your cost. No contractual limitation exists on the frequency or cost of this obligation.

We may require you to join and pay for an electronic network connection service to facilitate communication between you and us and among all FAT SHACK franchisees. If and when we have our own proprietary software developed specially for the FAT SHACK Restaurants and made available, we reserve the right to require that you purchase our proprietary software package.

You must accept credit cards, debit cards and Apple Pay from customers of your FAT SHACK Restaurant. The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit or debit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**"). Therefore, you must be PCI compliant by following and adhering to the

then-current PCI DSS, currently found at www.pcisecuritystandards.org, or any similar or subsequent standard for the protection of cardholder data throughout the term of your Franchise Agreement. PCI mandates the PCI DSS compliance. You may not charge your customers any additional fees or service charges if they elect to pay by credit card, debit card or Apple Pay.

Site Selection Assistance

You must select the premises for your FAT SHACK Restaurant and sign a lease or otherwise acquire the right to use the location. We do not generally own the premises that franchisees lease for their FAT SHACK Restaurants, and instead the property is typically leased from a third party. If we approve the location, we may assist you in negotiating your lease, or, if applicable, purchase agreement, to ensure that it meets our minimum requirements, although we have no obligation to do so. If we do not approve your site, you must propose a new site. You must not, without our prior written approval, enter into any contract or letter of intent to contract to purchase or lease the premises you intend to use as a Restaurant Location. We consider the following factors when we approve or disapprove your proposed Restaurant Location: the nature and location of other competitive FAT SHACK Restaurants and potential customers, population density, location to college campuses, traffic patterns and other factors we deem relevant on a case by case basis. Approval of a Restaurant Location and negotiation of a lease do not imply or guarantee the success or profitability of a Restaurant Location. There is no contractual limit on the time it takes us to approve or disapprove your proposed site and lease. Once we have all of the necessary documentation for review, we typically take 30 days to approve or disapprove your proposed Restaurant Location and lease.

We usually submit our initial lease review comments to you, or if we agree, to your landlord, within one to two weeks after receiving your lease but the entire lease negotiation process typically takes anywhere from two weeks to two months depending on the landlord's responsiveness. Our review and approval of your lease, or, if applicable, purchase agreement, is conducted solely for the purpose of determining that it meets our minimum criteria for the operation of a FAT SHACK Restaurant and that our interests and those of our affiliates are protected. The legal counsel and any other professional advisors we engage to assist with the review will be acting only on our behalf and will not be representing you or your interests in relation to the review and approval. We recommend that you have your own attorney review the lease on your behalf.

You must select your Restaurant Location and sign a lease or otherwise acquire the right to use the location within 270 days of signing the Franchise Agreement. We will extend this deadline for up to three successive 90-day periods if (i) factors beyond your reasonable control prevent you from meeting the applicable deadline, (ii) you have made reasonable and continuing efforts to obtain and submit for approval an acceptable site and lease, (iii) you deliver a written request to extend the time to sign a lease at least five days prior to the applicable deadline, and (iv) for any extensions past the first 90-day extension, at the time you deliver the written request to us, you pay us the Site Acquisition Extension Fee for each additional 90-day extension period. You do not have any right to extend these deadlines if you are otherwise in default of the Franchise Agreement or any other agreement with us.

If you do not agree with the lease provisions that we give to you or have negotiated with the landlord (if we become involved in that process), you need not move forward with the particular site but then you must find another suitable site for the Restaurant Location. If we object to a lease provision during our review of the lease, then the lease provision must be changed in a manner that is acceptable to us or removed, or you must find another suitable site for the Restaurant Location with lease terms that are acceptable to us. We may charge you an additional fee for reviewing another lease (Section 6.4, Franchise Agreement). If you have failed to obtain our approval for your site within the time frame indicated in this paragraph, then we may terminate your Franchise Agreement.

If you enter into a Development Agreement to open and operate multiple FAT SHACK Restaurants, our approval of your future Restaurant locations will be under our then current site selection criteria.

Schedule For Opening

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your FAT SHACK Restaurant opens will be three to 12 months. The factors which may affect this time period are your ability to locate a site, secure financing, and obtain a lease; the time that it takes you to apply for and receive all required permits, certificates and licenses from local authorities; the extent to which you must upgrade or remodel an existing location; the delivery schedule for equipment, inventory and supplies; and the time that it takes you to complete training. You must open your FAT SHACK Restaurant within 18 months after you sign the Franchise Agreement (Section 6.9, Franchise Agreement), unless we agree otherwise. We will extend the FAT SHACK Restaurant opening deadline for up to three successive 90-day periods, on those terms discussed above.

Training Program

Initial Training. Before the opening of your FAT SHACK Restaurant, you or your General Manager must attend and complete to our satisfaction the initial training program. This training program is typically conducted no later than 30 days before the opening of your Restaurant. We do not charge you for this training for up to three individuals, although you pay the travel, living expenses and wages for you and all employees who attend the training session.

All training is currently conducted in the Fort Collins, Colorado or Denver, Colorado metro areas, however we may elect to conduct training at another location on a case-by-case basis at our discretion. The training includes classroom training and on-the-job training at our affiliate's FAT SHACK Restaurant in Fort Collins, Colorado unless we agree to hands-on training at another FAT SHACK Restaurant location. The initial training program lasts approximately three to four days.

If you are opening your first FAT SHACK Restaurant, we provide up to 30 days of on-site training at your FAT SHACK Restaurant to you and your staff, at a mutually agreed time at or around opening, to assist you in the opening of your FAT SHACK Restaurant. We may waive on-site training if you have previously operated a FAT SHACK Restaurant. If we must travel to your Restaurant for this training, we can charge you an on-site assistance fee of $125 per day.

As often as annually, you or your General Manager and other managers we designate may be required to attend, at your expense, a national convention which may include mandatory training sessions. We may also require you, your General Manager and other managers of yours to attend, at your expense, local or regional seminars or meetings up to two times per year.

Our training programs are supervised by our President and Executive Vice President, Tom Armenti and Kevin Gabauer. Mr. Armenti has over 12 years' experience in the field and has been with us since our inception. Mr. Gabauer has over eight years' experience in the field and has been with us since our inception. In addition to Messrs. Armenti and Gabauer, we may use certain employees of our affiliated companies as well as other franchisees to teach certain portions of our training programs. All of our teachers have demonstrated to us satisfactory knowledge of the basics they teach, and have at least one year experience with us and in the field. We utilize the following materials in our training classes: Operations Manuals, hands-on training and other written materials.

As of the date of this Disclosure Document, we plan to provide the following initial training to franchisees:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training[1]	Column 3 Hours of On-the-Job Training[2]	Column 4 Location
Introduction & History of The Fat Shack	0.5		Denver or Fort Collins, Colorado
Inventory & Inventory Management		1	Denver or Fort Collins, Colorado
Kitchen Prep		2	Denver or Fort Collins, Colorado
Food Prep & Techniques		5	Denver or Fort Collins, Colorado
Food Safety & Store Cleanliness		1	Denver or Fort Collins, Colorado
Equipment Usage & Maintenance		1	Denver or Fort Collins, Colorado
Opening/Closing Duties		1	Denver or Fort Collins, Colorado
Customer Service		1	Denver or Fort Collins, Colorado
Food Delivery		1	Denver or Fort Collins, Colorado
P.O.S. Training & Reports		2	Denver or Fort Collins, Colorado
Schedule Management	0.5		Denver or Fort Collins, Colorado
Payroll & Accounting	1		Denver or Fort Collins, Colorado
Hiring & Firing	0.5		Denver or Fort Collins, Colorado
Finance & Cash Management	0.5		Denver or Fort Collins, Colorado
Taxes & Insurance	0.5		Denver or Fort Collins, Colorado
Sales & Marketing	1		Denver or Fort Collins, Colorado
Conclusion & Questions	0.5		Denver or Fort Collins, Colorado

Column 1 Subject	Column 2 Hours of Classroom Training[(1)]	Column 3 Hours of On-the-Job Training[(2)]	Column 4 Location
TOTAL	**5**	**15**	

1 We hold training classes as often as needed.

2 If you are opening your first FAT SHACK Restaurant, in addition to the on-the-job training referred to in the above chart, we provide 30 days of on-site training to you and your staff at your FAT SHACK Restaurant.

Additional Training. During the term of your Franchise Agreement, we may require you (or your General Manager) and your other managers to attend, at your expense, meetings, seminars, or conferences ("**Additional Meetings**"), which we present to discuss topics such as advertising programs, new operations methods, training, management, sales, or sales promotion. We may charge a tuition for attending additional training programs, which will not exceed $1,000 per Additional Meeting. Attendance is optional unless we give you 30 days' prior written notice that it is mandatory. We will not require you to attend training programs or seminars more than twice a year.

ITEM 12

TERRITORY

Franchise Agreement

You may operate your FAT SHACK Restaurant and use the Marks and the Licensed Methods only at the Restaurant Location that has been approved by us. You may not operate another FAT SHACK Restaurant at any site other than the Restaurant Location without first obtaining our written consent. We base our approval of your proposed Restaurant Location on a variety of factors including the viability of the location and demographics of the proposed Restaurant Location. See Item 11. If, as of the date you sign your Franchise Agreement, you do not have the Restaurant Location chosen and approved by us, we will designate, by Addendum to the Franchise Agreement, a "**Target Area**" within which to find a Restaurant Location. The designation of the Target Area does not in any manner grant you any continuing territorial rights in or to the Target Area. If the Addendum lists only a Target Area and not the Restaurant Location, then we and you will sign the Restaurant Location Supplement to Franchise Agreement attached as Exhibit II to the Franchise Agreement upon our later approval of the Restaurant Location.

You must obtain our prior written approval to relocate your Restaurant Location. We will generally approve the relocation of your FAT SHACK Restaurant if the new Restaurant Location is within your Protected Territory (described below) and meets our standards for your initial Restaurant Location, although we reserve the right to establish further standards.

Subject to the paragraph below regarding Captive Audience Venues and Special Venues and Channels noted below, you will be granted a geographic area around your Restaurant Location (the "**Protected Territory**") in which we will not operate, nor permit a third party to operate, a FAT SHACK Restaurant as long as you are in substantial compliance with all the provisions of the Franchise Agreement. The Protected Territory is an area encompassing a three mile radius around the FAT SHACK

Restaurant as measured from the front door of the Restaurant. A FAT SHACK Restaurant at a Captive Audience Venue does not have a Protected Territory.

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.

We reserve the right, regardless of location, including a location within your Protected Territory, for us and our affiliates to market, offer, and sell, and to authorize third parties to market, offer, and sell, any and all products and services (i) through venues and channels of distribution other than franchised and company-owned FAT SHACK Restaurants, including but not limited to grocery stores, wholesale distributors, coffee shops, restaurants that are not FAT SHACK Restaurants, offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and catering (collectively, "**Special Venues and Channels**") and (ii) in FAT SHACK Restaurants located in captive audience venues (collectively, "**Captive Audience Venue**"). Examples of Captive Audience Venue locations include airports and other transportation hubs, hospitals, convention centers, grocery stores, department stores, "big box" retail centers, resorts, sports arenas and stadiums, hotels and office buildings, military installations (Army and Air Force Exchange Services), and food courts. The products and services available through Special Venues and Channels and in a FAT SHACK Restaurant located in a Captive Audience Venue may include those that are the same as or similar to those which you will offer and sell, such as our branded and exclusive "FAT sandwiches," or entirely different services and products. Special Venues and Channels and Captive Audience Venues may be in any location, including in close proximity to your Restaurant Location or Protected Territory, and will be without any compensation to you. The marketing, offer, and sale of products and services through Special Venues and Channels or the Captive Audience Venues may be under the Marks and Licensed Methods or different trademarks, service marks, and methods. The prices advertised and charged by the operators of Special Venues and Channels or Captive Audience Venue Restaurants to third parties and the public may be higher or lower than the prices at which the same or similar products and services are made available by us and our affiliates to you and the prices charged by you to customers of your FAT SHACK Restaurant. Typically, we will franchise Captive Audience Venue Restaurants under our standard form of Franchise Agreement. In some cases, we may modify the Franchise Agreement to address different conditions and circumstances.

You may advertise your FAT SHACK Restaurant in any geographic area, and you may serve all customers who enter your FAT SHACK Restaurant. You may not change the location of your Restaurant Location without our written consent. You have no other option, right of first refusal or similar contractual right to acquire additional FAT SHACK Restaurant franchises. You do not have the right to make sales through alternative channels of distribution.

We retain the rights, in addition to the rights set forth above, without compensation to you, to:

1. use and license others to use, the Marks and Licensed Methods for the operation of a FAT SHACK Restaurant at any location other than in your Protected Area, other than a Captive Audience Venue outlets; and

2. use and license the use of alternative proprietary marks or methods in connection with the operation of other businesses under names which are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from FAT SHACK Restaurants; and

3. establish alternative channels of distribution for the products and services sold in a FAT SHACK Restaurant, which may include marketing and distribution of the products and services through grocery stores, convenience stores, coffee shops, restaurants that are not FAT SHACK Restaurants,

offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and other electronic methods, which may or may not use the Marks (collectively, "**Special Venues and Channels**"); and

4. engage in any other activities not expressly prohibited in the Franchise Agreement, at any location, including in your Protected Area, and in each case, on any terms and conditions as we deem advisable, without granting you any rights in them.

Beginning on the earlier of (i) the opening of each of your FAT SHACK Restaurants or (ii) one and one half years from the date of the Franchise Agreement, and for each 12-month period thereafter (each period being a "**Sales Quota Year**"), you must generate a minimum in Gross Sales (the "**Sales Quota**") in your FAT SHACK Restaurant as follows:

Years	Sales Quota
First and Second	$350,000
Third and Fourth	$375,000
Fifth and thereafter	$400,000

If you obtain the right to operate multiple FAT SHACK Restaurants, the Sales Quota is a separate independent requirement that must be met for each FAT SHACK Restaurant you own. Should you fail to meet the Sales Quota in any Sales Quota Year, you will be notified by us in writing. Once you have been notified by us that you failed to meet the Sales Quota for the prior Sales Quota Year, for each of the four quarters during the then current Sales Quota Year, you must provide us with financial records sufficient to demonstrate that you will meet or exceed the Sales Quota for the then current Sales Quota Year. If you fail to reach a level of Gross Sales in any two of the four quarters in the then current Sales Quota Year, or fail to reach the Sales Quota for any two Sales Quota Years during the term of your Franchise Agreement, then we have the right to terminate your Franchise Agreement. If you have more than one Franchise Agreement, we may terminate all of your Franchise Agreements. In lieu of terminating your Franchise Agreement, we may require you to pay us the Royalty Fee, the Marketing and Promotion Fee, and any other applicable fees based on the greater of the Sales Quota or your actual Gross Sales. We may also require you to obtain additional training from us or any third party we select, the costs of which shall be at your sole expense, or abide by such other restrictions and requirements we may demand, or both. We have the right, in our sole discretion and on a case-by-case basis, to waive the obligation of you or any other franchisee to meet the Sales Quota requirement or to pay any fees or make expenditures calculated based on the applicable Sales Quota.

Other than meeting the Sales Quota discussed above, the continuation of your rights described in this Item 12 does not depend on achieving a certain sales volume, market penetration, or other contingency.

Development Agreement

During the term of the Development Agreement, we shall not establish, nor shall we license any other party to establish, FAT SHACK Restaurants using the Marks and Licensed Methods anywhere within the Protected Area (defined in Item 1 above) except in Captive Audience Venues. Each FAT SHACK Restaurant opened under a Development Agreement is subject to the terms and conditions of the Franchise Agreement as discussed above. Nothing in the Development Agreement prevents, prohibits, or otherwise restricts at any time the operation of any FAT SHACK Restaurants in the Protected Area which are operated under any existing franchise agreements, or the renewal of franchise rights related to such existing franchise agreements. As such, 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.

Under the Development Agreement, you will be required to enter into a separate franchise agreement for each of the FAT SHACK Restaurants to be developed by the deadlines designated in a development schedule specified in the Development Agreement. You must also maintain and continue to operate a certain number of FAT SHACK Restaurants in the Protected Area in accordance with the development schedule. If you fail to meet the development schedule, then we may terminate your Development Agreement. The termination of your Development Agreement solely for a failure to meet the development schedule will not terminate or affect your rights or obligations under any franchise agreements entered into between you and us prior to the date of termination of the Development Agreement.

We have the right, in our sole discretion and on a case-by-case basis, to waive the obligation of you or any other franchisees to meet the development schedule. A waiver by us of this obligation for one or more other franchisees does not in any way affect your obligation to meet your development schedule.

ITEM 13

TRADEMARKS

We license to you the right to use the Mark "FAT SHACK" and other trademarks, service marks and commercial symbols that we may authorize (collectively, the "Marks").

The following Marks have been registered with the United States Patent and Trademark Office ("**USPTO**"):

Mark	Registration Number	Registration Date	Register
FAT SHACK	4126414	April 10, 2012	Principal Register
LATE NIGHT DONE RIGHT	4547630	June 10, 2014	Principal Register
	5793283	July 2, 2019	Principal Register

We have filed all required affidavits related to these Marks. We intend to further renew the registration of some or all of these Marks at the appropriate time. We have also registered additional Marks on the USPTO's Principal Register that identify certain of our FAT sandwiches.

In addition to those Marks listed above, we claim common law service or trademark rights to a number of other words, phrases, or designs that you may use in your FAT SHACK Restaurant. These words, phrases and designs include names of our "Fat" sandwiches, the tagline, "Burgers, Wings, Fat Sandwiches," and designs used on our packaging. The following statements apply solely to any unregistered trademarks and service marks: We do not have a federal registration for these principal trademarks. Therefore these trademarks do not have as many legal benefits and rights as federally

registered trademarks. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Under the Franchise Agreement, we grant you the right and license to use the Marks solely in connection with your FAT SHACK Restaurant. You may use the Marks only in the manner authorized and permitted by us and you may not directly or indirectly contest our ownership or rights in the Marks. You cannot use any of the Marks or any portions or variations of them as part of your business name. You cannot use the Marks as part of an electronic address, domain name or on any websites on the Internet, or with modifying words, designs or symbols, except as we may license to you, without our prior written consent, which may be withheld for any reason. You may not use the Marks with an unauthorized product or service, or in a manner not authorized in writing by us. You must modify or discontinue your use of the Marks if we require the modification or discontinuance of them, at your expense.

To our knowledge, there are no agreements in effect that significantly limit our rights to use or license the use of the Marks in any manner. To our knowledge, there are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of the Marks which are relevant to their use.

You must notify us immediately if you become aware of any apparent infringement of or challenge to your use of any Mark.

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks. However, we may take action to protect you against claims of infringement or unfair competition involving the Marks, when you are using the Marks in compliance with your Franchise Agreement, if, in the opinion of our counsel, the circumstances justify our intervention. If we decide to protect you, we will reimburse you for your costs, including attorney's fees and court costs, associated with any litigation we commence or defend on your behalf to protect the licensed Marks and your rights to use them, from amounts we recover in the litigation (if any), which are in excess of our costs. You are obligated to fully cooperate with us in any litigation we commence or defend related to the Marks. If we do not elect to protect you against claims of infringement or unfair competition, you may take steps to protect yourself at your own expense. We will control all proceedings and litigation involving the Marks, except that you will control your defense if we have elected not to protect you against claims of infringement or unfair competition.

We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise.

We claim a common law copyright in our Operations Manual. We also claim a common law copyright in our other written materials, but you are permitted to use the materials as part of your FAT SHACK Restaurant.

The Operations Manual and related materials are proprietary and confidential. They are our property to be used by you only as described in and during the term of the Franchise Agreement. The Operations Manual and other materials that contain the Marks or are otherwise proprietary to us must be returned to us if the Franchise Agreement expires or is terminated for any reason.

We treat the information in the Operations Manual and in other written materials of ours as our confidential trade secrets. This includes our site selection criteria; methods; formats; specifications; standards; systems; recipes; food preparation procedures; sales and marketing techniques; knowledge and experience in developing and operating FAT SHACK Restaurants; marketing and advertising programs for FAT SHACK Restaurants; franchise sales methods; knowledge of specifications for and suppliers of certain equipment, products, materials, and supplies; and knowledge of the operating results and financial performance of FAT SHACK Restaurants other than your FAT SHACK Restaurant. The Franchise Agreement requires you to maintain all of our Licensed Methods, which includes our trade secrets, as confidential both during and after the term of the Franchise Agreement. You may not at any time disclose or use any of our proprietary information except as specifically authorized by us. Under the Franchise Agreement, you agree that all ideas, concepts, techniques, or materials developed or assembled by you or your employees or agents during the term of the Agreement and concerning a FAT SHACK Restaurant will be deemed our property and part of the proprietary information protected under the Franchise Agreement. You may not use our proprietary information in any unauthorized manner and you must take reasonable steps to prevent their disclosure to others. We may, in our discretion, require you and each of your General Manager, officers, partners, directors, beneficial owners and employees who become aware of or have access to our proprietary information, and their immediate family members, to execute our Nondisclosure and Noncompetition Agreement in the form attached to this Disclosure Document as Attachment C. You must provide us with a copy of each Nondisclosure and Noncompetition Agreement at the time it is signed and thereafter upon our request.

Our right to use or license the copyrighted and other proprietary and confidential materials is not materially limited by any agreement or known infringing use. There is no determination of any administrative office or any court regarding these materials.

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of our copyrighted materials. However, we may take action to protect you against claims of infringement or unfair competition involving our copyrighted materials, when you are using them in compliance with your Franchise Agreement, if, in the opinion of our counsel, the circumstances justify our intervention. You are obligated to fully cooperate with us in any litigation we commence or defend related to our copyrighted materials. We will control all proceedings and litigation involving our copyrighted materials, except that you will control your defense if we have elected not to protect you against claims of infringement or unfair competition.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under the Franchise Agreement, you personally (or, if you are not an individual, your managing owner) or your General Manager must devote full time and best efforts to managing and operating your FAT SHACK Restaurant on a day-to-day basis, and you (or your managing owner) and you or your General Manager must successfully complete our mandatory training program. Although we recommend it, you (or your managing owner) need not participate personally in the day-to-day operations of your FAT SHACK Restaurant's, although you (or your managing owner) must be actively involved in the

business operations, such as overseeing payroll, employee meetings, and other business oversight. In that case, however, your General Manager must manage your FAT SHACK Restaurant's daily operations.

If you are a corporation, limited liability company or partnership, or other entity, we do not require your General Manager to own an equity interest in you. However, your General Manager, other employees and all of your officers, directors, partners, shareholders, and members (and, if you are an individual, your spouse) must agree to be bound by the nondisclosure and noncompetition provisions of the Franchise Agreement, by signing our form of agreement attached to this Disclosure Document as Attachment C. You must provide us a copy of each Nondisclosure and Noncompetition Agreement at the time it is signed and thereafter upon our request. We make no other recommendations and have no other requirements regarding employment or other written agreements between you and your employees.

We require each of your officers, directors, shareholders, partners, or members and each of their respective spouses to sign an agreement (Exhibit V to the Franchise Agreement) personally assuming and agreeing to perform all obligations of the franchisee and to be bound by the terms of the Franchise Agreement, whichever is applicable.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You will sell only those products and services approved by us and you will not use your FAT SHACK Restaurant or the Restaurant Location for any purposes other than the operation of a FAT SHACK Restaurant. You will not fill "Wholesale Orders," sell products or services off-premises, other than catering and delivery services, on the Internet or by other electronic communications methods, by mail order or through catalogs, or transship, repackage or reship products without our prior written consent. You must sell all of the products and services designated by us. You must comply with our standards and specifications for product mix and inventory levels. We have the right to change or supplement the types of authorized products and services, and there are no limits on our right to do so.

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may advertise and charge for products and services offered by your FAT SHACK Restaurant. If we establish a maximum price for any products or services, you shall not offer or sell those products or services at any greater price. If we establish a minimum price for any products or services, you shall not offer or sell those products or services at any lesser price. In that case, any prices that we recommend to you are merely recommendations and you may establish your own prices, which may be higher or lower than our recommended prices. If we do not establish pricing limits, we may establish suggested prices. You must abide by our advertising policies related to advertising prices.

Other than the above, there are no restrictions on goods or services offered by you or on the customers to whom you may sell.

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ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 18.1 of Franchise Agreement ("**FA**"); Article 4 of Development Agreement ("**DA**")	7 years for the Franchise Agreement. For the Development Agreement, the term extends until the earlier of the date that you sign the Franchise Agreement for the final FAT SHACK Restaurant to be developed under the Development Agreement or the deadline in the development schedule for signing that Franchise Agreement.
b. Renewal or extension of the term	Section 18.3 of FA	Option to renew for up to three additional 5 year terms after the initial term.
c. Requirements for you to renew or extend	Sections 18.3 and 18.4 of FA	Written notice at least 180 days before expiration, sign then-current form of Franchise Agreement (which may contain materially different terms from your original contract), be in compliance with Franchise Agreement, sign release, pay fee, and renovate (if applicable).
d. Termination by you	Section 19.1 of FA; Section 4.2 of DA	For the Franchise Agreement: On written notice if you notify us within 30 days of the breach and we materially fail to comply and fail to cure within 60 days after notice or such additional time reasonably needed to cure. For the Development Agreement: On 60 days' written notice by you for any reason.
e. Termination by us without cause	Not Applicable	We may not terminate the Franchise Agreement or Development Agreement without cause.
f. Termination by us with cause	Sections 19.2, 19.3, 19.4, and 19.5 of FA; Section 4.3 and 4.4 of DA	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined - curable defaults	Sections 19.2 and 19.3 of FA; Section 4.3 of DA	For the Franchise Agreement: 72 hours for violations of health, safety, or sanitation laws; 5 days to discharge executions against property, or for failure to authorize transfer of funds; 7 days for filing of a legal action in violation of the dispute resolution terms in the Franchise Agreement; 10 days for failure to pay amounts owed or for misuse of Marks; and 30 days for all other defaults. For the Development Agreement: 30 days' notice for any breach including failure to meet the development schedule. If we provide you with a notice of default, we and our affiliates may suspend services to you until each default is cured.

Provision	Section in Franchise or Other Agreement	Summary
h. "Cause" defined - non-curable defaults	Section 19.2 of FA; Section 4.3 of DA	For the Franchise Agreement: Material misrepresentations in application; unauthorized opening; abandonment; criminal conviction; dishonest or unethical conduct; unauthorized transfer; loss of possession of FAT SHACK Restaurant; unauthorized use of confidential information; assignment for benefit of creditors; bankruptcy; repeated violations; underreporting Gross Sales; failure to complete training or to open; condemnation of or casualty damage to Restaurant Location if you fail to obtain a new location or recommence operations within 90 days; defaults under any lease or other agreement with third parties material to the franchise; guaranty becomes unenforceable or inadequate; violation of non-compete or other in-term restrictive covenants. For the Development Agreement: a termination of an underlying Franchise Agreement or other related agreements.
i. Your obligations on termination/ nonrenewal	Sections 19.6, 19.8, and 19.11 of FA; Section 4.5 of DA	Sell assets to us at our option, cease operating franchised business, cease using confidential information and Marks, deliver property containing the Marks, cancel assumed or similar name registrations, assign lease or de-identify, pay outstanding amounts and damages, deliver manuals, assign phone numbers, and comply with covenants; we may assume FAT SHACK Restaurant's management. A termination of the Development Agreement due to your failure to meet the Development Schedule does not terminate any Franchise Agreement then in existence.
j. Assignment of contract by us	Section 17.7 of FA; Section 5.1 of DA	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 17.1 of FA; Section 5.2 of DA	Includes transfer of any interest in the Franchise Agreement, FAT SHACK Restaurant assets, or your entity.
l. Our approval of transfer by you	Section 17.3 of FA; Section 5.2 of DA	No transfer without our approval.
m. Conditions for our approval of transfer	Section 17.2 of FA; Sections 5.3 and 5.4 of DA	For the Franchise Agreement, the following conditions will apply: Full compliance, transferee qualifies, all amounts due are paid in full, all reports submitted, you have not breached any obligation during 60 day period before you requested our consent to transfer or during period between your request and the effective date of the transfer, transferee signs our then current form of franchise agreement (which may differ materially), transferee and its owners and affiliates do not operate or have ownership interest in competitive business,

Provision	Section in Franchise or Other Agreement	Summary
		lease transferred, subordination of amounts due to you and your owners from transferee, completion of training, transfer fee paid, and sign and deliver other required documents (including release). For the Development Agreement, the following conditions will apply in addition to those listed above: Fee for each undeveloped FAT SHACK Restaurant paid, and concurrent transfer of underlying Franchise Agreements.
n. Our right of first refusal to acquire your business	Section 17.4 of FA; Section 5.6 of DA	For 30 day period, we have right to match offer.
o. Our option to purchase your business	Section 19.6 of FA	Fair market value of your FAT SHACK Restaurant, less the amount of the goodwill associated with our Marks.
p. Your death or disability	Section 17.6 of FA	Franchise must be assigned to approved buyer within 120 days (or longer if required by probate proceedings); there must at all times be a General Manager at the FAT SHACK Restaurant.
q. Non-competition covenants during the term of the franchise	Section 21.1 of FA; Article 6 of DA	No involvement in Competitive Business wherever located or operating, subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Sections 21.2 and 21.3 of FA; Article 6 of DA	No interest in Competitive Business for 2 years within 10 miles of the former Restaurant Location or any other FAT SHACK Restaurant, subject to state law.
s. Modification of the agreement	Section 24.1 of FA; Section 8.6 of DA	No modifications generally, but Manual subject to change. The Franchise Agreement may be modified by a writing signed by both parties or, at our option, upon approval of 75% of our franchisees and licensees affected by the modification. Unless prohibited by law or waived by us, you must provide a general release of any and all claims against us if you request and we consent to modify any provisions of the Franchise Agreement after it has been signed.
t. Integration/merger clause	Section 24.2 of FA; Section 8.7 of DA	Only terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of this Disclosure Document, the Franchise Agreement, and other related written agreements may not be enforceable. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim any representations made by us in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Article 22 of FA; Section 8.1 of DA	Arbitration or litigation in Denver, Colorado (subject to state law).
v. Choice of forum	Section 22.5 of FA; Section 8.1 of DA	Arbitration or litigation in Denver, Colorado (subject to state law).

Provision	Section in Franchise or Other Agreement	Summary
w. Choice of law	Section 22.5 of FA; Section 8.3 of DA	Except for federal law, Colorado law applies (subject to applicable state law).

Certain states have statutes that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise rights. See the State Addenda to Franchise Disclosure Document which are attached to this Disclosure Document as Attachment J.

ITEM 18

PUBLIC FIGURES

We do not presently use any public figures to promote our franchise. You may use the name of a public figure or celebrity in your promotional efforts or advertising only with our approval.

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 Franchise 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.

AVERAGE OF ANNUAL GROSS SALES
COMPANY AND AFFILIATE- OWNED UNITS
FOR CALENDAR YEAR 2020

The following chart shows the average annual Gross Sales for the company-owned and affiliate-owned FAT SHACK Restaurants (each a "Unit") that operated for the entire calendar year 2020. There were two company-owned Units and three Units that are owned by an officer of ours and therefore deemed affiliate-owned Units in this Item 19. The chart is a historic representation based on the past performance of the company-owned and affiliate-owned Units.

AVERAGE SALES OF COMPANY–OWNED AND AFFILIATE-OWNED FAT SHACK UNITS THAT WERE IN OPERATION FOR THE ENTIRE CALENDAR YEAR 2020						
Number of Units in Group	Average Unit Sales	Number and Percentage of Units that met or exceeded the average sales		High	Median	Low
5	$1,141,265	4	80.0%	$1,474,121	$1,228,521	$556,065

AVERAGE OF ANNUAL GROSS SALES
FRANCHISEE-OWNED UNITS
FOR CALENDAR YEAR 2020

The following chart shows the average annual Gross Sales for the Franchisee-owned Units that operated for the entire calendar year 2020. There were 10 Franchisee-owned Units that are reported in the chart below. The chart is a historic representation based on the past performance of the Franchisee-owned Units.

AVERAGE SALES OF FRANCHISEE–OWNED FAT SHACK UNITS THAT WERE IN OPERATION FOR THE ENTIRE CALENDAR YEAR 2020						
Number of Units in Group	Average Unit Sales	Number and Percentage of Units that met or exceeded the average sales		High	Median	Low
10	$1,091,986	5	50.0%	$1,463,336	$1,080,597	$767,783

The below footnotes are an integral part of the above charts and should be read in their entirety for a full understanding of the information contained in the charts.

- The above charts show the average annual Gross Sales generated during calendar years 2020 by our company-owned and affiliated-owned Unit (in the first chart) and our Franchisee-owned Units (in the second chart) that were open and operated for the entire calendar year 2020. Not all Units operated the entire year in calendar year 2020, so the Gross Sales of those Units are not shown. In particular, there were two company-owned Units and five Franchisee-owned Units that commenced operations in calendar year 2020 and therefore are not shown in the charts.

- These charts only show "Gross Sales," which is defined as sales of any kind for all services or products purchased from or through the applicable Unit, including sales made for cash or upon credit, and regardless of whether sales occur at the site of the Unit or off-site, but excluding discounts, sales taxes, or other similar taxes and credits. It also includes delivery fees and revenue from the redemption of FAT SHACK gift certificates, customer loyalty cards, gift cards and other prepaid cards.

- These charts do not show the cost of goods sold, operating expenses, non-operating income or expenses, or resulting net profit for the Units. These charts should not be considered a statement of profit and loss or a statement of net earnings. You should review the other Items of this Disclosure Document, including Items 5, 6, and 7, regarding the fees you will be required to pay and the expenses you might incur in operating a FAT SHACK Restaurant. Other than the fact that the FAT SHACK Restaurants shown in the chart have operated for a longer period of time, there are no financial or operational characteristics of those Restaurants that are reasonably anticipated to differ materially from future operational franchise outlets that would affect the potential Goss Sales that could be generated from future operational franchise outlets.

- The annual Gross Sales shown in the charts are taken from the sales reports we obtain from our company-owned, affiliate-owned and franchisee-owned Units shown in the charts. These sales reports have not been reviewed or audited by an independent accountant.

The above charts show information regarding the actual Gross Sales of the FAT SHACK Restaurants operated for the full year for calendar year 2020.

Some outlets have sold these amounts. Your individual results may differ. There is no assurance you will sell as much.

Written substantiation for this financial performance representation will be made available to you at our company headquarters in Fort Collins, Colorado upon your reasonable request.

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 our management by contacting Thomas J. Armenti, President, 420 East 58th Avenue, Suite 128B, Denver, Colorado 80216, telephone: (201) 417-4132, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

ITEM 20 TABLE NO. 1
Systemwide Outlet Summary
For Years 2018 to 2020

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	2018	8	9	+1
	2019	9	13	+4
	2020	13	18	+5
Company- Owned[1]	2018	2	2	0
	2019	2	2	0
	2020	2	4	+2
Total Outlets	**2018**	**10**	**11**	**+1**
	2019	**11**	**15**	**+4**
	2020	**15**	**22**	**+7**

[1] Includes FAT SHACK Restaurants owned by our current and former affiliates, FS Fort Collins, FS Loveland, and FS Support.

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ITEM 20 TABLE NO. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Colorado	2018	0
	2019	1
	2020	0
Texas	2018	0
	2019	1
	2020	0
Total	**2018**	**0**
	2019	**2**
	2020	**0**

ITEM 20 TABLE NO. 3
Status of Franchised Outlets
For Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
Colorado	2018	5	2	0	0	0	0	7
	2019	7	2	0	0	1	0	8
	2020	8	0	0	0	0	0	8
Kansas	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
Pennsylvania	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Tennessee	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Texas	2018	2	0	0	0	1	0	1
	2019	1	2	0	0	0	0	3
	2020	3	1	0	0	0	0	4
Washington	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Total	**2018**	**8**	**2**	**0**	**0**	**1**	**0**	**9**
	2019	**9**	**5**	**0**	**0**	**1**	**0**	**13**
	2020	**13**	**5**	**0**	**0**	**0**	**0**	**18**

ITEM 20 TABLE NO. 4
Status of Company-Owned Outlets[1]
For Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Colorado	2018	2	0	0	0	1	1
	2019	1	0	1	0	0	2
	2020	2	0	0	0	0	2
Illinois	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	2	0	0	0	2
Texas	2018	0	0	1	0	0	1
	2019	1	0	0	0	1	0
	2020	0	0	0	0	0	0
Totals	**2018**	**2**	**0**	**1**	**0**	**1**	**2**
	2019	**2**	**0**	**1**	**0**	**1**	**2**
	2020	**2**	**2**	**0**	**0**	**0**	**4**

[1] Includes FAT SHACK Restaurants owned by our current and former affiliates, FS Fort Collins, FS Loveland, and FS Support.

ITEM 20 TABLE NO. 5
Projected Openings as of December 31, 2020

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Colorado	0	1	0
Georgia	1	0	0
Kansas	1	1	0
Missouri	1*	0	0
Nevada	1	0	0
Oregon	0	1	0
Texas	1	1	0
Washington	0	1	0
Total	**5**	**5**	**0**

* Franchise Agreement signed January 5, 2021.

A list of names, addresses and telephone numbers of all FAT SHACK franchisees and Area Developers are listed in Attachment E to this document. The name and last known city, state, and telephone number of every franchisee and Area Developer who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this document are listed in Attachment F. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with the FAT SHACK franchise. You may wish to speak with current and former franchisees, but be aware that not all franchisees will be able to communicate with you. During the last three fiscal years no franchisees have signed confidentiality clauses that would restrict their ability to speak openly about their experiences with us.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Attachment G are our audited financial statements for the years ended December 31, 2020, 2019, and 2018. Our fiscal year end is December 31st.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following franchise-related contracts:

Attachment A	Franchise Agreement
Attachment B	Area Development Agreement
Attachment C	Nondisclosure and Noncompetition Agreement
Attachment D	Conditional Assignment of Lease
Attachment I	Sample Acknowledgment of Termination and Release Agreement

ITEM 23

RECEIPT

The last page of this Franchise Disclosure Document is a detachable Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 14 calendar days before signing of the Franchise Agreement or payment of any fee by you. Attachment L contains a copy of the Receipt for your records, which precedes the copy to be signed by you and returned to us.

ATTACHMENT A
(TO DISCLOSURE DOCUMENT)

FAT SHACK INC.
FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Restaurant Location: _____

_____

FAT SHACK INC.
FRANCHISE AGREEMENT

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II. Restaurant Location Supplement to Franchise Agreement
III. Authorization Agreement for Prearranged Payments
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V. Guaranty and Assumption of Franchisee's Obligations
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VII. Statement of Prospective Franchisee

FAT SHACK INC.

THIS AGREEMENT (the "**Agreement**") is made as of the effective date set forth above between **FAT SHACK INC.**, a Delaware corporation, located at 420 East 58th Avenue, Suite 128B, Denver, Colorado 80216 ("**FSI**") and the undersigned franchisee ("**Franchisee**"), who, on the basis of the following understanding, and in consideration of the following promises, agree as follows:

1. PURPOSE

1.1. FSI has developed methods for establishing, operating and promoting quick service sandwich restaurants under the name FAT SHACK® that features "Fat Sandwiches," burgers and wings, together with appetizers, desserts and hot and cold beverages, and related merchandise, for dine in, takeout and delivery, and specializes in late night delivery of its products to its customers ("**FAT SHACK Restaurants**" or "**Restaurant**") associated with the service mark "FAT SHACK". FSI licenses its franchisees to use certain valuable trade names, service marks and trademarks, including the service marks "FAT SHACK" and "LATE NIGHT DONE RIGHT" (collectively, the "**Marks**"), and FSI's distinctive techniques, expertise and knowledge in the establishment, operation and promotion of FAT SHACK Restaurants and related licensed methods of doing business (collectively the "**Licensed Methods**").

1.2. FSI grants the right to others to establish and operate FAT SHACK Restaurants, under the Marks and pursuant to the Licensed Methods.

1.3. Franchisee recognizes and acknowledges the benefits to be derived from being identified and associated with FSI and being able to utilize the Licensed Methods, and therefore desires to establish a FAT SHACK Restaurant at an approved location. FSI is willing to grant Franchisee the right to operate a FAT SHACK Restaurant under the terms and conditions contained in this Agreement.

2. GRANT OF FRANCHISE

2.1. Grant of Franchise

FSI grants to Franchisee, and Franchisee accepts from FSI, the right to use the Marks and Licensed Methods in connection with the establishment and operation of a FAT SHACK Restaurant, at the location described in Section 3.1. Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by FSI from time to time, only in accordance with the terms and conditions of this Agreement.

2.2. Scope of Franchise Operations

Franchisee agrees at all times to faithfully, honestly and diligently perform Franchisee's obligations hereunder, to use best efforts to promote its FAT SHACK Restaurant and to not engage in any other business or activity that conflicts with the operation of the FAT SHACK Restaurant in compliance with this Agreement. Franchisee agrees to utilize the Marks and Licensed Methods to operate all aspects of Franchisee's FAT SHACK Restaurant in accordance with the methods and systems developed and prescribed from time to time by FSI, all of which are a part of the Licensed Methods. Franchisee's FAT SHACK Restaurant shall offer all products and services designated by FSI. Franchisee shall implement any additions and changes to the products and services offered by its FAT SHACK Restaurant that FSI requires.

3. RESTAURANT LOCATION AND TARGET AREA

3.1. Restaurant Location

Franchisee is granted the right to own and operate one FAT SHACK Restaurant at the address and location ("**Restaurant Location**") set forth in the Addendum to Franchise Agreement attached hereto as Exhibit I (the "**Addendum**"). If a specific address has not been chosen as of the date this Agreement is signed, then Franchisee shall choose and acquire a location for its FAT SHACK Restaurant within the nonexclusive **Target Area** set forth in the Addendum. Franchisee shall select and propose to FSI for approval a specific site for the Restaurant Location within the Target Area, which FSI shall have the right to approve or disapprove in accordance with the terms set forth in this Agreement. If the Addendum lists only a Target Area and not the Restaurant Location, then the Restaurant Location Supplement to Franchise Agreement attached hereto as Exhibit II will be executed by FSI and Franchisee upon FSI's later approval of the Restaurant Location. Franchisee acknowledges and agrees that the Restaurant Location will be a specific numbered street or mall address at which Franchisee's FAT SHACK Restaurant will be physically located. The Restaurant Location cannot and will not under any circumstances be defined as a geographic area or be described in terms other than a specific numbered street or mall address. During and after the term of this Agreement, neither Franchisee nor Franchisee's successors and assigns shall use the Restaurant Location for any purpose other than operating a FAT SHACK Restaurant.

3.2. Protected Territory

Subject to Section 3.4 and Section 3.5 of this Agreement regarding Special Venues and Channels and Captive Audience Venues, Franchisee is granted a geographic area around the Restaurant Location (the "**Protected Territory**") in which FSI will not operate, nor permit a third party to operate, a FAT SHACK Restaurant as long as Franchisee is in substantial compliance with all the provisions of this Agreement. The Protected Territory is an area encompassing a three mile radius around the Restaurant Location as measured from the front door of the Restaurant. A FAT SHACK Restaurant at a Captive Audience Venue does not have a Protected Territory. Because there are exceptions where FSI, its affiliates or other third parties may operate a FAT SHACK Restaurant in Franchisee's Protected Territory, Franchisee's Protected Territory is not considered an exclusive territory.

3.3. Limitation on Franchise Rights

The rights granted to Franchisee are for the specific Restaurant Location and cannot be transferred to any other location, except with FSI's prior written approval. The Marks and Licensed Methods are licensed only for the Restaurant Location. If Franchisee elects to move or relocate the Restaurant Location at any time during the term of this Agreement, Franchisee shall submit information about the proposed Restaurant Location to FSI for approval in accordance with the terms of Section 6.1 and other provisions of this Agreement and shall simultaneously pay FSI a "**Relocation Fee**" that is equal to 25 percent of the then-current Initial Franchise Fee for a first FAT SHACK Restaurant.

3.4. FSI's Sales Through Special Venues and Channels

FSI reserves the right for itself and its affiliates to market, offer, and sell, and to authorize third parties to market, offer, and sell, any and all products and services through venues and channels of distribution other than franchised and company-owned FAT SHACK Restaurants, including but not limited to grocery stores, wholesale distributors, coffee shops, restaurants that are not FAT SHACK Restaurants, offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and catering (collectively, "**Special Venues and Channels**"). The

products and services available through Special Venues and Channels may include those that are the same as or similar to those which Franchisee will offer and sell, such as "Fat sandwiches," or entirely different services and products. The Special Venues and Channels may be in any location, including in close proximity to Franchisee's Restaurant Location. The marketing, offer, and sale of products and services through the Special Venues and Channels may be under the Marks and Licensed Methods or different trademarks, service marks, and methods. The prices advertised and charged by FSI and its affiliates for the sale of the products and services to operators of Special Venues and Channels, and the prices advertised and charged by the operators of the Special Venues and Channels to third parties and the public for the products and services, may be higher or lower than the prices at which the same or similar products and services are made available by FSI and its affiliates to Franchisee and the prices charged by Franchisee to customers of Franchisee's FAT SHACK Restaurant. Franchisee specifically acknowledges the foregoing rights of FSI and its affiliates and understands that it may face competition from these Special Venues and Channels.

3.5. FSI's Reservation of Other Rights

Franchisee acknowledges that the franchise granted hereunder is nonexclusive, and that FSI retains the rights, in addition to the rights set forth in Section 3.4 above, to: (1) use, and license others to use, the Marks and Licensed Methods for the operation of FAT SHACK Restaurants at any location other than in the Protected Territory, other than a Captive Audience Venue noted below; and (2) use the Marks and Licensed Methods to identify services and products, promotional and marketing efforts or related items similar to or the same as those which Franchisee will sell, through FAT SHACK Restaurants located in facilities with a concentration of foot traffic gathered in a "captive" facility for a primary purpose other than consuming food and beverages ("**Captive Audience Venues**"), such as airports and other transportation hubs, hospitals, convention centers, grocery stores, department stores, "big box" retail centers, resorts, sports arenas and stadiums, hotels and office buildings, military installations (Army and Air Force Exchange Services), and food courts, without regard to location, and to market such services and products through such FAT SHACK Restaurants at different prices than the prices charged to Franchisee or by Franchisee in Franchisee's FAT SHACK Restaurant; and (3) use and license the use of alternative proprietary marks or methods in connection with the operation of other businesses under names which are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from FAT SHACK Restaurants; and (4) engage in any other activities not expressly prohibited in this Agreement.

4. INITIAL FRANCHISE FEE

4.1. Initial Franchise Fee

Franchisee agrees to pay to FSI, concurrently with the execution of this Agreement, an initial franchise fee ("**Initial Franchise Fee**") in the amount set forth in the Addendum. Franchisee acknowledges and agrees that the Initial Franchise Fee represents, in its entirety, payment for FSI's pre-opening and grand opening support, that FSI has earned the Initial Franchise Fee upon completion of its pre-opening and grand opening support obligations, and that the Initial Franchise Fee is not refundable to Franchisee after it is paid.

5. ROYALTIES

5.1. Royalty

Franchisee agrees to pay to FSI a weekly royalty ("**Royalty**") equal to 6 percent of the total amount of its Gross Sales, defined in Section 5.3, generated from or through its FAT SHACK Restaurant.

The Royalty shall be payable weekly, due on Tuesday for the preceding Monday through Sunday period, or on such other specific day of the week which FSI will designate from time to time ("**Due Date**"). Franchisee acknowledges that the Royalty is for the ongoing grant of the rights to use the Marks and Licensed Methods, and on-going support.

5.2. Minimum Annual Gross Sales

Beginning on the earlier of (i) the opening of the FAT SHACK Restaurant, or (ii) 1½ years from the date of this Agreement, and for each 12-month period thereafter (each period being a "**Sales Quota Year**"), Franchisee must generate a minimum in Gross Sales (the "**Minimum Sales Quota**") in the FAT SHACK Restaurant as follows:

Sales Quota Year	Minimum Sales Quota
First and Second	$350,000.00
Third and Fourth	$375,000.00
Fifth and thereafter	$400,000.00

If Franchisee fails to meet the Minimum Sales Quota in any Sales Quota Year, FSI will notify Franchisee. For each of the four quarters during the then current Sales Quota Year, Franchisee must provide FSI with quarterly financial records sufficient to demonstrate that it will meet or exceed the Minimum Sales Quota for the then current Sales Quota Year. If Franchisee fails to reach a level of Gross Sales in any two of the four quarters in the then current Sales Quota Year, or fail to reach the Minimum Sales Quota for any two Sales Quota Years during the term of this Agreement, then FSI has the right to terminate this Agreement in accordance with Section 19.2.v. In lieu of terminating this Agreement, FSI may require Franchisee to pay FSI the Royalty, the Marketing and Promotion Fee, and any other applicable fees, based on the greater of the Minimum Sales Quota amounts or Franchisee's actual Gross Sales for each Sales Quota Year that Franchisee has not met its Sales Quota requirements. FSI may also require Franchisee, it's Managing Owner, and/or its General Manager to obtain additional training from FSI or any third party FSI may select, the costs of which shall be at Franchisee's sole expense, or abide by such other restrictions and requirements FSI may demand, or both. FSI has the right, in its sole discretion and on a case-by-case basis, to waive the obligation of Franchisee or any other franchisee of FSI to meet the Minimum Sales Quota requirement or to pay any fees or make expenditures calculated based on the applicable Minimum Sales Quota requirement. Franchisee acknowledges that FSI is entering into this Agreement with the expectation that it will receive the Royalty based on the greater of Franchisee's actual Gross Sales or the Minimum Sales Quota over the full term of this Agreement.

5.3. Gross Sales

"**Gross Sales**" shall be defined as sales of any kind for all services or products from or through the FAT SHACK Restaurant, including any such sale of services or products made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, regardless of whether such sale is conducted in compliance with or in violation of the terms of this Agreement and regardless of whether such sale is at the Restaurant Location or off-site, but exclusive of discounts, sales taxes or other similar taxes and credits. "Gross Sales" shall include delivery fees and revenue from the redemption of FAT SHACK gift certificates, customer loyalty cards, gift cards and other prepaid cards. "Gross Sales" shall also include the fair market value of any services or products received by Franchisee in barter or exchange for its services and products.

5.4. Method of Payments

a. Franchisee agrees that the Royalty, Marketing and Promotion Fee (defined in Section 13.3), Noncompliance Service Charge (defined in Section 12.4), gift card purchases and fees, product purchases, advertising, promotional and point-of-purchase materials, and other payments due to FSI or an affiliate of FSI shall be sent to FSI by electronic funds transfer, unless FSI agrees to another form of payment in its sole discretion. Upon the request of FSI and in no event later than 30 days prior to the opening of the FAT SHACK Restaurant, Franchisee shall execute an Authorization Agreement for preauthorized payment ("**ACH Payment**"), of any amounts due under this Agreement or otherwise by electronic transfer of funds from Franchisee's bank account to FSI's bank account, in the form attached to this Agreement as Exhibit III. Franchisee agrees to advise FSI, within one business day thereafter, if Franchisee changes its bank account or transfers its bank account to another bank, and further agrees, within three business days of such change or transfer, to execute and return to FSI a replacement Authorization Agreement listing the new bank account information and all other information required. FSI may require Franchisee to pay Royalty and other amounts due under this Agreement by means other than automatic debit whenever FSI deems appropriate, and Franchisee agrees to comply with FSI's payment instructions.

b. On the Due Date of each week or anytime thereafter, FSI shall withdraw funds from Franchisee's bank account for the applicable ACH Payment based on the reports received from Franchisee's POS System, or, in FSI's discretion, Franchisee shall report to FSI by telephone, electronic means or in written form, as may be directed by FSI, in a manner more fully described in Article 16, such information and pursuant to such standard transmittal procedures, Franchisee's Gross Sales and such additional information as may be requested by FSI to permit FSI to do an ACH Payment. FSI shall have the right to verify such Royalty payments from time to time as it deems necessary, in any manner.

c. In the event that Franchisee fails to have sufficient funds in its account or otherwise fails to pay any Royalties, Marketing and Promotion Fees, Noncompliance Service Charges, or other amounts due under this Agreement as of the Due Date, Franchisee shall owe, in addition to such Royalties, an insufficient funds fee of $50.00 for each violation. If any amounts are not paid within five days after it is due, Franchisee shall also owe a late fee of $50.00 for each failure to pay on time, as well as interest equivalent to 1½ percent per month of any late Royalty, Marketing and Promotion Fee, Noncompliance Service Charge, or other payment; provided, however, in no event shall Franchisee be required to pay interest at a rate greater than the maximum interest rate permitted by applicable law. This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Agreement.

5.5. Application of Payments

Notwithstanding any designation Franchisee might make, FSI has the discretion to apply any payments made by Franchisee to any of Franchisee's past due indebtedness to FSI. Franchisee acknowledges that FSI has the right to set-off any amounts Franchisee may owe to FSI against any amounts FSI might owe to Franchisee.

6. DEVELOPMENT OF RESTAURANT LOCATION

6.1. Approval of Restaurant Location

Franchisee may only operate a FAT SHACK Restaurant at a site approved by FSI, which approval will not be unreasonably withheld so long as the site meets FSI's site selection criteria. Franchisee shall follow FSI's site selection procedures in locating a Restaurant Location for the FAT SHACK Restaurant. Franchisee shall submit a completed site submittal package, including demographics and other materials requested by FSI, containing all information required by FSI to assess a proposed Restaurant Location. Franchisee acknowledges and warrants that (1) FSI's approval does not constitute a guarantee, recommendation or endorsement of the Restaurant Location or Target Area and that the success of the FAT SHACK Restaurant to be operated at a Restaurant Location is dependent upon Franchisee's abilities as an independent businessperson; and, (2) when a Restaurant Location is approved by FSI, then FSI has complied with its obligations under the Agreement to assist Franchisee by provision of criteria for the Restaurant Location and determining fulfillment of the requisite criteria for the Restaurant Location, such determination based on information provided by Franchisee.

6.2. Lease Approval and Architectural Drawings

Once the Restaurant Location has been approved by FSI, Franchisee's proposed Restaurant Location lease or purchase agreement must be reviewed and certified acceptable by FSI. After FSI has approved the proposed lease or purchase agreement, FSI and Franchisee will mutually develop the layout of the Restaurant Location, or Franchisee may employ the services of an architecture to create a set of architectural drawings for the Restaurant Location, which will be subject to FSI's approval. Franchisee may not sign a lease or use architectural drawings that have not been approved by FSI. FSI's approval of a lease and architectural drawings indicates only that the lease and drawings meet FSI's minimum criteria for the operation of a FAT SHACK Restaurant and that the interests of FSI and its affiliates are protected. FSI and any legal counsel, architectural advisors, or other professional advisors reviewing the lease or purchase agreement and providing or reviewing the architectural drawings will be acting only behalf of FSI. Franchisee acknowledges that FSI's review of the lease or purchase agreement and delivery of architectural drawings does not constitute: (i) a guaranty of the Restaurant Location's suitability for a FAT SHACK Restaurant; (ii) a guaranty that the FAT SHACK business established at the Restaurant Location will be successful; (iii) any assurance that the business terms of the lease or purchase agreement, including the rent or purchase price, are the most favorable terms available in the market surrounding the Restaurant Location; (iv) any representation that the lease or purchase agreement is entirely consistent with the terms of any signed letter of intent; (v) a representation that FSI would sign the lease or purchase agreement for its own account; or (vi) any other guaranty or assurance of any kind. It is Franchisee's sole responsibility to ensure that the Restaurant Location complies with all applicable local ordinances, building codes and zoning regulations. Notwithstanding Franchisee's obligation to pay the Lease Review Fee, defined in Section 6.3 below, Franchisee acknowledges that neither FSI nor its legal counsel, architectural advisors, or other professional advisors are representing Franchisee or Franchisee's interests in relation to their review and certification of the lease or purchase agreement or in relation to the architectural drawings. Franchisee is not a third party beneficiary of such review and certification. Franchisee agrees to take all steps necessary to ascertain for itself whether such Restaurant Location and lease or purchase agreement are acceptable to Franchisee, including, if Franchisee deems necessary, hiring its own attorney, accountant, architect or other advisor to evaluate the Restaurant Location and to review the lease or purchase agreement and architectural drawings. FSI recommends that Franchisee engage its own attorney or other professional advisor for these purposes. If applicable, Franchisee shall also execute a conditional assignment of lease in favor of FSI, in a form prescribed by FSI.

6.3. Lease Review Fee

FSI will review up to two leases and/or purchase agreements without a charge to Franchisee. If FSI is required to review three or more leases or purchase agreements, Franchisee must pay FSI a lease review fee of $750.00 ("**Lease Review Fee**") for each lease and/or purchase agreement in excess of two plus FSI's out-of-pocket costs of reviewing and (if FSI so chooses) negotiating such lease or purchase agreement. The Lease Review Fee is earned when paid and covers the costs of reviewing and negotiating, in FSI's discretion, the lease or purchase agreement. The Lease Review Fee must be paid to FSI when FSI receives the third or subsequent lease or purchase agreement for review.

6.4. Site Acquisition Schedule

Franchisee shall execute a lease or otherwise acquire an approved location no later than 270 days from the date this Agreement is signed. FSI will extend the deadline required for Franchisee to acquire its site for up to three successive 90-day periods if (i) factors beyond Franchisee's reasonable control prevent Franchisee from meeting the applicable deadline, (ii) Franchisee has made reasonable and continuing efforts to obtain and submit for approval an acceptable site and lease, (iii) Franchisee delivers a written request to extend the time to sign a lease ("**Extension Notice**") at least five days prior to the applicable deadline, and (iv) for any extensions past the first 90-day extension, at the time Franchisee delivers the Extension Notice to FSI, Franchisee pays FSI a $500.00 "**Site Acquisition Extension Fee**" for each additional 90-day extension period. Franchisee shall not have any right to extend the time that Franchisee has to sign a lease under this Agreement if Franchisee is otherwise in default of this Agreement or any other agreement with FSI or if Franchisee has not timely exercised its previous rights to extend the lease execution deadlines set out herein. Under no circumstance, shall FSI allow Franchisee more than a total of 1½ years, including all site acquisition extensions, to locate and acquire the Restaurant Location, either through lease execution or otherwise. Any lease for the Restaurant Location shall, at FSI's option, be collaterally assigned to FSI as security for performance of Franchisee's obligations hereunder. Franchisee shall deliver a copy of the signed lease or other acquisition document for the Restaurant Location to FSI within five days of execution thereof.

6.5. Conversion and Design

Franchisee acknowledges that the layout, design, decoration and color scheme of the FAT SHACK Restaurants are an integral part of FSI's proprietary Licensed Methods and accordingly, Franchisee shall convert and decorate the Restaurant Location in accordance with FSI's plans, designs and specifications. During the term of this Agreement, Franchisee shall obtain FSI's written consent to any conversion, design or decoration of the Restaurant Location before remodeling or decorating begins, recognizing that such remodeling, decoration and any related costs are Franchisee's sole responsibility.

6.6. Signs

Franchisee shall purchase or otherwise obtain signs for use at the Restaurant Location and in connection with the FAT SHACK Restaurant in the maximum number and size allowed by applicable building codes, which signs shall comply with the standards and specifications of FSI. It is Franchisee's sole responsibility to ensure that all signs comply with applicable local ordinances, building codes and zoning regulations. Any modifications to FSI's standards and specifications for signs, which must be made due to local ordinances, codes or regulations, shall be submitted to FSI for prior written approval. Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with FSI's standards and specifications and only with the prior written approval of FSI. Franchisee shall also purchase from FSI's designated or approved suppliers, menu boards for use at the Restaurant Location that meet FSI's standards and specifications.

6.7. Equipment

Franchisee shall purchase or otherwise obtain for use in connection with the FAT SHACK Restaurant such equipment, including furniture, front counter, grills, fryers, prep tables, refrigeration and freezer units, art work, and computer hardware and software, of a type and in an amount which complies with the standards and specifications of FSI, and only from suppliers or other sources approved by FSI. Franchisee acknowledges that the type, quality, configuration, capability and performance of the FAT SHACK Restaurant equipment are all standards and specifications which are a part of the Licensed Methods. Franchisee shall purchase or lease for use in the operation of the FAT SHACK Restaurant an electronic cash register point of sale system ("**POS System**") approved by FSI that accurately records every sale or other transaction. Franchisee shall purchase the POS System components from a designated or approved supplier. Franchisee must purchase and maintain throughout the term of this Agreement a maintenance and support agreement for the POS System and other required computer hardware and software with FSI or FSI's designated supplier. Franchisee shall submit any reports required under this Agreement in a format designated from time to time by FSI. Franchisee hereby grants FSI the right to access the POS System and authorizes FSI to obtain sales, sales mix, cost, labor, expenditure, and revenue information directly by modem or otherwise on a continuous basis and without interruption, except for power outages and other occurrences outside of Franchisee's control. Further, Franchisee also grants FSI the right to publish all such information obtained by FSI to other FAT SHACK franchise owners for comparative analysis purposes. Throughout the term of this Agreement, Franchisee shall be obligated to upgrade or update the POS System and Franchisee's computer hardware and software, or change or convert to an entirely new POS System and computer hardware and software, at Franchisee's sole cost, to meet FSI's then-current standards and specifications.

6.8. Permits and Licenses

Franchisee agrees to obtain all permits and licenses required for the lawful construction and operation of its FAT SHACK Restaurant together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, liquor (if applicable), fire and safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Restaurant Location. Franchisee shall assure the Restaurant Location complies with the Americans with Disabilities Act and all other applicable laws, rules, codes, regulations or ordinances of any kind. Franchisee shall keep copies of all health department, fire department, building department and other similar reports of inspections on file and available for inspection by FSI. Franchisee shall immediately forward to FSI any such reports or inspections in which Franchisee has been found not in compliance with the underlying regulation.

6.9. Commencement of Operations

Unless otherwise agreed in writing by FSI and Franchisee, Franchisee has 12 months from the date of this Agreement (which may be extended for up to a total of 1½ years as provided in Section 6.4) within which to complete the initial training program, described in Section 7.1, and commence operation of the FAT SHACK Restaurant. Franchisee shall obtain the written consent of FSI prior to commencing operation of the FAT SHACK Restaurant, which cannot be granted until FSI has approved the Restaurant Location and the lease, and Franchisee has: (1) successfully completed the initial training program; (2) paid all fees and other amounts due to FSI; (3) furnished FSI with copies of all insurance policies required by this Agreement; (4) built-out and equipped the Restaurant Location in accordance with FSI's standards

and specifications, and delivered a certificate of occupancy to FSI; (5) purchased an inventory of approved products and supplies; and (6) otherwise completed all other aspects of development of the FAT SHACK Restaurant as FSI shall have required.

7. TRAINING

7.1. Initial Training Program

Franchisee (or, if Franchisee is a corporation, partnership, or limited liability company, its managing shareholder, partner or member ("**Managing Owner**")) and the person designated by Franchisee to assume primary responsibility for the management of the FAT SHACK Restaurant ("**General Manager**") must attend and successfully complete the initial training program which is offered by FSI at one of FSI's designated training facilities. The Managing Owner and General Manager shall be set forth in the Addendum. Up to three individuals (including the Managing Owner and General Manager) are eligible to participate in FSI's initial training program without charge of a tuition or fee. Franchisee shall be responsible for any and all traveling and living expenses incurred in connection with attendance at the training program, as well as wages or salaries, if any, of the person(s) receiving training. Franchisee must purchase worker's compensation insurance for each employee of Franchisee who attends training and Franchisee must deliver proof of such insurance coverage to FSI before FSI will train such employee. Franchisee or its Managing Owner, and Franchisee's General Manager, both must successfully complete the initial training program prior to Franchisee's commencement of operation of its FAT SHACK Restaurant. FSI reserves the right to waive all or a portion of the training program or alter the training schedule. In addition to successfully completing the initial training program conducted by FSI, FSI reserves the right to require Franchisee, or Franchisee's General Manager, and each new General Manager throughout the term of this Agreement, to attend and pass a designated food safety and sanitation course, which may be offered by FSI or by a third party unrelated to FSI before Franchisee shall be allowed to commence operating the FAT SHACK Restaurant. Franchisee shall be responsible for tuition and for all traveling and living expenses of its personnel incurred in connection with attendance at the food safety course.

7.2. Additional Training Programs

Throughout the term of this Agreement, FSI reserves the right to conduct training programs or seminars at locations to be determined by FSI to discuss relevant business trends and share new information relating to the FAT SHACK Restaurant business. Attendance at the seminar is optional unless FSI gives Franchisee at least 30 days prior written notice that the seminar is mandatory, in which case Franchisee (or its Managing Owner) or its General Manager is required to attend. FSI shall not require that Franchisee attend any on-going training programs or seminars more than twice a year. Mandatory training programs and seminars shall not last more than five days. FSI may charge a tuition or fee in an amount payable in advance, commensurate with the then current published price of FSI for such training programs or seminars. Franchisee will also be responsible for any and all transportation and living expenses, which are incurred in connection with attendance at such additional training programs or seminars.

8. OPERATIONS MANUAL

8.1. Operations Manual

FSI agrees to loan to Franchisee one or more manuals, technical bulletins or other written, videotaped or electronically transmitted materials including any information posted and exchanged on a FSI's proprietary intranet system and the terms of use governing any such intranet system, whether it

exists as of the date of this Agreement or is implemented at any time during the term of this Agreement, (collectively referred to as "**Operations Manual**") covering the proper operating, training and marketing techniques of the FAT SHACK Restaurant and systems directly related to the FAT SHACK Restaurant. Franchisee agrees that it shall comply with the Operations Manual as an essential part of its obligations under this Agreement. Franchisee shall at all times be responsible for assuring that its employees and all other persons under its control comply with the Operations Manual in all respects. The Operations Manual is designed to protect FSI's reputation and the goodwill of the Marks, it is not designed to control the day-to-day operations of Franchisee's FAT SHACK Restaurant. Franchisee shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who need the information to perform their jobs. The Operations Manual shall be deemed to be incorporated herein by this reference. A material violation of the terms of the Operations Manual shall be a default under the terms of this Agreement and shall be grounds for termination of this Agreement.

8.2. Changes to Operations Manual

FSI reserves the right to revise the Operations Manual from time to time as it deems necessary to update operating and marketing techniques or standards and specifications in any manner, including updates contained in written or electronic newsletters. Franchisee, within 30 days of receiving any updated information, shall in turn update its copy of the Operations Manual as instructed by FSI and shall conform its operations to the updated provisions. Franchisee acknowledges that a master copy of the Operations Manual maintained by FSI at its principal office shall be controlling in the event of a dispute over its contents.

9. DEVELOPMENT ASSISTANCE

9.1. FSI's Development Assistance

To assist Franchisee in establishing the FAT SHACK Restaurant, FSI shall provide the following:

a. Assistance related to the acceptance of a site for the FAT SHACK Restaurant, although Franchisee acknowledges that FSI shall have no obligation to select or acquire a site on behalf of Franchisee. FSI's assistance will consist of, at a minimum, the provision of general criteria for a satisfactory site and a determination of whether a proposed site fulfills the requisite criteria prior to formal acceptance of a site selected by Franchisee. FSI bases its approval of any proposed site on information submitted by Franchisee in a form sufficient to allow FSI to assess the proposed location. Site selection, acquisition and development shall be the sole obligation of Franchisee, except as may be set forth in this Agreement or any other written agreement executed by FSI. Franchisee acknowledges that FSI is under no obligation to provide additional site selection services other than as may be set forth in a written, executed agreement and that FSI's acceptance of the site does not imply or guarantee the success or profitability of the site in any manner whatsoever.

b. Standards and specifications for the build-out, interior design, layout, floor plan, signs, designs, color and decor of the FAT SHACK Restaurant.

c. Advice regarding the standards and specifications for the equipment, supplies and materials used in, and the menu items offered for sale by, the FAT SHACK Restaurant and advice regarding the selection of suppliers for and the purchasing of such items.

d. Guidance in implementing grand opening advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs.

e. Initial training in accordance with Section 7.1.

f. If the FAT SHACK Restaurant to be opened under this Agreement is Franchisee's first FAT SHACK Restaurant, opening assistance consisting of one or more representatives of FSI on site at the Restaurant Location for not less than 30 days to assist Franchisee in opening the FAT SHACK Restaurant; provided, however, that Franchisee shall hire in advance of opening date and be exclusively responsible for the training, compensation and control of its employees. If FSI's representatives must travel more than 100 miles and incur room and board expenses, Franchisee shall pay FSI $125.00 per day for each day the on-site opening assistance is provided.

g. One copy of the Operations Manual, as defined and described in Article 8, which shall be loaned to Franchisee during the term of this Agreement.

h. Upon payment of the purchase price therefor, FSI or its supplier will provide Franchisee with an initial starting package of certain supplies and materials for use in the FAT SHACK Restaurant.

9.2. Responsibilities of Area Representative

FSI reserves the right to retain the services of an area representative or other person ("**Area Representative**") in the geographic area in which Franchisee's Restaurant will be located. In such event, the Area Representative, on behalf of FSI, will perform certain sales, site assistance and supervisory services directed by FSI. Franchisee agrees in advance to any such delegation and assignment by FSI of any portion or all of FSI's obligations and rights under this Agreement. Franchisee also acknowledges that it is not a third party beneficiary of any area representative agreement or other agreement between FSI and any Area Representative.

10. OPERATING ASSISTANCE

10.1. FSI's Services

FSI agrees that, during Franchisee's operation of the FAT SHACK Restaurant, FSI shall make available to Franchisee the following services:

a. Upon the reasonable request of Franchisee, consultation by telephone, electronic mail, or means acceptable to FSI, regarding the continued operation and management of a FAT SHACK Restaurant and advice regarding the retail services, product quality control, menu items, customer relations issues and similar advice.

b. Access to advertising and promotional materials as may be developed by FSI, the cost of which may be passed on to Franchisee, at FSI's option.

c. On-going updates of information and programs regarding menu items and their preparation techniques, marketing and promotional programs, the competition, the industry, the FAT SHACK concept and the Licensed Methods, including, without limitation, information about special or new products and merchandising concepts and methods which may be developed and made available to FAT SHACK franchisees as a part of the Licensed Methods.

d. FSI shall make the initial training program available to replacement or additional General Managers during the term of this Agreement. FSI reserves the right to charge a tuition or fee in

an amount commensurate with the then current published prices of FSI for such training, payable in advance. Franchisee shall also be responsible for all travel and living expenses incurred by its personnel during the training program. The availability of the training programs shall be subject to space considerations and prior commitments to new FAT SHACK franchisees.

10.2. Additional FSI Services

Although not obligated to do so, FSI may make its employees or designated agents available to Franchisee for on-site advice and assistance in connection with the on-going operation of the FAT SHACK Restaurant governed by this Agreement. In the event that Franchisee requests such additional assistance and FSI agrees to provide the same, FSI reserves the right to charge Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by FSI for assistance.

11. PURCHASES OF PRODUCTS

11.1. Inventory

Prior to commencement of operation of the FAT SHACK Restaurant and throughout the term of this Agreement, Franchisee shall purchase and stock the FAT SHACK Restaurant with inventory in such mix and quantities as FSI may determine and prescribe. FSI reserves the right to offer through itself or through its affiliates any or all of the supplies, equipment and products required for Franchisee's operation of the FAT SHACK Restaurant. In particular, prior to opening the FAT SHACK Restaurant for business, Franchisee must purchase from FSI or another supplier approved by FSI an initial starting package of supplies and materials for use in the FAT SHACK Restaurant. Franchisee shall, during the term of this Agreement, maintain product inventory levels and product inventory mix sufficient to meet customer demands and in compliance with FSI's standards and specifications as may be described in the Operations Manual from time to time.

11.2. Limitations on Supply Obligations

Products supplied by FSI and its designated or approved suppliers are subject to and conditioned upon availability. Nothing in this Agreement shall be construed by FSI to be a promise or guarantee as to the continued existence of a particular product, nor shall any provision herein imply or establish an obligation on the part of FSI, its affiliates or other designated or approved suppliers to sell products to Franchisee if Franchisee is in arrears on any payment to FSI, its affiliates or other designated or approved suppliers, or otherwise in default under this Agreement. If FSI or any of its affiliates offers any products and Franchisee fails to pay for the products purchased on a timely basis according to FSI's then current published standards or if Franchisee fails to pay any other amounts due FSI or any of its affiliates, FSI may require payments to be made in cash on delivery ("**COD**"), and if payment is not made on that basis, FSI or its affiliates may discontinue selling the products to Franchisee. In addition, penalties and interest for late payments will apply on the same terms as for Royalties, described in Section 5.4 above.

11.3. No Warranties

FSI AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE PRODUCTS PURCHASED BY FRANCHISEE FROM FSI, ITS AFFILIATES, OR ANY THIRD PARTY.

11.4. Changes in Inventory

It is understood that FSI shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of products required to be offered for sale in a FAT SHACK Restaurant; to add to or delete from the list of designated or approved suppliers of products; and to change the prices, discounts, or terms of sale of any products, provided, however, no such changes in prices, discounts or terms shall affect accepted orders pending with FSI and its affiliates at the time of change. No such changes will give Franchisee the right to recover damages against, or be reimbursed by, FSI or its affiliates for any losses suffered by Franchisee, nor will Franchisee be entitled to require FSI and its affiliates to accept return of any of the products rendered obsolete by such changes. In the event of such changes, however, the sale by Franchisee of its existing stock of products which are no longer approved, or products in its existing stock from a supplier no longer approved, shall not be considered a violation hereof.

12. FRANCHISEE'S OPERATIONAL COVENANTS

12.1. Business Operations

Franchisee acknowledges that it is solely responsible for the successful operation of its FAT SHACK Restaurant and that the continued successful operation thereof is partially dependent upon Franchisee's compliance with this Agreement and the Operations Manual. In addition to all other obligations contained herein and in the Operations Manual, Franchisee agrees that:

a. Franchisee shall maintain a clean, safe, and high quality FAT SHACK Restaurant operation and shall promote and operate the business in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of FSI and the goodwill associated with the FAT SHACK name and Marks.

b. Franchisee will conduct itself and operate its FAT SHACK Restaurant in compliance with all applicable laws, regulations and other ordinances and in such a manner so as to promote a good public image in the business community, including, if Franchisee offers alcohol beverages at its FAT SHACK Restaurant, all applicable liquor licensing laws, regulations and ordinances and dram shop laws. In connection therewith, Franchisee will be solely and fully responsible for obtaining any and all licenses to operate the FAT SHACK Restaurant. Franchisee shall keep copies of all health department, fire department, building department and other similar reports of inspections by governmental authorities on file and available for inspection by FSI. Franchisee shall immediately forward to FSI any such reports or inspections in which Franchisee has been found not in compliance with the underlying regulation. Franchisee shall also promptly notify FSI in writing of any notices of default or non-compliance under its lease or any other third-party contracts related to the operation of the FAT SHACK Restaurant, by sending copies of all such notices to FSI. FSI has no obligation to advise Franchisee of any legislative or other legal developments that may affect its FAT SHACK Restaurant. Franchisee is solely responsible for inquiring about and becoming familiar with all applicable laws, ordinances, and regulations, and determining those actions required for compliance. Any information FSI provides to Franchisee regarding applicable laws, ordinances, or regulations does not relieve Franchisee of its responsibility to consult with its own legal advisor and otherwise take appropriate action to inquire about and comply with applicable laws, ordinances, and regulations.

c. Franchisee acknowledges that proper management of the FAT SHACK Restaurant is important and shall ensure that Franchisee (or its Managing Owner) or a General Manager who has completed the initial training program will be responsible for management of the FAT

SHACK Restaurant after commencement of operations and be present at the Restaurant Location during operation of the FAT SHACK Restaurant. Franchisee shall require each of its General Managers and other employees who have access to the Operations Manual to sign the Nondisclosure and Noncompetition Agreement in a form approved by FSI, and send a copy of such signed agreements to FSI.

d. Franchisee acknowledges that FSI requires and authorizes Franchisee to offer only authorized products and services as are more fully described in the Operations Manual, which may include, without limitation, "Fat Sandwiches," burgers, wings, other sandwiches, and other authorized food and beverage products, FAT SHACK merchandise, and related products and services. Franchisee shall maintain at all times a sufficient supply of all menu items and related food and paper products to ensure, insofar as possible, that such items are at all times available to its customers. Franchisee acknowledges that a major component of the Licensed Methods is the delivery of its products to customer's residential and work locations, including late night delivery services. Franchisee shall offer all types of services and products as from time to time may be prescribed by FSI and shall not offer any other types of services or products, from or through the FAT SHACK Restaurant, unless FSI's written consent is first obtained.

e. Franchisee shall not offer, sell or ship any goods or services to other franchisees without FSI's prior written consent.

f. Franchisee shall engage in all types of advertising, marketing and promotional activities as from time to time may be prescribed by FSI and shall not engage in any advertising, marketing or promotional activities unless FSI's written consent is first obtained.

g. Franchisee shall promptly pay when due all taxes and other obligations owed to third parties, including without limitation, all federal, state, county and local taxes, and any and all accounts payable or other indebtedness incurred by Franchisee in operating the FAT SHACK Restaurant.

h. Franchisee shall comply with all agreements with third parties related to the FAT SHACK Restaurant including, in particular, all provisions of any lease for the Restaurant Location. If the term of the lease for the Restaurant Location ends before the term of this Agreement expires, Franchisee shall negotiate a renewal of the lease term in good faith. If Franchisee is unable to renew the lease at the Restaurant Location, Franchisee may find a different site within the original Protected Territory, submit it to FSI for approval with, if applicable, the Relocation Fee, and, following FSI's approval, move Franchisee's FAT SHACK Restaurant to the new location, at Franchisee's sole cost.

i. Franchisee agrees to renovate, refurbish, remodel or replace, at its own expense, the real and personal property and equipment used in the operation of the FAT SHACK Restaurant, when required by FSI in order to comply with the image, standards of operation and performance capability established by FSI from time to time. If FSI changes its image or standards of operation, it shall give Franchisee a reasonable period of time within which to comply with such changes.

j. Franchisee shall not operate any other business or profession from or through the FAT SHACK Restaurant. If Franchisee is an entity, the entity shall only operate the FAT SHACK Restaurant governed by this Agreement and no other business, unless Franchisee receives FSI's prior written approval.

k. Franchisee shall at all times during the term of this Agreement own and control the FAT SHACK Restaurant authorized hereunder. Upon request of FSI, Franchisee shall promptly provide satisfactory proof of such ownership to FSI. Franchisee represents that the Statement of Ownership, attached hereto as Exhibit IV, is true, complete, accurate and not misleading. Franchisee shall promptly provide FSI with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 17.

l. Franchisee shall at all times during the term of this Agreement keep its FAT SHACK Restaurant open during the business hours as may be designated by FSI from time to time in the Operations Manual. At a minimum, Franchisee will remain open until 2:30 a.m. two nights a week, and until 12:30 a.m. five days per week. These minimum standards may be changed by FSI by changes to the Operations Manual. Any deviations from the required hours must be approved in writing by FSI.

m. Franchisee must offer delivery services through its FAT SHACK Restaurant.

n. Franchisee shall obtain and maintain computer hardware, software and a high speed Internet connection meeting FSI's standards and specifications as they may exist from time to time. Franchisee shall allow FSI continuous access to the data and information on Franchisee's computers and point of sale system without interruption, except for power outages and other events outside of Franchisee's control. Franchisee agrees that FSI may assign an electronic mail address to Franchisee and Franchisee agrees to use such address to access messages and information posted by FSI and other FAT SHACK franchise owners. FSI may post information about Franchisee's FAT SHACK Restaurant on FSI's intranet system and/or on FSI's website(s). In the event FSI sets up an electronic intranet system, Franchisee agrees to participate in FSI's electronic intranet system whereby FSI and all FAT SHACK Restaurant owners and Area Representatives exchange information electronically.

o. Franchisee must accept credit cards, debit cards and Apple Pay from customers of its FAT SHACK Restaurant. The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit or debit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**"). Therefore, Franchisee shall be PCI compliant by following and adhering to the then-current PCI DSS, currently found at www.pcisecuritystandards.org, or any similar or subsequent standard for the protection of cardholder data throughout the term of this Agreement. Franchisee's FAT SHACK Restaurant shall be in compliance with PCI DSS at all times. Franchisee shall not charge its customers any additional fees or service charges if they elect to pay by credit card, debit card or Apple Pay.

p. Franchisee shall procure, maintain and provide evidence of insurance for the FAT SHACK Restaurant and its operations, of the types, in the amounts, and with such terms and conditions as FSI may from time to time prescribe, in the Operations Manual or otherwise. All of the required policies of insurance shall show FSI as an additional insured and shall provide for 30-day advance written notice to FSI of cancellation or modification.

q. Franchisee will provide proof of insurance to FSI prior to commencement of operations at its FAT SHACK Restaurant and proof of workers compensation insurance prior to sending any employee to the training program described in Article 7. This proof will show that the insurer has been authorized to inform FSI in the event any policies lapse or are cancelled. FSI has the right to change the types and minimum amount of insurance Franchisee is required to maintain by giving Franchisee prior notice. Noncompliance with the insurance provisions set forth herein

shall be deemed a material breach of this Agreement; in the event of any lapse in insurance coverage, in addition to all other remedies, FSI shall have the right to demand that Franchisee cease operations of the FAT SHACK Restaurant until coverage is reinstated or, alternatively, pay any delinquencies in premium payments and charge the same to Franchisee.

r. Except as prohibited or limited by law, Franchisee shall fully participate in all promotional campaigns, prize contests, special offers, gift card programs, discount programs including deal-of-the-day and crowdsourcing programs, and other programs, whether international, national, regional, or local in nature (including the introduction of new products or services or other marketing programs directed or approved by FSI), which are prescribed from time to time by FSI. Franchisee shall be responsible for the costs of such participation. In order to participate in FSI's gift card program, Franchisee will be required to utilize the gift card sales and reporting services of a supplier designated by FSI and pay all fees and costs related to those services, which are subject to change by FSI or the supplier periodically. In addition, Franchisee shall honor any coupons, gift certificates, gift cards, discounts, or other authorized promotional offers of FSI at Franchisee's sole cost unless otherwise specified in writing by FSI. Franchisee acknowledges that FSI frequently implements such promotions intended to increase customer awareness and build business on an international, national, regional, or local level, and Franchisee's participation in these promotions is essential to their success. Franchisee acknowledges that FSI has no obligation to reimburse Franchisee for the costs associated with participating in these promotions. In FSI's discretion, it may create and make available to the public a mobile device application for the FAT SHACK system, which may incorporate these type of promotional programs and offers, which Franchisee must participate in and honor at its sole cost. FSI may impose additional conditions and requirements related to the application when operational. From time to time a promotion may not benefit all franchisees in the FAT SHACK system; and if the promotion is not offered in the region, or another unknown hardship arises, FSI may, at FSI's option, exempt Franchisee and/or other franchisees on a case-by-case basis.

s. Unless prohibited by applicable law, FSI may periodically set a maximum or minimum price that Franchisee may advertise and charge for products and services offered by its FAT SHACK Restaurant. If FSI establishes a maximum price for any products or services, Franchisee shall not offer or sell those products or services at any greater price. If FSI establishes a minimum price for any products or services, Franchisee shall not offer or sell those products or services at any lesser price. If FSI does not establish pricing limits, it may establish suggested prices. In that case, any prices that FSI recommends to Franchisee are merely recommendations and Franchisee may establish its own prices, which may be higher or lower than FSI's recommended prices. Franchisee must abide by FSI's advertising policies related to advertising prices.

t. Franchisee expressly authorizes FSI and its approved suppliers to contact Franchisee by e-mail, telephone, mail, or any other means related to any aspect of the FAT SHACK Restaurant, authorized products and services, this Agreement, or the FSI franchise system, for so long as this Agreement remains in effect. Franchisee expressly authorizes FSI to disclose Franchisee's contact information to FSI's approved and designated suppliers to enable such suppliers to contact Franchisee. Franchisee acknowledges that these communications are necessary to facilitate and keep Franchisee updated regarding the ongoing franchise relationship.

12.2. Requirements for Entity Franchisees

If Franchisee is a corporation, partnership, limited liability company or other business entity, the following additional conditions must be met, along with any other conditions as may be established by FSI for entity franchisees:

a. Contemporaneously with the business entity acquiring the franchise rights, thereafter upon the issuance or transfer of any ownership interests in the business entity or the appointment or election of any person as director, officer, member or manager of the business entity, and at any other time requested by FSI, the shareholders, members, partners, other owners, directors, officers, managers (as applicable), and any other individuals as designated by FSI will execute the Guaranty and Assumption of Franchisee's Obligations attached hereto as Exhibit V and incorporated herein by reference, personally guaranteeing full payment and performance of Franchisee's obligations to FSI and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement.

b. No shares in the capital of such corporation or other interest in the business entity shall be issued nor shall Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or other interest or other interest or offer or attempt to do so or permit the same to be done without FSI's prior written consent. Such actions shall be deemed a transfer, as defined in Section 17.1, and subject to the requirements of Article 17 below.

c. The business entity shall maintain stop transfer instructions against the transfer of ownership on its records subject to the restrictions of this Agreement and shall have all outstanding certificates of ownership endorsed with the following legend printed conspicuously upon the face of each certificate:

The transfer of the shares represented by this certificate is subject to the terms and conditions of a certain Franchise Agreement with Fat Shack Inc..

d. The articles of incorporation or organization and by-laws, operating agreement or other governing documents of the business entity shall provide that its objectives or business is confined exclusively to the operation of the FAT SHACK Restaurant as provided for in this Agreement, and recite that the issuance and transfer of any ownership interest in the business entity is restricted by the terms of this Agreement, and copies thereof shall be furnished to FSI upon request.

12.3. Employees

Franchisee will be solely responsible for the recruitment, appointing, and hiring of any employees, independent agents, the General Manager, or other authorized representatives of the FAT SHACK Restaurant (collectively referred to as "**Employees and Agents**"). Those Employees and Agents will be employees or agents of Franchisee. They are not employees or agents of FSI and FSI is not the joint employer of those persons. Franchisee will have sole authority and control over the day-to-day operations of the FAT SHACK Restaurant and its Employees and Agents. FSI will have no right or obligation to direct Franchisee's Employees and Agents or to operate the FAT SHACK Restaurant. It is Franchisee's responsibility to determine compensation of Employees and Agents, terms of employment, safety regulations, work assignments, work schedules, and working conditions. Any information regarding any of those issues provided to Franchisee by FSI are mere suggestions and Franchisee shall have the sole discretion to utilize such information or not. Franchisee is solely responsible for

implementing training and other programs for the Employees and Agents related to the legal, safe, and proper performance of their work, regardless of the fact that FSI may provide advice, suggestions, and certain training programs as described in this Agreement. Such advice, suggestions, and training by FSI are provided to protect FSI's brand and the Marks and not to control the day-to-day operation of Franchisee's FAT SHACK Restaurant. Franchisee will keep FSI informed of the names, addresses and telephone numbers of all Employees and Agents. Franchisee shall also cause each Employee and Agent who has access to the Operations Manual to execute FSI's standard Nondisclosure and Noncompetition Agreement.

12.4. Noncompliance Service Charge

In the event that Franchisee fails to comply with any obligation set forth in this Agreement or any mandatory standard or specification in the Operations Manual or otherwise established by FSI, FSI shall have the right upon written notice to Franchisee to impose a noncompliance service charge ("**Noncompliance Service Charge**"). The Noncompliance Service Charge may, at FSI's option, immediately be charged by FSI to Franchisee via electronic funds transfer pursuant to Section 12.4 or invoiced to Franchisee for payment within 10 days. If FSI is providing its first written notice to Franchisee of a failure to comply, then no Noncompliance Service Charge shall be imposed, but for the second notice the Noncompliance Service Charge shall be up to $150.00 for each event of noncompliance by Franchisee, for the third notice the Noncompliance Service Charge shall be up to $500.00 for each event of noncompliance by Franchisee, and for the fourth and each subsequent notice the Noncompliance Service Charge shall be up to $1,000.00 for each event of noncompliance by Franchisee, with the exact amount imposed determined by FSI at its discretion. The Noncompliance Service Charge is intended to compensate FSI for the administrative costs that it incurs in monitoring, notifying, and following up with Franchisee in the event of noncompliance. The imposition of the Noncompliance Service Charge is in addition to any other rights or remedies that FSI may have in the event of noncompliance by Franchisee including, without limitation, any right to declare a default or terminate this Agreement as described in Article 19.

13. ADVERTISING

13.1. Approval and Use of Advertising

Franchisee shall obtain FSI's prior written approval of all written advertising or other marketing or promotional programs not previously approved by FSI regarding the FAT SHACK Restaurant, including, without limitation, "Yellow Pages" advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, radio and television advertising, Internet "web" pages and other home pages or domain names on any common carrier electronic delivery system. Franchisee acknowledges that web pages and websites on the Internet constitute advertising and is subject to the terms set forth in Section 13.5 below. Any proposed written advertising or a description of a marketing or promotional program not previously approved by FSI shall be submitted to FSI at least 10 days prior to publication, broadcast or use. Franchisee acknowledges that advertising and promoting the FAT SHACK Restaurant in accordance with FSI's standards and specifications is an essential aspect of the Licensed Methods, and Franchisee agrees to comply with all advertising standards and specifications. Franchisee also agrees to participate in any promotional campaigns and advertising and other programs that FSI periodically establishes.

13.2. Grand Opening

Franchisee agrees to conduct a grand opening advertising and promotional program for the FAT SHACK Restaurant at the time and in the manner specified by FSI. Franchisee's grand opening program

will utilize the marketing and public relations programs and media and advertising materials that FSI has either developed or approved. Franchisee agrees that FSI may order and pay for some or all of the grand opening materials on behalf of Franchisee. If FSI does pay for Franchisee's grand opening expenses, FSI shall have the right to debit Franchisee's bank account or otherwise require Franchisee to reimburse FSI for such expenses not later than 60 days prior to the planned FAT SHACK Restaurant opening date. Franchisee will provide FSI with a summary of grand opening program expenditures within 120 days after the FAT SHACK Restaurant opens.

13.3. Marketing and Promotion Fee

FSI may in its sole discretion, conduct regional, national or international advertising to promote the FAT SHACK brand and system generally, and charge its franchisees for this service, although it will not require Franchisee to pay a fee for this service before January 1, 2022. Thereafter, FSI reserves the right, upon not less than 180 days' notice to Franchisee, to require Franchisee to pay to FSI an advertising, marketing and promotion fee ("**Marketing and Promotion Fee**") in an amount designated in the notice, up to a maximum of 1½ percent of the total amount of Franchisee's weekly Gross Sales. FSI may change the percentage of the Marketing and Promotion Fee upon 180 days' notice to Franchisee, but it shall not increase the Marketing and Promotion Fee above 1½ percent of Franchisee's weekly Gross Sales during the term of this Agreement. The Marketing and Promotion Fee, once due, is payable weekly, concurrent with the payment of the Royalty in accordance with Article 5 above, by electronic transfer of funds pursuant to the Authorization Agreement for preauthorized payment described in Section 5.4, and is nonrefundable once it is paid. The Marketing and Promotion Fee is also subject to the same administrative fee, late charge and interest as the Royalty Fee, as set forth above. If and when collected, the Marketing and Promotion Fee will be deposited into a separate bank account, commercial account or savings account ("**Marketing and Promotion Fund**" or "**Fund**"), which will be administered as follows:

a. The Marketing and Promotion Fund will be administered by FSI and may be used for production and placement of media advertising, direct response literature, direct mailings, brochures, radio and deletions advertising, collateral advertising material, surveys of advertising effectiveness, development of Internet websites, or other advertising or public relations expenditures relating to advertising FAT SHACK Restaurants services and products, providing professional services, materials, and personnel to support the marketing function, and creating, producing, and implementing websites for FSI and/or its franchisees. FSI will direct all advertising and promotional programs, with the sole and absolute right of approval over agencies, spokespersons, creative concepts, materials, media placements and allocations used in the programs. Franchisee agrees that the Marketing and Promotion Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of all FAT SHACK franchisees (the "System"), that it may be used for marketing, advertising, production and media expenses, and that FSI and its designees undertake no obligation in administering the Marketing and Promotion Fund to ensure that Franchisee benefits directly or pro rata from the placement of advertising.

b. FSI is entitled to receive from the Marketing and Promotion Fund reimbursement for expenses, overhead and employee salaries for services provided, and rent for office space provided to employees administrating the fund. FSI may place advertising rather than engage an advertising agency for this purpose. FSI is entitled to receive a fee for such services, which will not exceed the highest rate charged for similar services by any recognized advertising agency not owned in whole or part by FSI or its officers, directors, or employees (in addition to reimbursement for costs incurred).

c. If the advertising expenditure is less than the total of all Marketing and Promotion Fees collected during any calendar year, FSI will retain those contributions for use in subsequent years. If the advertising expenditure is more than the Marketing and Promotion Fees collected during any calendar year, FSI may advance funds to the Marketing and Promotion Fund on such terms that are no more favorable than the Marketing and Promotion Fund could receive from other lending sources generally available to the Marketing and Promotion Fund, and FSI will be reimbursed from the Marketing and Promotion Fund during the same or subsequent years to the extent of such advances.

d. FSI has the right to deposit into the Fund any advertising, marketing, or similar allowances paid by suppliers who deal with FAT SHACK Restaurants, in FSI's sole discretion. FAT SHACK Restaurants that FSI or its affiliates own will contribute to the Fund on the same basis as franchisees.

e. FSI will prepare an annual unaudited summary report on the operation of the Marketing and Promotion Fund, and will make it available to Franchisee, upon written request, no later than 120 days after the end of each calendar year.

f. Any FAT SHACK Restaurant owned and operated by FSI or its affiliates will pay Marketing and Promotion Fees to the Marketing and Promotion Fund on a basis at least equal to that paid by franchisees.

g. FSI retains the right to terminate the Marketing and Promotion Fund at any time.

h. FSI has no fiduciary obligation to Franchisee in connection with the operation of the Marketing and Promotion Fund. FSI will not be liable for any act or omission with respect to the operation of the Marketing and Promotion Fund or use of the Marketing and Promotion Fees that is consistent with this Agreement and is done in good faith. FSI may cause the Marketing and Promotion Fund to be incorporated or operated through a separate entity, at such time as FSI deems appropriate, and such successor entity, if established, will have all rights and duties of FSI with respect to the Marketing and Promotion Fund as specified in this section.

13.4. Local Advertising

FSI currently does not require its franchisees to conduct any specific local advertising of their FAT SHACK Restaurants, although FSI recommends that that they do advertise their Restaurant businesses. Although FSI currently does not require Franchisee to expend a specific amount or percentage of its Gross Sales on advertising, it reserve the right to do so in the future. In that event, Franchisee will be required to submit regular reports to FSI accounting for the use of these funds. FSI also does not currently require its franchisees to participate in a local or regional advertising cooperative, although it reserve the right to do so in the future. FSI has not established any rules or regulations related to local or regional advertising cooperatives. If a local or regional advertising program in Franchisee's area is established, FSI may allocate a portion of any required local advertising amounts to the regional advertising program.

13.5. Electronic Advertising

Franchisee shall not develop, create, distribute, disseminate or use any Internet advertising or website, or any multimedia, social media, telecommunication, mass electronic mail or audio/visual advertising, promotional or marketing materials ("**Electronic Advertising**"), without FSI's prior written consent, which consent may be withheld in FSI's sole discretion. FSI shall retain the exclusive right to

develop and control the content of all Electronic Advertising for the FAT SHACK Restaurants. Franchisee acknowledges that FSI shall own all Electronic Advertising related to the Marks and Licensed Methods. FSI reserves the right, upon 30 days' prior written notice, to require Franchisee, to create, customize or provide access to any websites, telecommunications, audio/visual advertising, promotional or marketing material as part of the Electronic Advertising. If FSI permits or requires Franchisee to develop any Electronic Advertising, Franchisee shall do so in compliance with FSI's policies and rules regarding the creation, maintenance, use and content of such Electronic Advertising as set forth in this Agreement, the Operations Manual or Electronic Advertising code of conduct that FSI may develop, disseminate and modify from time to time. Any amounts that Franchisee spends to participate in Electronic Advertising shall be credited toward Franchisee's local advertising obligations.

14. QUALITY CONTROL

14.1. Standards and Specifications

FSI will make available to Franchisee standards and specifications for services and products offered at or through the FAT SHACK Restaurant and the uniforms, recipes, materials, forms, menus, items and supplies used in connection with the franchised business. FSI reserves the right to change standards and specifications for services and products offered at or through the FAT SHACK Restaurant or for the uniforms, recipes, materials, forms, items and supplies used in connection with the franchised business upon 30 days prior written notice to Franchisee. Franchisee's FAT SHACK Restaurant must participate in all promotions FSI institutes for all FAT SHACK Restaurants, or all FAT SHACK Restaurants within a particular market area.

14.2. Inspections

FSI shall have the right to enter the Restaurant Location at all times to inspect Franchisee's operations and to require any changes to the premises of the Restaurant Location that in FSI's sole discretion are necessary to protect the Licensed Methods and Marks, including the removal of signs or other items that are not in accordance with the Licensed Methods or System. FSI shall have the right to interview customers, examine the Restaurant Location and to examine and copy Franchisee's books, records, and documents, including without limitation, the inventory, products, equipment, materials and supplies, to ensure compliance with all standards and specifications set by FSI. FSI shall conduct such inspections during regular business hours without prior notice to Franchisee. FSI also reserves the right to use third party shopping services from time to time to evaluate the operation of the FAT SHACK Restaurant, without prior notification to Franchisee.

14.3. Restrictions on Services and Products

Franchisee is prohibited from offering or selling any services or products from or through the FAT SHACK Restaurant that have not been previously authorized by FSI. However, if Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items or supplies for use in connection with or sale through the FAT SHACK Restaurant that are not approved by FSI, Franchisee shall first notify FSI in writing requesting approval. FSI may, in its sole discretion, elect to withhold such approval; however, in order to make such determination, FSI may require submission of specifications, information, or samples of such services, products, materials, forms, items or supplies. FSI will advise Franchisee within a reasonable time whether such products, supplies or services meet its specifications. A charge not to exceed the actual cost of the review may be made by FSI and shall be paid by Franchisee. If Franchisee sells any unapproved products or services in or through its FAT SHACK Restaurant, Franchisee shall be in default of this Agreement in accordance with Section 19.2.u and be liable to FSI for 100 percent of the Gross Sales amount received for such unapproved products and services.

14.4. Approved Suppliers

Franchisee shall purchase all equipment, products, services, supplies and materials required for the operation of the FAT SHACK Restaurant licensed herein, from manufacturers, suppliers or distributors designated by FSI or, if there is no designated supplier for a particular product, service, supply or material, from such other suppliers who meet all of FSI's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation. FSI reserves the right to designate, from time to time, a single supplier for any services, products, equipment, supplies or materials and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier may be FSI or its affiliates. FSI may require Franchisee to make payments to FSI for the benefit of designated suppliers not affiliated with FSI. FSI and its affiliates may receive payments from suppliers on account of such suppliers' dealings with Franchisee and other franchisees and FSI may use all amounts so received without restriction and for any purpose FSI and its affiliates deem appropriate.

14.5. Request for Change of Supplier

In the event Franchisee desires to purchase products, services, supplies or materials from manufacturers, suppliers or distributors other than those previously approved by FSI, Franchisee shall, prior to purchasing any such products, services, supplies or materials, give FSI a written request to change supplier. FSI shall notify Franchisee in writing of its approval or rejection of the proposed supplier within a reasonable time, but not to exceed 30 days after FSI's completion of its investigation of the proposed supplier. FSI may from time to time inspect any manufacturer's, supplier's, or distributor's facilities and products to assure proper production, processing, storing and transportation of products, services, supplies or materials to be purchased by Franchisee. Permission for such inspection shall be a condition of the continued approval of such manufacturer, supplier or distributor. FSI may, in its sole discretion, for any reason whatsoever, elect to withhold approval of the manufacturer, supplier or distributor; however, in order to make such determination, FSI may require that samples from a proposed new supplier be delivered to FSI for testing prior to approval and use. A charge not to exceed the actual cost of the test may be made by FSI and shall be paid by Franchisee.

15. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

15.1. Marks

Franchisee hereby acknowledges that FSI has the sole right to license and control Franchisee's use of the FAT SHACK service mark, design and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of FSI. Franchisee acknowledges that it has not acquired any right, title or interest in the Marks except for the right to use the Marks in the operation of its FAT SHACK Restaurant as it is governed by this Agreement. Franchisee shall display the Marks prominently at the FAT SHACK Restaurant and on packaging and serving materials and in connection with forms, advertising and marketing, all in a manner as FSI shall prescribe. Franchisee further agrees that no Marks other than "FAT SHACK®," "LATE NIGHT DONE RIGHT®" or such other trademarks as may be specified by FSI shall be used in the marketing, promotion, identification or operation of the FAT SHACK Restaurant, except with FSI's prior written consent. Franchisee may not use any of the Marks, except as allowed by FSI in writing, as part of any domain name or electronic address it maintains on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system.

15.2. Licensed Methods

Franchisee hereby acknowledges that FSI owns and controls the distinctive plan for the establishment, operation and promotion of FAT SHACK Restaurants and all related licensed methods of doing business, previously defined as the Licensed Methods, which include, but are not limited to, recipes, menu items and food and beverage preparation, technical FAT SHACK Restaurant equipment standards, customer relations, marketing techniques, written promotional materials and Operations Manual contents, advertising, and accounting systems, all of which constitute trade secrets of FSI, and Franchisee acknowledges that FSI has valuable rights in and to such trade secrets. Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods, except for the right to use the Licensed Methods in the operation of the FAT SHACK Restaurant, and that any and all innovations, additions or improvements made to the Licensed Methods, even if by Franchisee, shall belong to FSI.

15.3. Trademark Infringement

Franchisee agrees to notify FSI in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention. Franchisee acknowledges that FSI shall have the right, in its sole discretion, to determine whether any action will be taken in response to any possible infringement or illegal use and agrees to fully cooperate with FSI in any such litigation or other action.

15.4. Franchisee's Business Name

Franchisee acknowledges that FSI has a prior and superior claim to the FAT SHACK trade name. Franchisee shall not use the word "FAT SHACK" in the legal name of its corporation, partnership or any other business entity used in conducting the business provided for in this Agreement. Franchisee also agrees not to register or attempt to register a trade name using the words "FAT SHACK" or any portions thereof in Franchisee's name or that of any other person or business entity, without FSI's prior written consent, which consent may be withheld for any reason. During the term of this Agreement, FSI may require that Franchisee post a sign at its FAT SHACK Restaurant, and include a reference on its letterhead, contracts, business cards and/or other items, stating that it is an "authorized franchisee of FAT SHACK INC.," or other language specified by FSI.

15.5. Change of Marks

In the event FSI, in its sole discretion, decides to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice thereof, take such action, at Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution. FSI need not reimburse Franchisee for its direct expenses related to changing the FAT SHACK Restaurant's signs or menus, for any loss of revenue due to any modified or discontinued Mark, or for its expenses of promoting a modified or substitute trademark or service mark.

15.6. Creative Ownership

All copyrightable works created by Franchisee or any of its owners, officers or employees in connection with the FAT SHACK Restaurant shall be the sole property of FSI. Franchisee assigns all proprietary rights, including copyrights, in these works to FSI without additional consideration. Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights and trade secrets developed in part or in

whole in relation to the FAT SHACK Restaurant, during the term of this Agreement, as FSI may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to FSI all right, title, and interest in said property. Franchisee shall promptly disclose to FSI all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the FAT SHACK Restaurant which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, Franchisee acknowledges and agrees that any improvements or modifications, whether or not copyrightable, directly or indirectly related to the FAT SHACK Restaurant, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of FSI.

16. REPORTS, RECORDS AND FINANCIAL STATEMENTS

16.1. Franchisee Reports

Franchisee shall, at Franchisee's expense, provide to FSI financial and accounting reports in the manner and form FSI requires, including:

a. Any reports, including sales reports by product category, data, information and other supporting records on such forms and at such frequency as required by FSI from time to time;

b. Within 15 days after the end of each month, an income statement of Franchisee's FAT SHACK Restaurant for such month and for the fiscal year to date, prepared in accordance with generally accepted accounting principles ("**GAAP**") consistently applied, in FSI's recommended format; and

c. Within 90 days after the end of Franchisee's fiscal year, which shall be the calendar year, an income statement and balance sheet of Franchisee's FAT SHACK Restaurant for such fiscal year (reflecting all year-end adjustments), and a statement of changes in cash flow of the FAT SHACK Restaurant, prepared in accordance with GAAP, consistently applied, and in FSI's recommended format. FSI reserves the right to require that Franchisee have reviewed financial statements prepared on an annual basis by an accountant.

All financial statements required by this Article 16 shall be in on a form acceptable to FSI. If Franchisee fails to provide such financial statements more than two times in any 12-month period, then in addition to any other remedies, FSI may require Franchisee to use a bookkeeping service as designated by FSI.

16.2. Financial Records Use and Access

FSI reserves the right to disclose data derived from all financial and accounting reports received from Franchisee. All financial information transmitted by Franchisee to FSI pursuant to this Agreement shall be owned by FSI, with no duty on the part of FSI to account to Franchisee with respect to the use and exploitation of the same. Franchisee expressly authorizes FSI to utilize this information to prepare a financial performance representation, to release this information as necessary to substantiate any financial performance representation made by FSI, to share such information in summary form as FSI deems necessary or desirable with other franchisees at any annual convention or other franchise business meetings, and to share such information in any other manner and with any other parties that FSI deems appropriate without obtaining any further written consent of Franchisee. FSI reserves the right to require that Franchisee install and maintain, as a part of the POS System, (defined in Section 6.7), a high speed Internet connection at the FAT SHACK Restaurant which FSI may access to obtain sales information and data from the POS System and Franchisee agrees to cooperate with FSI's procedures regarding such POS

System. With respect to the operation and financial condition of the FAT SHACK Restaurant, Franchisee agrees to furnish FSI with the financial and accounting reports required hereunder in a form prescribed by FSI which may include, without limitation, computer diskette, electronic mail and facsimile transmission.

16.3. Books and Records

Franchisee shall maintain all books and records for its FAT SHACK Restaurant in accordance with GAAP, consistently applied, and preserve such records, including cash register tapes, shift reports, weekly operating summaries and sales tax returns, for at least five years after the fiscal year to which they relate.

16.4. Audit of Books and Records

Franchisee shall maintain its books and records relating to its FAT SHACK Restaurant for at least five years after the fiscal year to which they relate. FSI or its designated representatives may inspect and/or audit such records, or any other records of Franchisee or any party affiliated with Franchisee, including but not limited to Franchisee's General Manager and Managing Owner, and all other owners of Franchisee, other guarantors, officers, or directors, any immediate family members of Franchisee or of such affiliated parties, or any companies or entities associated with Franchisee or such affiliated parties, that FSI in its sole discretion determines may be relevant in determining the business results of Franchisee's FAT SHACK Restaurant; such as verifying that Franchisee has paid all fees owed to FSI. Any such inspection or audit shall be conducted at FSI's expense, except that Franchisee will be responsible for any expenses associated with collecting and delivering any documents requested by FSI for its inspection or audit. Inspections and audits conducted at the Restaurant Location may take place without prior notice, during normal business hours. FSI may also require at any time the records from Franchisee or its affiliated parties be sent to FSI's offices or another location to permit the inspection or audit of such records to be conducted at FSI's place of business or the other location. If FSI notifies Franchisee that documents are to be sent to a location other than the Restaurant Location for the purpose of conducting an inspection or audit at that location, Franchisee shall provide the requested documents to FSI within the time period set forth in FSI's notice. Franchisee agrees that FSI will have the right to inspect and audit any records of Franchisee or any affiliated party that FSI determines to be relevant in its sole discretion, which records may include but are not limited to (i) tax returns; (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (iii) copies of check ledgers and bank statements for checking and savings accounts; (iv) copies of any checks or other evidence of payments; (v) all contracts or agreements entered into by Franchisee and any third parties related to the FAT SHACK Restaurant; and (vi) any other documents requested by FSI. FSI may audit and inspect documents covering a period beginning with the date on which Franchisee first acquired its FAT SHACK Restaurant and ending on the date such audit is concluded. All documents provided for FSI's inspection or audit must be certified by Franchisee and the appropriate affiliated party, if applicable, as true, complete and correct. Inspections and audits may be conducted following the termination or expiration of this Agreement for any reason. If any inspection or audit discloses a deficiency in amounts of payments owed to FSI pursuant to this Agreement then such amounts will become immediately payable to FSI by Franchisee, with interest and late fees due in accordance with Section 5.4 hereof, except for Acts of Deception which shall be governed by the provisions of Section 16.5 hereof. In addition, if it is found by any inspection or audit that the Gross Sales of its FAT SHACK Restaurant have been understated by 2 percent or more during the period audited, Franchisee must pay all reasonable costs and expenses FSI incurred in connection with the inspection or audit, including the costs and fees of any independent accountant and the travel and living expenses and compensation of any of FSI's employees or agents conducting such inspection or audit.

16.5. Act of Deception

Notwithstanding anything to the contrary contained in this article, if a breach occurs under Sections 5.1, 5.3, 13.3, or 16.1, due to Franchisee failing to pay or report to FSI any sales pursuant to the terms established hereunder; or if Franchisee underpays any amounts owed to FSI, including amounts discovered in an audit of Franchisee's books and records; or provides reports to FSI that are incomplete, inaccurate or misleading in any respect, and said breach remains uncured for 25 days or more after notice of default has been given, said act shall be deemed a deceptive act by Franchisee to prevent FSI from receiving its fees based on the Gross Sales of Franchisee's FAT SHACK Restaurant (an "**Act of Deception**"). The occurrence of an Act of Deception will result in serious damage to FSI and the FSI franchise system in that it would (i) result in FSI receiving less compensation than it is entitled; (ii) result in substantial costs to FSI in responding to the Act of Deception, based on the need to research Franchisee's activities, contact third parties, coordinate an audit, and/or take other actions; (iii) demand substantial effort and attention of FSI's representatives, in turn diverting their attention from their ordinary duties devoted to FSI and its services for the FSI franchise system; and (iv) encourage other franchisees, distributors, or Area Representatives of FSI to engage in similar acts, thereby contributing to a general atmosphere of noncompliance within the FSI franchise system. At the same time, FSI and Franchisee acknowledge and agree that these damages, due to their nature, would be difficult to quantify. Therefore, upon discovery of an Act of Deception by FSI, Franchisee shall pay FSI as liquidated damages and not as a penalty, 100 percent of Franchisee's Gross Sales involved in the Act of Deception, together with any administrative fees and late fees in accordance with Section 5.4 of this Agreement, plus interest at the greater of 2.5 percent per month or the highest rate allowable by applicable law, whichever is less, on such amount from the first date any fees arising from such Gross Sales were due to FSI. With respect to an Act of Deception, this interest provision shall supersede any other interest provision in this Agreement. This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Agreement. Additionally, once an Act of Deception is discovered, FSI or its designated representatives may conduct an inspection or audit of the records of Franchisee or any of its affiliated parties as stated in Section 16.4 above, provided, however, that any inspection or audit conducted as a result of the discovery of an Act of Deception shall be performed at Franchisee's sole cost and expense and shall be conducted at any time of FSI's choosing. FSI shall provide written notice to Franchisee of its election to conduct an audit of Franchisee's books and records pursuant to this section and upon receipt of such written notice, Franchisee shall immediately pay to FSI $10,000.00 (the "**Audit Fee**"), which Audit Fee shall be utilized by FSI to offset the cost and expenses incurred by FSI or its designated representatives in conducting such audit. If the final costs and expenses of the audit are less than the Audit Fee, FSI shall either, in its sole discretion, refund the excess portion of the Audit Fee to Franchisee or offset such excess portion of the Audit Fee against other amounts determined to be due to FSI. If the actual cost of the audit exceeds the Audit Fee, Franchisee shall pay FSI the excess amount within 10 days of written notice of the deficiency and demand for payment. Failure on the part of Franchisee to pay the excess amount shall be deemed a continuing default of Franchisee under this Agreement.

17. TRANSFER

17.1. Transfer by Franchisee

Franchisee agrees that the rights and duties created by this Agreement are personal to Franchisee (or its shareholders, partners, members, or owners, if Franchisee is a corporation, partnership, limited liability company or other entity) and that FSI has entered into this Agreement in reliance upon FSI's perceptions of the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee (or its shareholders, partners, members, or owners). Accordingly, without FSI's prior written consent, which may be granted or withheld in FSI's sole discretion, neither this Agreement

(nor any interest in this Agreement) nor any interest in Franchisee, if Franchisee is a business entity, may be transferred. Any unauthorized transfer is a breach of this Agreement, void, and of no effect. As used in this Agreement, the term "**transfer**" includes Franchisee's (or owner's) voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (1) this Agreement; (2) Franchisee entity; (3) the FAT SHACK Restaurant governed by this Agreement; or (4) all or a substantial portion of the assets of the FAT SHACK Restaurant.

17.2. Pre-Conditions to Franchisee's Transfer

Franchisee agrees that there may be no transfers before the FAT SHACK Restaurant has opened for business. FSI will not approve a proposed transfer in any case where Franchisee (and its owners) is not in full compliance with this Agreement. The proposed transferee and its owners must be individuals of good moral character and otherwise meet FSI's then applicable standards for franchisees. In the event of a transfer, all of the following conditions must be met before or concurrently with the effective date of the transfer:

a. All amounts due and owing pursuant to this Agreement or otherwise by Franchisee to FSI, its affiliates or to third parties whose debts or obligations FSI has guaranteed on behalf of Franchisee, if any, are paid in full;

b. Franchisee has submitted all required reports and statements;

c. Franchisee has not violated any provision of this Agreement, the FAT SHACK Restaurant's lease, or any other agreement with FSI during the 60-day period before Franchisee requested FSI's consent to the transfer or during the period between Franchisee's request and the effective date of the transfer;

d. the proposed transferee agrees to operate the FAT SHACK Restaurant as a FAT SHACK Restaurant, signs the then-current form of franchise agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and satisfactorily completes the initial training program;

e. Franchisee provides written notice to FSI at least 30 days prior to the proposed effective date of the transfer, and includes information reasonably detailed to enable FSI to evaluate the terms and conditions of the proposed transfer, and which at a minimum includes a written offer from the proposed transferee;

f. the proposed transferee provides information to FSI sufficient for FSI to assess the proposed transferee's business experience, aptitude and financial qualifications, and FSI approves the proposed transferee as a franchisee;

g. neither the transferee nor its owners or affiliates operate or have an interest in a Competitive Business (defined in Section 21.1);

h. Franchisee's landlord allows Franchisee to transfer the FAT SHACK Restaurant's lease to the transferee;

i. if Franchisee or its owners finance any part of the purchase price, Franchisee and/or its owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the FAT SHACK Restaurant are subordinate to the transferee's

obligations to pay fees and other amounts due to FSI and otherwise to comply with this Agreement;

j. Franchisee executes a general release, in a form satisfactory to FSI, of any and all claims against FSI, its affiliates and their respective shareholders, members, managers, officers, directors, employees and agents; and

k. Franchisee abides by all post-termination covenants, including, without limitation, the covenant not to compete set forth in Section 21.2.

If FSI approves the proposed transfer, Franchisee or the proposed transferee shall pay a transfer fee in an amount of $6,000.00, which fee is required to cover FSI's reasonable expenses related to the transfer, including training. The transfer fee shall be due to FSI upon FSI's approval of the proposed transfer.

17.3. FSI's Approval of Transfer

FSI has 30 days from the date of the written notice to approve or disapprove, in writing, Franchisee's proposed transfer. Franchisee acknowledges that the proposed transferee shall be evaluated for approval by FSI based on the same criteria as is then being used to assess new franchisees of FSI and that the proposed transferee shall be provided with such disclosures as may be required by state or federal law.

17.4. Right of First Refusal

Franchisee grants to FSI a 30-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written notice set forth in Section 17.2(e); provided, however, the following additional terms and conditions shall apply:

a. the right of first refusal will be effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which FSI shall have a new 30-day right of first refusal;

b. the 30-day right of first refusal period will run concurrently with the period in which FSI has to approve or disapprove the proposed transferee; and

c. if the consideration or manner of payment offered by a proposed transferee is such that FSI may not reasonably be required to furnish the same, then FSI may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, such fair market value will be determined by three independent appraisers who collectively will conduct one appraisal. FSI will appoint one appraiser, Franchisee will appoint one appraiser and those appraisers will appoint the third appraiser. FSI and Franchisee will select their respective appraisers within 15 days after FSI notifies Franchisee that FSI is exercising the Option. The two appraisers will appoint the third appraiser within 15 days after the date on which the last of the appointed appraisers is appointed. FSI and Franchisee will each bear the cost of their own appraiser and share equally the fees and expenses of the third appraiser. FSI and Franchisee will instruct the three appraisers to complete the appraisal within 30 days after the third appraiser's appointment. If FSI chooses not to exercise its right of first refusal, Franchisee shall be free to complete the transfer subject to compliance with Sections 17.2 and 17.3 under the terms and conditions of the proposal transfer.

17.5. Waiver of Transfer Fee and Right of First Refusal

FSI will waive the transfer fee set forth in Section 17.2 and the right of first refusal set forth in Section 17.4, in regard to the following transfers, although all other requirements set forth in this Article 17 shall apply:

a. If Franchisee is a business entity, a transfer of less than 25 percent of the ownership interest in the Franchisee business entity. If there are multiple transfers that result in a total transfer of 25 percent or more of the ownership interest in the Franchisee business entity, then this Section 17.5 will no longer apply and Franchisee shall immediately comply with all requirements of this Article 17.

b. If Franchisee is one or more individuals, a transfer from such individual or individuals to a business entity in which they own not less than 75 percent of the total stock, membership interests, partnership interests or other ownership interests, and which is actively managed by them. Any entity transferee shall comply with the terms of Section 12.2.

17.6. Franchisee's Death or Disability

Upon the death or permanent disability of Franchisee (or an individual controlling a Franchisee entity), the personal representative of such person shall transfer Franchisee's interest in this Agreement or such interest in Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 120 days from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all terms and conditions applicable to transfers contained in this Article 17. For purposes of a transfer made pursuant to this Section 17.6, there shall be no transfer fee charged by FSI; provided that FSI reserves the right to charge tuition for any training necessitated by the transfer. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. The term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee (or an owner controlling a Franchisee entity) from supervising the management and operation of the FAT SHACK Restaurant for a period of 120 days from the onset of such disability, impairment or condition. In any event, the FAT SHACK Restaurant shall at all times be managed by a General Manager who has complied with all of FSI's training requirements, regardless of any death or permanent disability covered by this Section 17.6.

17.7. Transfer by FSI

Franchisee acknowledges that FSI maintains a staff to manage and operate the FAT SHACK system and that staff members can change from time to time. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, member, manager, director, officer, or employee remaining with FSI in that capacity. FSI may change its ownership or form and/or assign this Agreement and any other agreement without restriction. This Agreement is fully transferable by FSI and shall inure to the benefit of FSI's successors and assigns. After FSI's transfer of this Agreement to a third party who expressly assumes FSI's obligations under this Agreement, FSI will no longer have any performance or other obligations under this Agreement.

18. TERM AND SUCCESSOR RIGHTS

18.1. Term

The primary term of this Agreement is for a period of seven years from the Effective Date, unless sooner terminated as provided herein. Franchisee agrees to operate the FAT SHACK Restaurant for the entire term of this Agreement.

18.2. Continuation

If Franchisee continues to operate the franchise and its FAT SHACK Restaurant with FSI's express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon 30 days written notice. Otherwise, all provisions of this Agreement will apply while the operations continue.

18.3. Exercise of Option for Successor Franchise

Provided Franchisee is not in default hereunder either at the time of its notice of exercise of successor franchise rights or at the time of the grant of the successor franchise rights, at the end of the initial term hereof Franchisee will have the option to obtain a successor franchise for three additional terms of five years each, by acquiring successor franchise rights in accordance with the terms of this Section 18.3 and Section 18.4 below, unless FSI declines to offer a successor franchise in accordance with Section 18.5 below. Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to FSI not more than one year nor less than 180 days prior to the scheduled expiration of the Agreement. With the notice of exercise of its successor franchise rights, Franchisee shall submit to FSI all information requested by FSI regarding the operations of the FAT SHACK Restaurant and required by this Agreement. Franchisee's successor franchise rights will become effective upon compliance with those requirements set forth in Section 18.4 below.

18.4. Prerequisites for Successor Franchise Rights

Franchisee shall only be entitled to exercise its successor franchise rights if Franchisee:

a. At FSI's option, and at least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by FSI, which may have terms substantially different than those set forth in this Agreement, including terms changing the Royalty and other fee amounts, and changing the number of options remaining to be exercised;

b. Is not in default or under notification of breach of this Agreement at the time it gives notice under Section 18.3, and has maintained compliance with all provisions of this Agreement during the current term, including the payment on a timely basis of all Royalty Fees and other payments due hereunder. "**Compliance**" means, at a minimum, that Franchisee has not received any written notification from FSI of breach hereunder more than three times during the term hereof;

c. Agrees to upgrade and remodel the FAT SHACK Restaurant at Franchisee's sole expense (the necessity of which shall be at FSI's option) to conform with the then-current Operations Manual requirements;

d. Executes a successor franchise rider in the form then in use by FSI which (unless prohibited by law) includes a general release of any and all claims against FSI, its affiliates and their respective officers, directors, employees and agents;

e. Pays a successor franchise fee ("**Successor Franchise Fee**") in the amount of $6,000.00 upon each exercise of the successor franchise rights and any other fees set forth in the successor franchise rider to cover FSI's expenses related to reviewing Franchisee's operations and approving the option. The Successor Franchise Fee will be due and payable upon execution of FSI's then current Franchise Agreement and will be nonrefundable under all circumstances once paid. The Successor Franchise Fee is paid in lieu of an additional initial franchise fee; and

f. Successfully completes, or has its General Manager successfully complete, as applicable, a refresher operations training program provided by FSI or a third party authorized by FSI, unless waived by FSI. Franchisee will be responsible for all travel and living expenses associated with attendance at the refresher operations training program.

18.5. Conditions of Refusal

FSI will not be obligated to offer Franchisee a successor franchise upon the expiration of this Agreement if Franchisee fails to comply with any of the above conditions of exercising a successor franchise.

19. DEFAULT AND TERMINATION

19.1. Termination by Franchisee

Franchisee shall have the right to terminate this Agreement due to a material breach of this Agreement by FSI, provided Franchisee provides FSI with written notice of the breach within 60 days of the breach and a reasonable opportunity to cure such breach, which shall in no event be less than 60 days. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 60-day period and FSI has commenced and is continuing to make good faith efforts to cure the breach, FSI shall be given an additional reasonable period of time to cure the same, and this Agreement shall not terminate. Any termination by Franchisee other than in accordance with this section will be deemed a termination by Franchisee without cause and the Restaurant will be considered abandoned.

19.2. Termination by FSI - Effective Upon Notice

FSI shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, without affording Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon receipt of notice by Franchisee, upon the occurrence of any of the following events:

a. **Unauthorized Disclosure.** If Franchisee or any person under Franchisee's control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents of or any part of the Operations Manual or any other trade secrets or confidential information of FSI.

b. **Unauthorized Opening**. If Franchisee begins operating the FAT SHACK Restaurant without having obtained FSI's prior written consent, as required in Section 6.9.

c. **Fraud or Conduct Affecting the Marks**. If Franchisee commits fraud in connection with the purchase, including making any material misrepresentations in its application for a franchise, or if Franchisee commits fraud in the operation of the FAT SHACK Restaurant or otherwise engages in conduct that, in the sole judgment of FSI, materially impairs the goodwill associated with the Marks.

d. **Act of Deception.** If FSI discovers that Franchisee has committed an Act of Deception, as defined in Section 16.5.

e. **Abandonment.** If Franchisee ceases to operate the FAT SHACK Restaurant or otherwise abandons the FAT SHACK Restaurant for a period of five consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the FAT SHACK Restaurant, unless and only to the extent that full operation of the FAT SHACK Restaurant is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee.

f. **Insolvency; Assignments.** If Franchisee or any of its guarantors becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee or a guarantor, or by others against Franchisee or a guarantor under any insolvency, bankruptcy or reorganization act (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.), or if Franchisee or a guarantor makes an assignment for the benefit of creditors, or a receiver is appointed by Franchisee or a guarantor.

g. **Unsatisfied Judgments; Levy; Foreclosure.** If any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's FAT SHACK Restaurant or any of the property used in the operation of the FAT SHACK Restaurant and is not discharged within five days; or if the real or personal property of Franchisee's FAT SHACK Restaurant shall be sold after levy thereupon by any sheriff, marshal or constable.

h. **Criminal Conviction.** If Franchisee (or any of its Bound Parties, as defined in Section 21.1) is convicted of a felony, a crime involving moral turpitude, or any crime or offense likely, in the sole opinion of FSI, to materially and unfavorably affect the Licensed Methods, Marks, and the associated goodwill and reputation of FAT SHACK Restaurants.

i. **Failure to Make Payments.** If Franchisee fails to pay any amounts due FSI or FSI's affiliates within 10 days after receiving notice that such fees or amounts are overdue.

j. **Failure to Authorize Transfer of Funds.** If Franchisee revokes or cancels the Authorization Agreement executed by Franchisee and provided to FSI pursuant to Section 5.4, or takes other steps to prevent FSI from obtaining payment of any amounts due under this Agreement, or otherwise, by electronic funds transfer of funds from Franchisee's bank account to FSI's bank account, and fails to provide a valid replacement Authorization Agreement within five days after receiving notice of such matter.

k. **Financial Reporting.** If Franchisee fails to file reports of its Gross Sales within 10 days after receiving notice that such reports are overdue.

l. **Failure to Complete Training or Open.** If Franchisee (or its Managing Owner) and General Manager fail to complete the initial training program to FSI's satisfaction or to commence operation of the FAT SHACK Restaurant within the required time period.

m. **Misuse of Marks.** If Franchisee misuses or fails to follow FSI's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within 10 days after notification from FSI.

n. **Condemnation or Casualty.** If Franchisee fails to obtain a new approved Restaurant Location following a Condemnation or Casualty as defined in Section 19.5, or fails to recommence operations within the time required under Section 19.5.

o. **Repeated Noncompliance.** If Franchisee has received three notices of material default from FSI within a 12-month period, regardless of whether the defaults were cured by Franchisee.

p. **Default of Other Material Agreements.** If Franchisee loses the right to occupy the FAT SHACK Restaurant's premises because of a default under Franchisee's lease, or defaults under any other agreement related to use or operation of the FAT SHACK Restaurant, or defaults under the terms of any other Franchise Agreement or other agreement between FSI and Franchisee and fails to cure such default under any applicable cure period.

q. **Inadequate Guaranties.** Any guaranty of this Agreement fails to be a continuing obligation fully enforceable against the guarantor signing the guaranty, or there is any inadequacy of the guaranty or guarantor and the guarantor is unable to provide adequate assurances as required by FSI.

r. **Unauthorized Transfer.** If Franchisee sells, transfers or otherwise assigns the franchise, an interest in the franchise or Franchisee entity, this Agreement, the FAT SHACK Restaurant or a substantial portion of the assets of the FAT SHACK Restaurant owned by Franchisee without complying with the provisions of Article 17.

s. **Health, Safety or Liquor Violations.** If Franchisee is found to be in violation of any applicable health, safety, liquor, sanitation or handicapped access laws, regulations or codes, by any governmental official, and fails to cure any such violation within 72 hours after receiving notice thereof.

t. **Sexual Harassment or Discrimination.** FSI receives credible evidence, which it verifies to its satisfaction, that Franchisee, its General Manager, or any other management level employee of Franchisee, has sexually harassed or intimidated any individual or intentionally engaged in any racial, ethnic, religious, sexual, or other offensive discrimination against any individual or group.

u. **Unauthorized Sales.** Franchisee sells or offers for sale any unauthorized products or services, and fails to cure such violation within 10 days after receiving notice thereof.

v. **Failure to Meet Minimum Sales Quote.** After notice that Franchisee has failed to generate Gross Sales for any Sales Quota Year, Franchisee fails to reach a level of Gross Sales in any two of the four quarters in the following Sales Quota Year, or fail to reach the Sales Quota for any two Sales Quota Years during the term of this Agreement.

w. **Violation of Covenant Not to Compete or Other Restrictive Covenant.** If Franchisee or any of the Bound Parties (as defined in Section 21.1) violates the covenant not to compete or any other restrictive covenant contained in Article 21 below.

x. **Filing Non-Compliant Legal Action.** Franchisee or any of the Franchisee Affiliates, as defined in Section 22.1, files or otherwise commences litigation, arbitration, or any other legal action against FSI or any of the FSI Affiliates, as defined in Section 22.1, that is not in compliance with the dispute resolution terms agreed upon in Article 22 as may be modified by any applicable rider in Exhibit VI, and fails to dismiss such action within seven days after notification from FSI.

19.3. Termination by FSI - Thirty Days' Notice

FSI shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure such breach within the 30-day period. Neither Section 19.2 nor this Section 19.3 shall be deemed to extend the cure period provided in any material agreement for the FAT SHACK Restaurant or any other agreement between FSI and Franchisee. So long as financing from the United States Small Business Administration remains outstanding, Franchisee will be given the same opportunity to cure defaults under any agreement between FSI or its affiliates and Franchisee, as Franchisee is given under this Agreement. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the applicable cure period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such period, Franchisee shall be given an additional reasonable period of time to cure the same, and this Agreement shall not terminate.

19.4. Failure to Comply with Reporting Requirements

If Franchisee fails to prepare and submit any statement or report as required under Article 16, then FSI shall have the right to treat Franchisee's failure as good cause for termination of this Agreement. In addition to all other remedies available to FSI, in the event that Franchisee fails to prepare and submit any statement or report required under Article 16 for two consecutive reporting periods, FSI shall be entitled to make an audit, at the expense of Franchisee, of Franchisee's books, records and accounts, including Franchisee's bank accounts. The statements or reports not previously submitted shall be prepared by or under the direction and supervision of an independent certified public accountant selected by FSI. In addition to its other rights and remedies, if Franchisee fails to comply with the reporting requirements under Article 16, FSI shall have the right to collect $500.00 per week for Royalty payments and $125.00 per week for Marketing and Promotion Fees, if any, (or greater amount if FSI estimates that the FAT SHACK Restaurant is generating higher Gross Sales), provided that any amounts will be reconciled and adjusted as needed when FSI receives actual Gross Sales amounts. If Franchisee intentionally underreports Gross Sales to FSI during any reporting period, this event shall be deemed an Act of Deception in accordance with Section 16.5, and a default of this Agreement under Section 19.2.d of this Agreement.

19.5. Condemnation and Casualty

Franchisee must immediately notify FSI of the occurrence of any (i) taking of any portion of the Restaurant Location by eminent domain, or (ii) any fire or other casualty damage to the Restaurant Location or Franchisee's FAT SHACK Restaurant (either, a "**Condemnation or Casualty**"). If, in FSI's business judgment, the Condemnation or Casualty is significant enough to render the continued operation of Franchisee's FAT SHACK Restaurant from the Restaurant Location in accordance with FSI's

standards and specifications impractical, then Franchisee shall have 90 days from the date of the Condemnation or Casualty to (i) select a new location to serve as the Restaurant Location, (ii) obtain FSI's approval of the location and the lease or purchase agreement in accordance with Article 6, which shall require that Franchisee pay FSI Lease Review Fee if the number of leases and purchase agreements presented for FSI's review exceeds two, and (iii) recommence operations of Franchisee's FAT SHACK Restaurant at the new Restaurant Location. If Franchisee fails to recommence operations at an approved Restaurant Location during this 90-day period, FSI may terminate this Agreement upon written notice to Franchisee. If the Condemnation or Casualty, in FSI's business judgment, is not significant enough to render the continued operation of Franchisee's FAT SHACK Restaurant from the Restaurant Location in accordance with FSI's standards and specifications impractical, then Franchisee will use its best efforts to make all necessary repairs as soon as possible to make the Restaurant Location and Franchisee's FAT SHACK Restaurant conform to their condition, character and appearance immediately before such Condemnation or Casualty, according to the standards and specifications of FSI.

19.6. Right to Purchase

Except in the case of the grant of successor franchise rights under Article 18, upon termination or expiration of this Agreement for any reason, FSI shall have the option to purchase the FAT SHACK Restaurant, or a portion of the assets of the FAT SHACK Restaurant, which may include, at FSI's option, all of Franchisee's interest, leasehold or otherwise, in and to the real estate upon which the FAT SHACK Restaurant is located, and all buildings and other improvements related thereto. The purchase price for the assets to be transferred will be the fair market value of the assets, excluding any good will associated with the Marks, as mutually determined by FSI and Franchisee, or if they are unable to mutually agree on the purchase price, by FSI and Franchisee each choosing one independent appraiser who, in turn, choose a third independent appraiser, with the third appraiser's determination being binding upon the parties. The purchase price for the assets will be adjusted by setting off any amount then owing by Franchisee to FSI, including any amounts paid by FSI to cure Franchisee's defaults with third parties such as landlords (the decision to pay such cure amounts to be in the sole and absolute discretion of FSI). FSI and Franchisee shall each pay the fees and expenses of their chosen appraisers and they shall evenly split the fees and expenses of the third appraiser. The following additional terms shall apply to FSI's exercise of this option:

a. FSI's option shall be exercisable by providing Franchisee with written notice of its intention to exercise the option no later than the effective date of termination, in the case of termination (unless Franchisee terminates without notice or FSI terminates for cause, in which case FSI shall have 30 days after receipt of actual notice of the termination or such additional time as is reasonably necessary given the circumstances), or at least 30 days prior to the expiration of the term of the franchise, in circumstances where no successor franchise is granted;

b. FSI and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by FSI, in the real property records and FSI and Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording;

c. The closing for the purchase of the FAT SHACK Restaurant will take place no later than 60 days after written notice of FSI's exercise of its option is given to Franchisee. FSI has the unrestricted right to assign this option to purchase at any time prior to such closing. FSI will pay the purchase price in full at the closing, or, at its option, in 24 equal consecutive monthly installments with interest at a rate equal to the prime lending rate as of the closing at FSI's primary bank. Franchisee must sign all documents of transfer as are necessary for purchase of the FAT SHACK Restaurant by FSI, which documents shall include all customary representations

and warranties from Franchisee as to ownership, condition of and title to, the assets of the FAT SHACK Restaurant being transferred. All assets must be transferred free and clear of all liens and encumbrances, with all sales and transfer taxes paid by Franchisee. Franchisee and its owners further agree to sign general releases, in a form satisfactory to FSI, of any and all claims against FSI and its shareholders, member, managers, officers, directors, employees, agents, successors, and assigns; and

d. Franchisee agrees that it shall be obligated to operate the FAT SHACK Restaurant, according to the terms of this Agreement, during the period in which FSI is deciding whether to exercise its option to purchase and until the closing takes place, and that a condition to closing is that the FAT SHACK Restaurant has remained open during that time period. FSI may decide not to exercise its option to purchase at any time before closing if it determines that any of the conditions noted above have not been or cannot be satisfied.

In the event that FSI does not exercise its right to purchase Franchisee's FAT SHACK Restaurant as set forth above, Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of the FAT SHACK Restaurant; provided, however, that all Marks are first removed in a manner approved in writing by FSI.

19.7. FSI's Right to Suspend Services on Franchisee's Default

If FSI has provided Franchisee with a notice of any default pursuant to this Article 19**,** in addition to FSI's other remedies, FSI reserves the right, on behalf of itself and the FSI Affiliates, to suspend any services to be provided by FSI or any FSI Affiliate or the sales of any products to Franchisee by FSI or any FSI Affiliate until such time as Franchisee cures the default. The services that may be suspended include but are not limited to any services related to advertising or promotion of Franchisee's FAT SHACK Restaurant such as the listing of Franchisee's FAT SHACK Restaurant on any website. The suspension may continue until Franchisee has cured each default identified in the default notice from FSI and Franchisee is deemed to be in good standing. Franchisee is not relieved of any obligation to pay any fees during the term of any suspension. The rights afforded FSI in this Section 19.7 are in addition to any other rights of FSI upon a default by Franchisee.

19.8. Obligations of Franchisee Upon Termination or Expiration

Franchisee is obligated upon termination or expiration of this Agreement to immediately do all of the following:

a. Pay all Royalties, Marketing and Promotion Fees, Noncompliance Service Charges, and other amounts then owed FSI or any of its affiliates pursuant to this Agreement, or otherwise.

b. Cease to identify itself as a FAT SHACK franchisee or use any Marks, trade secrets, signs, symbols, devices, trade names, or other materials of FSI.

c. Cease to identify the Restaurant Location as being, or having been, associated with FSI, and immediately cease operating any business at the Restaurant Location.

d. Cease using any proprietary mark of FSI or any mark in any way associated with the Marks and Licensed Methods and deliver to FSI all signs, sign-faces, advertising materials, forms and other materials bearing any of the Marks or otherwise identified with FSI.

e. Deliver to FSI the Operations Manual and all other information, documents and copies thereof which are proprietary to FSI.

f. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of FSI or, at the option of FSI, assign the same to FSI.

g. Notify the telephone company and all telephone directory publishers, domain name registration companies, and social media website operators, of the termination or expiration of Franchisee's right to use any telephone number, domain name, social media websites or accounts, and any regular, classified or other telephone directory listings associated with any Mark and complete all forms, and provide other necessary notification to authorize the transfer thereof to FSI or its designee. Franchisee acknowledges that, as between Franchisee and FSI, FSI has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers and directory listings, all domain names, and social media websites or accounts associated with any Mark. Franchisee authorizes FSI, and hereby appoints FSI and any of its officers as Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers, domain name registration companies, and social media website operators to transfer any telephone, telecopy or facsimile machine numbers, directory listings, domain names, and social media websites and accounts relating to the FAT SHACK Restaurant to FSI or its designee, should Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers, domain name registration companies, and social media website operators may accept such direction or this Agreement as conclusive evidence of FSI's exclusive rights in such telephone numbers, directory listings, domain names, and social media websites and accounts, and FSI's authority to direct their transfer.

h. Abide by all restrictive covenants set forth in Article 21 of this Agreement.

i. Pay all third parties all amounts then owed to them for products or services directly or indirectly related to the FAT SHACK Restaurant.

19.9. Terminology

For purposes of this Agreement, wherever the term "expiration" or "termination" is used, it is intended to refer to both situations, unless the context indicates otherwise. Any terms herein that apply upon expiration or termination shall also apply for a transferor upon a transfer.

19.10. State and Federal Law

THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT. CERTAIN OF THESE LAWS ARE SET FORTH IN THE RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES AND PROVINCES ATTACHED HERETO AS EXHIBIT VI.

19.11. Assumption of Management

FSI has the right (but not the obligation), under the circumstances described below, to enter the FAT SHACK Restaurant premises and assume the FAT SHACK Restaurant's management for a period not to exceed 90 days. If FSI assumes the FAT SHACK Restaurant's management, Franchisee must pay

FSI (in addition to the Royalty and Marketing and Promotion Fee) 3 percent of the FAT SHACK Restaurant's Gross Sales, plus FSI's direct out-of-pocket costs and expenses, during this time. If FSI assumes the FAT SHACK Restaurant's management, Franchisee acknowledges that FSI will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the FAT SHACK Restaurant incurs, or to any of Franchisee's creditors for any supplies or services the FAT SHACK Restaurant purchases, while FSI manages it. FSI may renew its management of the FAT SHACK Restaurant up to three times for an additional 90 days in each case. FSI will meet with franchisee or its representatives (if available) to discuss the status with franchisee prior to any grant of successor franchise rights.

FSI may assume the FAT SHACK Restaurant's management under the following circumstances:

a. if Franchisee abandons the FAT SHACK Restaurant; or

b. if Franchisee fails to comply with any provision of this Agreement and does not cure the failure within the time period FSI specifies in its notice to Franchisee.

The exercise of FSI's rights under subparagraphs a. and b. above will not affect FSI's right to terminate this Agreement.

19.12. Remedies Cumulative

All rights and remedies conferred upon FSI by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any right or remedy shall preclude the exercise of any other right or remedy.

20. BUSINESS RELATIONSHIP

20.1. Independent Businesspersons

The parties agree that each of them are independent businesspersons, their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. FSI and Franchisee agree that neither of them will hold themselves out to be the agent, employer or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other. Neither this Agreement nor the course of conduct between FSI and Franchisee is intended, nor may anything in this Agreement (or the course of conduct) be construed, to state or imply that FSI is the employer of Franchisee's Employees and Agents, or vice versa. Notwithstanding any other provisions in this Agreement, FSI shall not be responsible for supervising the activities of Franchisee's FAT SHACK Restaurant or ensuring that the FAT SHACK Restaurant is operated in compliance with applicable laws.

20.2. Payment of Third Party Obligations

FSI shall have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon Franchisee, Franchisee's property, the FAT SHACK Restaurant or upon FSI in connection with the sales made or business conducted by Franchisee (except any taxes FSI is required by law to collect from Franchisee with respect to purchases from FSI).

20.3. Indemnification

Franchisee agrees to indemnify, defend and hold harmless FSI, its subsidiaries and affiliates, and their respective shareholders, directors, members, managers, officers, managers, members, employees, agents, successors and assigns (the "**Indemnified Parties**") against, and to reimburse them for all claims, obligations and damages described in this Section 20.3, any and all third party obligations described in Section 20.2, any amounts that FSI spends curing any default of Franchisee under this Agreement or any third party agreement if FSI, in its sole discretion, elects to cure such default, and any and all claims and liabilities directly or indirectly arising out of the operation of the FAT SHACK Restaurant, the use of the Marks and Licensed Methods in any manner, or the violation of any laws including labor and employment laws in the FAT SHACK Restaurant, unless (and then only to the extent) caused by the Indemnified Party's negligence. This indemnity includes any claims arising from the acts or omissions of Franchisee's Employees and Agents. For purposes of this indemnification, "**claims**" shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Each Indemnified Party shall have the right to defend any such claim against it at Franchisee's expense and agree to settlements or any other actions. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

21. RESTRICTIVE COVENANTS

21.1. Non-Competition During Term

Franchisee acknowledges that, in addition to the license of the Marks hereunder, FSI has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation operations, marketing, advertising and related information and materials, and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage by all franchisees of FSI using the Marks and Licensed Methods. Franchisee therefore agrees that other than the FAT SHACK Restaurant licensed herein, neither Franchisee nor any of Franchisee's officers, directors, shareholders, managers, members or partners, nor any immediate family member of Franchisee or any of these individuals ("**Bound Parties**"), shall during the term of this Agreement:

a. have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;

b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located or operating;

c. divert or attempt to divert any business related to the FAT SHACK Restaurant, FSI's business, or any other FAT SHACK franchisee by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of FSI or another franchisee licensed by FSI to use the Marks and Licensed Methods, to any Competitive Business; or

d. directly or indirectly solicit or employ any person who is employed by FSI.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or granting franchises or licenses to others to operate a restaurant or other business deriving more than 10 percent of its gross receipts, excluding gross receipts relating to the sale of alcoholic beverages, from the

sale of sandwiches, burgers and wings (other than another FAT SHACK Restaurant operated by Franchisee); provided, however, neither Franchisee nor the other Bound Parties shall be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2 percent or less of that class of securities issued and outstanding. Franchisee agrees that nothing in this Article 21 shall be construed to grant Franchisee any protected territory.

21.2. Post-Termination Covenant Not to Compete

For a period of two years from termination or expiration of this Agreement for any reason, or the date on which Franchisee ceases to conduct business, whichever is later, neither Franchisee nor any Bound Party shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a 10-mile radius of the former Restaurant Location or within a 10-mile radius of any other franchised or company-owned FAT SHACK Restaurant. If Franchisee or any other Bound Party breaches this section, the two-year period shall start on the date that such person is enjoined from competing or stops competing, whichever is later. Franchisee and the Bound Parties expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this section will not deprive them of their personal goodwill or ability to earn a living.

21.3. Additional Remedies for Breach

In addition to any other remedies or damages allowed hereunder, if Franchisee breaches the covenants set forth in Sections 21.1 or 21.2, Franchisee shall pay FSI a fee equal to FSI's then-current Initial Franchise Fee for each Competitive Business opened in violation of the covenants, plus 6 percent of such Business' Gross Sales until expiration of the noncompetition period.

21.4. Confidentiality of Proprietary Information

Franchisee shall treat all information it receives which comprises the Licensed Methods (including without limitation the Operations Manual, the information on and comprising FSI's intranet system, recipes, FSI's distinctive business format, plans, methods, processes, data, marketing systems, formulas, techniques, electronic communications systems, designs, layouts, operating procedures, trademarks, proprietary marks, information and know-how) as proprietary and confidential and will not use such information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining FSI's written consent. Franchisee agrees that all such material is the sole property of FSI. Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that the protection and maintenance thereof is essential to FSI and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to FSI. All ideas, concepts, techniques, or materials concerning a FAT SHACK Restaurant, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to FSI and will be deemed FSI's sole and exclusive property, part of the FAT SHACK Licensed Methods and works made-for-hire for FSI. To the extent any item does not qualify as a "work made-for-hire" for FSI, Franchisee assigns ownership of that item, and all related rights to that item, to FSI and agrees to sign whatever assignment or other documents FSI requests to show ownership or to help FSI obtain intellectual property rights in the item.

21.5. Confidentiality Agreement

FSI reserves the right to require that Franchisee cause each of its officers, directors, partners, shareholders, and General Manager (and, if applicable, the spouse of a General Manager) to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by FSI. Franchisee will provide to FSI a copy of each Nondisclosure and Noncompetition Agreement signed by any such individual immediately following its execution and thereafter upon FSI's request.

21.6. Claims Are Not Defenses To Covenants

Franchisee expressly agrees that the existence of any claim it may have against FSI, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by FSI of the covenants of this Article 21. Franchisee further agrees that FSI shall be entitled to set off from any amount owed by FSI to Franchisee any loss or damage to FSI resulting from Franchisee's breach of this Article 21.

22. ARBITRATION

22.1. Arbitration

All controversies, disputes claims, causes of action and/or alleged breaches or failures to perform between FSI, and its subsidiaries and affiliated companies and/or its or their shareholders, members, managers, officers, directors, agents, employees and attorneys, in their representative capacity (collectively, the "**FSI Affiliates**"), on the one side, and Franchisee, and its affiliated companies and/or its or their Managing Owner, General Manager, employees, officers, directors, owners, or guarantors (collectively, the "**Franchisee Affiliates**"), on the other side, if applicable, arising out of or related to: (1) this Agreement; (2) the relationship of the parties; (3) the validity of this Agreement; or (4) any Licensed Methods will be submitted for arbitration on demand of either party to the Denver, Colorado office of the Judicial Arbiter Group ("**JAG**"), except for actions brought which are related to or based on the Marks or to enforce the provisions of Article 21 of this Agreement, which actions FSI, at its option, may bring either in a court of competent jurisdiction or in arbitration. Notwithstanding the language above, if the action is based on a separate agreement or instrument between Franchisee or any of the Franchisee Affiliates and FSI or any of the FSI Affiliates, such as a promissory note or lease, the dispute resolution procedure in that agreement or instrument will control rather than this Section 22.1; provided, that, at FSI's sole option, any claim of FSI or any FSI Affiliates against Franchisee or any of the Franchisee Affiliates based on such other agreement or instrument may be brought in arbitration in conjunction with a dispute between the parties that is subject to arbitration under this section, regardless of any provisions to the contrary contained in that other agreement or instrument. Arbitration proceedings will be conducted in Denver, Colorado and will be heard by one arbitrator in accordance with the then current rules of the American Arbitration Association ("**AAA**") that apply to commercial arbitration. The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court, except that the decision whether the arbitration may proceed as a class action shall be made by a court. The arbitrator shall be a resident of the State of Colorado knowledgeable of Colorado law and fluent in English. The arbitration proceeding and all other hearings shall be conducted in English only, although Franchisee shall have the right, at Franchisee's option and sole expense, to have a translator present at the proceeding or other hearings. The expense of a translator shall not be considered a cost or expense related to an action pursuant to Section 24.8 of this Agreement. The parties further agree that, in connection with any such arbitration proceeding, each will file any compulsory counterclaim, as defined by Rule 13 of the Federal Rules of Civil Procedure, within 30 days after the date of the filing of the claim to which it relates. Any party to an arbitration proceeding may apply to the arbitrator for reasonable discovery from the other. In this Agreement, "reasonable discovery" means a party may submit no more than 10 interrogatories, including subparts, 25 requests for admission, 25 document requests, and three

depositions per side of the dispute. The foregoing discovery rights and limitations shall control over any contradictory discovery rules of AAA, unless the parties agree otherwise.

22.2. Arbitration Award

Subject to Sections 22.6 and 22.7 below, the arbitrator will have the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages, with interest on unpaid amounts from the date due, specific performance, and attorneys' fees and costs in accordance with Section 24.8 of this Agreement. Any award shall be based on established law and shall not be made on broad principles of justice and equity. The award and decision of the arbitrator will be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties agree to be bound by the provisions of any applicable limitation on the period of time by which claims must be brought under applicable law or this Agreement, whichever is less. This section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

22.3. Limitations on Proceedings

a. FSI and Franchisee agree that arbitration will be conducted on an individual basis only. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving FSI and Franchisee other than the FSI Affiliates and the Franchisee Affiliates. Franchisee agrees that no claims may be brought on its behalf or on behalf of any of the Franchisee Affiliates by any third party, including but not limited to any association representing Franchisee. Further, neither FSI nor Franchisee shall attempt to consolidate or otherwise combine in any manner an arbitration proceeding involving FSI and Franchisee with another arbitration of any kind, nor shall Franchisee attempt to certify a class or participate as a party in a class action against the other.

b. The foregoing notwithstanding, in the event Franchisee controls, is controlled by or is in active concert with another franchisee, distributor, or area developer of FSI, or there is a guarantor of some or all of the Franchisee's obligations to FSI, then the joinder of those parties to any arbitration between FSI and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, manager, partner or other representative or agent of Franchisee shall be permitted.

c. Franchisee agrees that no claims may be brought on its behalf or on behalf of any of the Franchisee Affiliates by any third party, including but not limited to any association representing Franchisee.

22.4. Injunctive Relief

Notwithstanding anything to the contrary contained in this article, FSI and Franchisee will each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction. Each party agrees that the other party may have such temporary or preliminary injunctive relief, without bond, but upon due notice, and with the sole remedy in the event of the entry of such injunctive relief being the dissolution of such injunctive relief, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived by each party). Any such action will be brought as provided in Section 22.5 below.

22.5. Governing Law/Consent to Jurisdiction/Waiver of Jury Trial

The United States Federal Arbitration Act shall govern all questions about the enforceability of Sections 22.1 and 22.2 and the confirmation of any arbitration awards pursuant to such procedures, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement shall be interpreted under the laws of the State of Colorado and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Franchisee and FSI have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in Section 22.1, involving Franchisee, and the Franchisee Affiliates, on the one side, and FSI and the FSI Affiliates, on the other side, both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. Notwithstanding the foregoing, any legal proceeding by FSI or any FSI Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the FAT SHACK Restaurant is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN FSI, THE FSI AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

22.6. No Punitive or Consequential Damages

Except as specifically permitted elsewhere in this Agreement, neither FSI or any of the FSI Affiliates, on the one side, nor Franchisee or any of the Franchisee Affiliates, on the other side, shall be liable to the other for punitive or other damages not measured by the other party's actual damages, except as may be required by statute, in any action between the parties, whether of the type subject to mandatory arbitration under Section 22.1 or otherwise, and whether such action is brought in arbitration, litigation, or any other legal proceeding.

22.7. No Recourse Against Others

Franchisee agrees that its sole recourse for claims (whether in contract or in tort, in law or in equity, or granted by statute) arising between the parties shall be against FSI or its successors and assigns. Franchisee agrees that the shareholders, directors, members, managers, officers, employees, and agents of FSI and its affiliates (the "**Nonparty Affiliates**") shall not be personally liable nor named as a party in any action between FSI and Franchisee. To the maximum extent permitted by law, Franchisee waives any such claims against such Nonparty Affiliates.

23. SECURITY INTEREST

23.1. Collateral

Franchisee hereby grants FSI a security interest ("**Security Interest**") in all of the furniture, fixtures, equipment, signage, and realty (including Franchisee's interests under all real property and personal property leases) of the FAT SHACK Restaurant, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds and products thereof, wherever

located and used in connection with the FAT SHACK Restaurant. All items in which a security interest is granted hereby are referred to as the "**Collateral**." FSI hereby agrees to subordinate this security interest to any lender of franchisee if the loan is guaranteed by the Small Business Administration.

23.2. Indebtedness Secured

The Security Interest is to secure payment of the following (the "**Indebtedness**"):

a. All amounts due under this Agreement or otherwise by Franchisee;

b. All sums which FSI may, at its option, expend or advance for the maintenance, preservation and protection of the Collateral, including without limitation, payment of rent, taxes, levies, assessments, insurance premiums and discharge of liens, together with interest, or in any other property given as security for payment of the Indebtedness;

c. All expenses, including reasonable attorneys' fees, which FSI incurs in connection with collection of any or all Indebtedness secured hereby or in enforcement or protection of its rights under the Security Interest and this Agreement; and

d. All other present or future, direct or indirect, absolute or contingent, liabilities, obligations and indebtedness of Franchisee to FSI or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement whether or not Franchisee executes any extension agreement or renewal instruments.

23.3. Additional Documents

Franchisee will from time to time as required by FSI join with FSI in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions or modifications thereof) in form satisfactory to FSI.

23.4. Possession of Collateral

Upon default and termination of Franchisee's rights hereunder, FSI shall have the immediate right to possession and use of the Collateral.

23.5. Remedies of FSI in Event of Default

Franchisee agrees that upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness shall, at the option of FSI and without notice, become due and payable forthwith, and FSI shall then have the rights, options, duties and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under, the Uniform Commercial Code of Colorado, including without limitation FSI's right to take possession of the Collateral and of anything found therein, and the right without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted in FSI's sole discretion, and the conduct of such sale is agreed to be commercially reasonable. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth below.

23.6. Special Filing as Financing Statement

This Agreement shall be a deemed a security agreement and a financing statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any

part thereof, is situated, and may also be filed as a financing statement in the counties or in the office of the Secretary of State or similar office, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code, as then in effect in the appropriate jurisdiction.

24. MISCELLANEOUS PROVISIONS

24.1. Modification

a. This Agreement may only be modified upon execution of a written agreement between FSI and Franchisee or, at FSI's option, upon notice of the approval of a Super-Majority as defined in Section 24.1.b below. Unless prohibited by law or waived by FSI, Franchisee must provide a general release of any and all claims against FSI if Franchisee requests and FSI consents to modify any provisions of this Agreement after it has been signed.

b. This Agreement may be modified by FSI at its option whenever FSI and a Super-Majority, as hereinafter defined, of franchisees of FSI agree to the modification. A "**Super-Majority**" of FSI franchisees shall consist of the owners of at least 75 percent of all FAT SHACK Restaurants, or, if only a portion of FAT SHACK Restaurants are affected by the modification, at least 75 percent of those FAT SHACK Restaurants affected by the modification. Whenever a modification is approved by a Super-Majority, FSI may elect to treat the modification as effective to all franchisees or the applicable group thereof, including Franchisee, to the same extent and in the same manner as if the modification was unanimously approved by all applicable Franchisees, and regardless of whether Franchisee may or may not desire to be bound by the modification. FSI shall provide Franchisee with notice of any modification to this Agreement based on a Super-Majority approval at least 60 days prior to the date such modification is to be effective. By signing this Agreement, Franchisee appoints the officers of FSI as its attorneys in fact with irrevocable power and authority to execute any such modification so approved.

c. Franchisee acknowledges that FSI may modify its standards and specifications and operating, marketing, and other policies and procedures set forth in the Operations Manual unilaterally under any conditions and to the extent in which FSI, in its sole discretion, deems necessary, and Franchisee shall be bound by such modifications. These modifications may include regional and local variations. Franchisee may be obligated to invest additional capital in Franchisee's FAT SHACK Restaurant and incur higher operating costs based on these periodic modifications.

d. FSI has the right to vary the franchise agreement and any standards, specifications, and techniques for a particular FSI franchisee based on the circumstances related to the franchisee, its area or territory, or any other condition. Franchisee shall not be entitled to require FSI to grant Franchisee a similar variation.

24.2. Entire Agreement

This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. Franchisee agrees and understands that FSI shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation and that no modifications of this Agreement shall be effective except those in writing and signed by both parties. FSI does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. Franchisee

further acknowledges and agrees that no representations have been made to it by FSI regarding projected sales volumes, market potential, revenues, profits of Franchisee's Restaurant, or operational assistance other than as stated in this Agreement or in any Franchise Disclosure Document provided by FSI or its representatives. Any policies that FSI adopts and implements from time to time are subject to change, are not a part of this Agreement, and are not binding on FSI. Nothing in this Agreement or in any related agreement is intended to disclaim any representations made by FSI in the Franchise Disclosure Document provided to Franchisee.

24.3. Delegation by FSI

From time to time, FSI shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of FSI or Area Representatives or independent contractors which FSI has contracted with to provide such services. Franchisee agrees in advance to any such delegation by FSI of any portion or all of its obligations hereunder. Franchisee acknowledges and agrees that FSI may not be bound and this Agreement may not be modified by any Area Representative without FSI's prior written consent. Franchisee acknowledges and agrees that any such delegation of FSI's duties and obligations to Area Representatives does not assign or confer any rights under this Agreement upon Area Representatives and that Area Representatives are not third party beneficiaries of this Agreement.

24.4. Agreement Effective

This Agreement shall not be effective until accepted by FSI as evidenced by dating and signing by an officer of FSI.

24.5. Consent; Business Judgment

Wherever FSI's consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, FSI has the right to withhold its approval at its option, in its business judgment, taking into consideration its assessment of the long-term interests of the FSI franchise system overall. FSI may withhold any and all consents or approvals required by this Agreement if Franchisee is in default or breach of this Agreement. FSI's approvals and consents will not be effective unless given in writing and signed by one of its duly authorized representatives. In no event may Franchisee make any claim for money damages based on any claim that FSI has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Agreement. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement by specific performance or by declaratory judgment.

24.6. General Economic Conditions

Neither a general economic downturn or conditions nor Franchisee's financial inability to perform the terms of this Agreement will be a defense to an action by FSI for Franchisee's breach of this Agreement.

24.7. Review of Agreement

Franchisee acknowledges it had a copy of FSI's Franchise Disclosure Document in its possession for not less than 14 full calendar days, during which time Franchisee has had the opportunity to submit same for professional review and advice of Franchisee's choosing prior to freely executing this Agreement.

24.8. Attorneys' Fees

In the event of any dispute between the parties to this Agreement, including any dispute involving a Franchisee Affiliate or a FSI Affiliate, in addition to all other remedies, the non-prevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action or other proceeding as a result of such dispute, plus interest at the lesser of 1½ percent per month or the highest rate allowable by law, accruing from the first date such dispute was submitted to any dispute resolution process including mediation, arbitration or litigation. This interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions or other proceedings related to this Agreement. Additionally, if Franchisee withholds any amounts due FSI, Franchisee shall reimburse FSI's costs of collecting such amounts including reasonable attorney fees and expenses.

24.9. No Waiver

No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by FSI or Franchisee shall be considered to imply or constitute a further waiver by FSI or Franchisee of the same or any other condition, covenant, right, or remedy.

24.10 No Right to Set Off

Franchisee shall not be allowed to set off amounts owed to FSI for Royalties, Marketing and Promotion Fees, Noncompliance Service Charges, or other amounts due hereunder, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

24.11 Invalidity

In the event that any arbitrator or court of competent jurisdiction determines that any provision of this Agreement, including but not limited to any of the restrictive covenants contained in Article 21 hereof, are unenforceable as written for any reason, including for purposes of the restrictive covenants, reasons that the areas of restriction exceed the reasonable maximum time period, geographic area or scope, then the parties hereby request and authorize the arbitrator or court to "blue pencil" such provision so as to make it enforceable and to best carry out the intent of the parties, or to deem such provision severed from this Agreement if it cannot be so modified. The holding, declaration or pronouncement shall not adversely affect any other provisions of this Agreement, which shall otherwise remain in full force and effect.

24.12. Payment of Taxes

Franchisee shall reimburse FSI, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by FSI, or its affiliates or designees, on account of services or goods furnished by FSI, its affiliates or designees, to Franchisee through sale, lease or otherwise (except for any taxes FSI or its affiliates are required by law to collect from Franchisee with respect to products purchased from FSI and its affiliates), or on account of collection by FSI, its affiliates or designees, of the Initial Franchise Fee, Royalties, Marketing and Promotion Fees, Noncompliance Service Charges, payment for inventory or any other payments made by Franchisee to FSI required under the terms of this Agreement.

24.13. Notices

All notices required to be given under this Agreement will be given in writing, by personal delivery, certified mail, return receipt requested, e-mail or an overnight delivery service providing documentation of receipt, at the physical address set forth in the first paragraph of this Agreement in the case of FSI, at the physical address set forth below Franchisee's signature to this Agreement or at the Restaurant Location set forth in the Addendum (after the Franchisees FAT SHACK Restaurant has first opened for business) in the case of Franchisee, at the e-mail address for either party set forth below each party's signature to this Agreement, or at such other addresses as FSI or Franchisee may designate in writing from time to time. Notice will be effectively given when personally delivered or delivered by e-mail to the proper e-mail address, three days after being deposited in the United States mail, with proper address and postage prepaid, and one day after being deposited with the overnight delivery service, as may be applicable.

24.14. Cross-Default and Cross Termination

a. A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee and/or any company(ies) affiliated with Franchisee, on the one hand, and FSI and/or any company(ies) affiliated with FSI, on the other hand (the "**Other Agreements**"). A default by Franchisee and/or any company(ies) affiliated with Franchisee under any of the Other Agreements will be deemed a default under this Agreement. A default by any guarantor(s) of this Agreement or of any of the Other Agreements will be deemed a default of this Agreement.

b. If this Agreement is terminated as a result of a default by Franchisee, FSI may, at its option, elect to terminate any or all of the Other Agreements. If any of the Other Agreements is terminated as a result of a default by Franchisee and/or any company(ies) affiliated with Franchisee, FSI may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any of the Other Agreements will be grounds for termination of this Agreement and/or any and all of the Other Agreements without additional notice or opportunity to cure.

24.15. Limitation on Actions

Notwithstanding anything contained in this Agreement to the contrary, any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and FSI, or Franchisee's operation of the FAT SHACK Restaurant shall be commenced within one year from the occurrence of the facts giving rise to such claim or action.

24.16. Anti-Terrorism Representation

Franchisee represents to FSI that it and all persons or entities holding any legal or beneficial interest whatsoever in Franchisee entity are not included in, owned by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224-Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended.

24.17. Force Majeure

FSI will not be liable to Franchisee, nor will FSI be deemed to be in breach of this Agreement, if it exercises best efforts to perform its obligations as may be due to Franchisee hereunder, and its failure to

perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or voluntarily foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instruments of any federal, state, provincial, or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, provincial, or municipal government or any department or agency thereof; (3) viral or bacterial epidemic, pandemic, or other public health crisis; (4) acts of God; or (5) fires, strikes, terrorism, embargoes, war or riot. Any delay resulting from any of these causes will extend performance by FSI accordingly or excuse performance by FSI in whole or in part, as may be necessary.

24.18. Counterparts; Electronic Signatures

This Agreement and any riders and addenda hereto may be executed in any number of identical counterparts and via electronic signatures, and each such counterpart shall be deemed a duplicate original hereof.

24.19. Incorporation of Riders

To the extent that any of the Riders to Franchise Agreement for Specific States and Provinces attached as Exhibit VI is applicable, such rider is incorporated herein and this Agreement is modified accordingly. The provisions in any applicable rider are included as a condition to registration or use in certain jurisdictions, and FSI is not precluded from contesting the validity, enforceability, or applicability of such provisions in any action relating to this Agreement or its rescission or termination.

24.20. Approval Within Protected Territory

Any approval of this Agreement by the appropriate authorities in the Protected Territory that is required to enable Franchisee to enter into this Agreement, perform under the terms of this Agreement, do business with FSI, or make payments to FSI in United States Dollars in the United States of America will be the sole responsibility and at the sole expense of Franchisee.

24.21. Manner of Payment

All references in the Agreement to the term "Dollars" or the symbol "$" refers to United States Dollars, and all payments made to FSI, unless otherwise noted, must be paid in United States Dollars net of any taxes or withholdings. The exchange rate for calculating payments due will be the exchange rate published in The Wall Street Journal the day the payment is due. If, for any reason whatsoever, a payment that is due to FSI under this Agreement is not paid on the date that such payment is due, the exchange rate to be used shall be either the exchange rate published on the due date or the exchange rate published on the date that the payment is actually made, whichever results in a greater amount to FSI. If The Wall Street Journal is not published on the date of conversion, the applicable exchange rate will be that rate published in The Wall Street Journal on the nearest date of publication prior to the date of conversion or by a successor or equivalent publication to be designated by FSI in the event The Wall Street Journal ceases to be published or ceases to publish the applicable exchange rates. FSI may designate and change payment instructions at any time on prior written notice to Franchisee. Franchisee shall be solely responsible for the payment of any costs and charges incurred in connection with the transfer and exchange of currency over and above any fees due or paid.

24.22. Translation of Agreement

The English language will be regarded as the authoritative and official text of this Agreement; however, this Agreement may be translated into the language in dominant use in the Protected Territory, at Franchisee's expense, in the event that translation is necessary for any reason, including for the purpose of registration of this Agreement with the applicable governmental authority. Nevertheless, in the event that any discrepancies exist between the English text and the translated text, the English text will be considered the official text of this Agreement.

24.23. Acknowledgment

BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. FRANCHISEE ACKNOWLEDGES THAT:

(A) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

(B) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(C) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO FRANCHISEE IS BINDING ON FSI IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT; AND

(D) IT HAS COMPLETED AND SIGNED THE STATEMENT OF PROSPECTIVE FRANCHISEE ATTACHED HERETO AS EXHIBIT VII.

SIGNATURE PAGE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

FAT SHACK INC.

By:_____

Title:_____

Date:_____

E-mail Address: tom@fatshack.com

FRANCHISEE:

_____
Individually
Date:_____

OR:
(if a corporation, limited liability company, partnership)

_____
Company Name

By: _____

Title:_____

Date:_____

By:_____

Title: _____

Date:_____

Franchisee Address:

_____

_____

_____

E-mail Address:_____

EXHIBIT I
TO FRANCHISE AGREEMENT

ADDENDUM TO FAT SHACK
FRANCHISE AGREEMENT

This is an Addendum ("**Addendum**") to the Franchise Agreement (the "**Agreement**") by and between FAT SHACK INC., hereinafter "**FSI**" and the undersigned franchisee, hereinafter "**Franchisee**." This Addendum modifies the terms of the Agreement and in the event of a conflict in terms between the Agreement and this Addendum, the terms of this Addendum shall be controlling.

1. **Restaurant Location and Target Area.** The Restaurant Location or the Target Area, referred to in Section 3.1 of the Agreement, shall be:_____

The Restaurant Location shall be deemed approved upon approval by FSI of the site and lease pursuant to Article 6 of the Agreement.

2. **Initial Franchise Fee.** Franchisee shall pay to FSI when Franchisee signs the Agreement an Initial Franchise Fee, referenced in Section 4.1 of the Agreement, of $_____.

3. **Managing Owner and General Manager.** The Managing Owner shall be:_____. The General Manager shall be: _____

4. **Training.** In addition to the Managing Owner and General Manager, the following individuals shall attend FSI's initial training program:_____

5. **Additional Terms:**

FAT SHACK INC.

By:_____

Title:_____

FRANCHISEE: _____

By:_____

Title:_____

By:_____

Title:_____

EXHIBIT II
TO FRANCHISE AGREEMENT

RESTAURANT LOCATION SUPPLEMENT TO
FAT SHACK FRANCHISE AGREEMENT

This is a Supplement ("**Supplement**") to the Franchise Agreement (the "**Agreement**") by and between FAT SHACK INC., hereinafter "**FSI**," and the undersigned franchisee, hereinafter "**Franchisee**." In the Addendum to the Agreement, FSI and Franchisee did not designate a specific address for Franchisee's Restaurant Location. FSI and Franchisee specified a nonexclusive Target Area and agreed that a specific address for the Restaurant Location within that Target Area would be subsequently agreed upon between FSI and Franchisee. FSI and Franchisee have now reached an agreement as to the Restaurant Location. They desire to execute this Supplement to update the Agreement by memorializing the Restaurant Location agreed upon.

It is therefore agreed that the Restaurant Location, referenced in Section 3.1 of the Agreement and Paragraph 1 of the Addendum, shall be:_____
_____.

The terms of this Supplement shall control over the conflicting terms of the Agreement, including the Addendum. In all other respects, the Agreement and the Addendum are ratified, affirmed and confirmed, and shall remain in full force and effect in their original form. All capitalized terms in this Supplement that are not defined herein shall have the meaning ascribed to them in the Agreement.

The parties have executed this Supplement to be made effective as of the date of the Agreement, regardless of the date signed.

FAT SHACK INC.

By:_____

Title:_____

FRANCHISEE:_____

By:_____

Title:_____

By:_____

Title:_____

EXHIBIT III
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

The undersigned franchisee ("**Franchisee**") hereby (1) authorizes FAT SHACK INC. ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below for payment of all fees, amounts and obligations that become payable by Franchisee to Company; and (2) authorizes and requests the depository designated below ("**Depository**") to debit such account pursuant to Company's instructions without responsibility for the correctness of these payments, subject to there being sufficient funds in Franchisee's account to cover such debit entries.

The dollar amount to be debited will vary and the dates on which the debits are initiated will vary.

Depository	Branch

Street Address	City	State	Zip Code

Bank Transit/ABA Number	Account Number

Franchisee states and acknowledges that the account described above has been established, and that this authority is extended, primarily for commercial purposes, and not for personal, family, or household purposes.

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Franchisee of the Franchisee's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Franchisee agrees to not revoke any authorization for funds transfer prior to the termination of its Franchise Agreement with Company, without the prior written consent of Company. Any termination or dishonor of this authority shall not relieve Franchisee of its obligation to make payments to Company, whether pursuant to the Franchise Agreement or otherwise.

Franchisee is responsible for, and must pay on demand, all costs or charges relating to the handling of debit entries pursuant to this authority.

FRANCHISEE (Print Name)	DEPOSITORY (Print Name)

Franchisee:_____
By:_____
Title:_____
Address:_____
_____
Date:_____

Franchisee should also provide Company with a voided check.

EXHIBIT IV
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership (Check One)

____ Individual ____ Partnership _____ Corporation ____ Limited Liability Company ____ Other

If an Individual, provide the name, address, and social security or other national identification number of the Individual.

If a Partnership, provide the name, address, and social security or other national identification number of each partner showing the percentage owned and whether each is active in management, indicate the country, state and/or province in which the partnership was formed and the date it was formed, and provide a copy of the Partnership Agreement.

If a Corporation, provide the name, address, and social security or other national identification number of each officer and director, and list the name, address, and social security or other national identification number of every shareholder showing what percentage of stock is owned by each, indicate the country, state and/or province and date of incorporation, and provide a copy of the Articles of Incorporation certified by the Secretary of State or other official for the country, state and/or province in which the corporation was formed.

If a Limited Liability Company, provide the name, address, and social security or other national identification number of each member and each manager showing the percentage owned, indicate the country, state and/or province in which the Limited Liability Company was formed and the date it was formed, and provide a copy of the Articles of Organization certified by the Secretary of State or other official for the country, state and/or province in which the Limited Liability Company was formed and the Operating Agreement.

If another type of business entity, provide the name, address, and social security or other national identification number of each owner and each officer or manager showing the percentage owned, indicate the country, state and/or province in which the business entity was formed and the date it was formed, and provide a copy of any articles of formation and governing agreements certified, if applicable, by the Secretary of State or other official for the country, state and/or province in which the business entity was formed.

_____

_____

_____

Franchisee acknowledges that this Statement of Ownership applies to the FAT SHACK Restaurant authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to FSI in writing.

_____ _____

Date Name

EXHIBIT V
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

A. In consideration of, and as an inducement to, the execution of the above Franchise Agreement ("**Franchise Agreement**") by FAT SHACK INC. ("**FSI**"), each of the undersigned hereby personally and unconditionally:

1. Guarantees to FSI and its successors and assigns, for the term of the Franchise Agreement, including renewals thereof, that franchisee named on the signature page ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement.

B. Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by FSI of the foregoing undertaking;

2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and

5. Notice of any amendment, modification, deletion or addition of any term or condition of or to any of the obligations hereby guaranteed.

6. Notice of any termination as to future liability of any other guarantor.

7. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

C. Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty will be joint and several;

2. He or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

3. His or her liability hereunder will not be contingent or conditioned upon pursuit by FSI of any remedies against Franchisee or any other person; and

4. His or her liability hereunder will not be diminished, relieved or otherwise affected by any amendment, assignment or modification of the Franchise Agreement or any extension of time, credit

or other indulgence which FSI may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement, including renewals thereof.

5. He or she shall be bound by the restrictive covenants, confidentiality provisions, audit provisions, and the indemnification provisions contained in the Franchise Agreement.

6. FSI may, at its option, without notice to or further consent of him or her, take any of the following actions:

(i) retain the primary or secondary liability of any other party with respect to all or any part of the obligations hereby guaranteed.

(ii) release or compromise any liability of any other guarantor or any other party with respect to the obligations hereby guaranteed.

(iii) amend, modify, delete, or add any term or condition of or to any of the obligations hereby guaranteed, which may include the creation of new obligations.

D. No delay or neglect on the part of FSI in the exercise of any right or remedy existing under law or by virtue of this Guaranty shall operate as a waiver thereof, but such rights and remedies shall continue in full force and effect until specifically waived or released by an instrument in writing executed by FSI and designated as a waiver or release; and no single or partial exercise by FSI of any right or remedy shall preclude further exercise thereof or the exercise of any right or remedy.

E. The arbitration, governing law and jurisdiction provisions contained in the Franchise Agreement shall govern this Guaranty, and such provisions are incorporated into this Guaranty by this reference.

F. This Guaranty may be executed via electronic signature.

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

FRANCHISEE:

_____

GUARANTOR(S)

_____

_____

_____

_____

ALBERTA GUARANTEES ACKNOWLEDGMENT ACT

(Section 3)

CERTIFICATE

I HEREBY CERTIFY THAT:

1. _____(guarantor's name)_____, the guarantor in the guarantee dated _____ made between _____ and _____, which this certificate is attached to or noted on, appeared in person before me and acknowledged that he/she had executed the guarantee.

2. I satisfied myself by examination of the guarantor that he/she is aware of the contents of the guarantee and understands it.

CERTIFIED by _____(print name)_____, Barrister and Solicitor at the _____ of _____, in the Province of Alberta, this _____ day of _____, 20__.

_____
Signature

STATEMENT OF GUARANTOR

I am the person named in this certificate.

_____
Signature of Guarantor

EXHIBIT VI
TO FRANCHISE AGREEMENT

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES AND PROVINCES

If any one of the following Riders to the Franchise Agreement for Specific States and Provinces ("**Riders**") is checked as an "Applicable Rider" below, then that Rider shall be incorporated into the Franchise Agreement entered into by FAT SHACK INC. and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider:

UNITED STATES

- ☐ California
- ☐ Hawaii
- ☐ Illinois
- ☐ Indiana
- ☐ Maryland
- ☐ Minnesota
- ☐ New York
- ☐ North Dakota
- ☐ Rhode Island
- ☐ Virginia
- ☐ Washington
- ☐ Wisconsin

CANADA

- ☐ Quebec

FAT SHACK INC.

By: _____

Title: _____

Date: _____

_____
FRANCHISEE (Print Name)

By: _____

Title: _____

Date: _____

UNITED STATES RIDERS TO THE FRANCHISE AGREEMENT

CALIFORNIA RIDER TO THE FRANCHISE AGREEMENT

1. Section 22.5 is deleted and replaced with the following language:

The United States Federal Arbitration Act shall govern all questions about the enforceability of Sections 22.1 and 22.2 and the confirmation of any arbitration awards pursuant to such procedures, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement shall be interpreted under the laws of the State of Colorado, and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. If a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in Section 22.1, involving Franchisee, and the Franchisee Affiliates, on the one side, and FSI and the FSI Affiliates, on the other side, both parties consent to jurisdiction and venue for disputes between them in the state and federal courts of Colorado, and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN FSI, THE FSI AFFILIATES, FRANCHISEE, AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

HAWAII RIDER TO THE FRANCHISE AGREEMENT

1. The following language is added at the end of Sections 17.2.j and 18.4.d:

Any release executed herewith will not apply to any claims that Franchisee may have that have arisen under the Hawaii Franchise Investment Law.

2. The following paragraph is added to Article 19:

Section 482E-6(3) of the Hawaii Revised Statutes provides that upon termination or refusal to renew the Franchise, FSI is obligated to compensate Franchisee for the fair market value, at the time of the termination or expiration of Franchise, of Franchisee's inventory, supplies, equipment and furnishings purchased from FSI or a supplier designated by FSI; provided that personalized materials which have no value to FSI need not be compensated for. If FSI refuses to renew a Franchise for the purpose of converting Franchisee's business to one owned and operated by FSI, FSI, in addition to the remedies provided above, shall compensate Franchisee for the loss of goodwill. FSI may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of Franchisee's inventory, supplies, equipment and furnishings pursuant to this requirement, and may offset from such compensation any monies due FSI.

ILLINOIS RIDER TO THE FRANCHISE AGREEMENT

1. Illinois law governs the Franchise Agreement.

2. 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. Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. 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.

5. See the first page of this Exhibit VI for your signature.

INDIANA RIDER TO THE FRANCHISE AGREEMENT

The following modifications are made to the Franchise Agreement only to the extent required by the Indiana Franchises Act, IND. CODE § 23-2-2.5, and the Indiana Deceptive Franchise Practices Act, IND. CODE § 23-2-2.7:

1. The following language is added to Sections 3.2 and 3.5:

   Indiana law prohibits FSI from establishing a FSI-owned outlet engaged in a substantially identical business within Franchisee's Protected Territory.

2. The following language is added to the end of Sections 17.2.j and 18.4.d:

   Any release executed in connection herewith will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.

3. The scope of the post-termination covenant not to compete in Section 21.2 is limited to 10 miles of the borders of the Franchisee's former Restaurant Location.

4. Section 22.5 is deleted and replaced with the following language:

   The United States Federal Arbitration Act shall govern all questions about the enforceability of Sections 22.1 and 22.2 and the confirmation of any arbitration awards pursuant to such procedures, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, disputes related to a violation of the Indiana Franchises Act or the Indiana Deceptive Franchise Practices Act shall be governed thereby, and all other matters regarding this Agreement shall be interpreted under the laws of the State of Colorado and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act

(COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Subject to the foregoing, Franchisee and FSI have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in Section 22.1, involving Franchisee and/or the Franchisee Affiliates, on the one side, and FSI and/or the FSI Affiliates, on the other side, both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado, and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. Notwithstanding the foregoing, any legal proceeding by FSI or any FSI Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the FAT SHACK Restaurant is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN FSI, THE FSI AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

5. The following sentence is added at the end of Section 24.2:

Notwithstanding anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made by FSI.

6. Section 24.15 is deleted and replaced with the following language:

Notwithstanding anything contained in this Agreement to the contrary, any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and FSI, or Franchisee's operation of the FAT SHACK Restaurant must be commenced within the time period specified in Indiana law.

MARYLAND RIDER TO THE FRANCHISE AGREEMENT

1. The following language is added at the end of Sections 17.2.j and 18.4.d:

The general release required 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 following language is added at the end of Article 22:

This Agreement provides for disputes to be 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.

3. All representations requiring prospective franchisees 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.

4. Section 24.15 is amended by adding the following thereto:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

MINNESOTA RIDER TO THE FRANCHISE AGREEMENT

1. Section 15.3 is modified by the following language:

As it deems necessary, FSI will protect Franchisee's right to use FSI's Marks. The Minnesota Department of Commerce requires FSI to indemnify Franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of FSI's Marks in accordance with the terms of this Agreement infringes upon the trademark rights of the third party.

2. Articles 17, 18, and 19 are modified by the following language:

FSI will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4 and 5, which require (except in certain specified cases) (1) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of this Agreement, and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

3. The following language is added at the end of Sections 17.2.j and 18.4.d:

Any release executed in connection herewith will not apply to any claims that may arise under the Minnesota Franchise Act.

4. Section 22.4 is modified by the following language:

Pursuant to Minnesota Rule 2860.4400(J), a franchisee cannot consent to a franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. Also, a court will determine if a bond is required.

5. Section 22.5 is modified by the following language:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit FSI from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or this Agreement can abrogate or reduce (1) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. The following statement is added at the end of Section 24.15:

Minnesota law provides that no action may be commenced pursuant to Minnesota Statute Section 80C.17 more than three years after the cause of action accrues. Minnesota Statutes, Section 80C.17, Subd. 5.

NEW YORK RIDER TO THE FRANCHISE AGREEMENT

1. The following sentence is added to Section 8.2:

Any new or different requirements set forth in the Operations Manual shall not unreasonably increase Franchisee's obligations or place an excessive burden on Franchisee's operation of its FAT SHACK Restaurant.

2. The following is added at the end of Sections 17.2.j and 18.4.d:

Provided however, that all rights enjoyed by Franchisee and any causes of action arising in its 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, Section 687.4 and 687.5 be satisfied.

3. The following sentence is added to Section 17.7:

However, no assignment shall be made except to an assignee who, in the good faith judgment of FSI, is willing and able to assume FSI's obligations under this Agreement.

4. The following is added to Article 19:

Franchisee may terminate this Agreement upon any grounds available by law.

5. The following is added to Section 20.3:

However, Franchisee shall not be required to indemnify FSI for any liabilities which arose as a result of FSI's breach of this Agreement or other civil wrongs committed by FSI.

6. The following sentence is added to Section 22.5:

The foregoing choice of law should not be considered a waiver of any right conferred upon either FSI or Franchisee by the General Business Law of the State of New York, Article 33. This language has been included in this Agreement as a condition to registration. FSI and Franchisee do not agree with the above language and believe that each of the provisions of the Agreement, including all choice-of-law provisions, are fully enforceable. FSI and Franchisee intend to fully enforce all of the provisions of the Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

NORTH DAKOTA RIDER TO THE FRANCHISE AGREEMENT

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees:

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Franchise agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

I. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

RHODE ISLAND RIDER TO THE FRANCHISE AGREEMENT

1. The following paragraph is added at the end of Section 22.1:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

The above language has been included in this Agreement as a condition to registration. FSI and Franchisee do not agree with the above language and believe that each of the provisions of the Agreement, including all choice of law provisions, are fully enforceable. FSI and Franchisee intend to fully enforce all of the provisions of the Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and

other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of Section 24.14:

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 this Agreement does not constitute "reasonable cause," as that term is defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON RIDER TO THE FRANCHISE AGREEMENT

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. 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 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.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. 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 void and unenforceable in Washington.

7. 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.

WISCONSIN RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of Article 19:

> The conditions under which this Agreement can be terminated or not renewed may be effected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

CANADA RIDERS TO THE FRANCHISE AGREEMENT

QUEBEC RIDER TO THE FRANCHISE AGREEMENT

1. The following statement is added to Section 24.22:

The parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including notices, have been and shall be prepared in the English language only.

Les parties aux présentes confirment leur volonté que cette convention de meme que tous les documents, y compris tous avis, s'y rattachant, soient rédigés en langue anglaise seulement.

To the extent that the language above is inconsistent with Section 24.22 of the Agreement, that Section is modified accordingly.

EXHIBIT VII
TO FRANCHISE AGREEMENT

FAT SHACK INC.
STATEMENT OF PROSPECTIVE FRANCHISEE

(Note: Dates and Answers Must be completed in the Prospective Franchisee's Own Handwriting.)

Since the prospective franchisee (also called "me," "our", "us", "we", and/or "I" in this document) and Fat Shack Inc. (also called "FSI", "you", or "your") both have an interest in making sure that no misunderstandings exist between each of us, and to verify that no violations of law might have occurred, and understanding that FSI is relying on the statements I/we make in this document, I/we advise FSI as follows:

A. The following dates and information are true and correct:

1. The date of our first face-to-face meeting with any person to discuss the possible purchase of a FAT SHACK Restaurant franchise.

_____

2. The date on which I/we received a Franchise Disclosure Document providing me/us with information regarding the purchase of a FAT SHACK Restaurant franchise.

_____

3. The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed.

_____

4. The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Receipt evidencing our receipt of the Franchise Disclosure Document).

_____

5. The earliest date on which I/we delivered cash, a check or other consideration to FSI, or any other person or company.

_____

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, commitments, or representations of any type, including, but not limited to, any which expanded upon or were inconsistent with the Franchise Disclosure Document, the Franchise Agreement, or the Area Development Agreement (if applicable), have been made to me/us with respect to any matter nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement, the Area Development Agreement (if applicable), or a written Addendum thereto signed by me/us and a Managing Member of FSI, except as follows: _____
_____
_____
_____.
(If none, write NONE in your own handwriting.)

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by any person or entity, nor have I/we relied in any way on any such, except for the information expressly set forth in Item 19 of the Franchise Disclosure Document, if any, except as follows:_____
_____
_____
_____
_____.

(If none, write NONE in your own handwriting).

3. No contingency, prerequisite, reservation or other condition exists with respect to any matter (including, but not limited to, my/our obtaining any financing, my/our selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or my/our fully performing any of my/our obligations, nor am I/we relying on FSI or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement, the Area Development Agreement (if applicable), or a written Addendum thereto signed by me/us and a managing member of FSI, except as follows: _____
_____
_____.

(If none, write NONE in your own handwriting).

4. I/we specifically acknowledge and understand that under FSI's Franchise Agreement and Area Development Agreement (if applicable), FSI and its affiliates have the right to market, offer, and sell, and to authorize third parties to market, offer, and sell, any and all products and services through venues and channels of distribution other than franchised and company-owned FAT SHACK Restaurants, including but not limited to grocery stores, wholesale distributors, coffee shops, restaurants that are not FAT SHACK Restaurants, offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and catering (collectively, "**Special Venues and Channels**") and in FAT SHACK Restaurants located in facilities with a concentration of foot traffic gathered in a "captive" facility for a primary purpose other than consuming food and beverages ("**Captive Audience Venues**"), such as airports and other transportation hubs, hospitals, convention centers, grocery stores, department stores, "big box" retail centers, resorts, sports arenas and stadiums, hotels and office buildings, military installations (Army and Air Force Exchange Services), and food courts, without regard to location. I/we acknowledge that (i) the products and services available through Special Venues and Channels and Captive Audience Venues may include those that are the exact same as those which I/we will be granted the right to offer and sell through the FAT SHACK Restaurant, such as "Fat sandwiches," or entirely different services and products; (ii) the Special Venues and Channels and Captive Audience Venues may be in any location, including in close proximity to my/our FAT SHACK Restaurant, or within my/our Protected Territory; (iii) the marketing, offer, and sale of products and services through the Special Venues and Channels and Captive Audience Venues may be under the same or different trademarks and business methods as my/our FAT

SHACK Restaurant; and (iv) the prices advertised and charged by FSI and its affiliates for the sale of the products and services to operators of Special Venues and Channels and Captive Audience Venues, and the prices advertised and charged by the operators of the Special Venues and Channels and Captive Audience Venues to third parties and the public for the products and services, may be different, and even substantially lower, than the prices at which the products and services are made available by FSI and its affiliates to me/us and the prices charged by me/us to customers of my/our FAT SHACK Restaurant. I/we understand that I/we may face competition from these Special Venues and Channels and Captive Audience Venues.

5. I/we understand that the information contained in Item 19 of the Franchise Disclosure Document, if any, is not intended to express or infer an estimate, projection or forecast of revenues, sales, expenses, income or earnings to be derived in connection with any particular franchise. I/we understand that FSI makes no representation to whether I/we will ever be able to sell any products or services, or the length of time it will take me/us to realize any gross revenues, net income or any other financial results. I/we understand that my/our actual financial results are likely to differ from the figures presented. I/we understand that FSI does not represent that I/we can expect to attain the revenues or limit my/our expenses to those contained in Item 19 of the Franchise Disclosure Document, if any, or that I/we can do as well as the outlets included therein. If I/we rely on those figures, I/we accept the risk of not doing as well. I/we acknowledge that my/our ability to achieve any level of income will depend upon factors not within FSI's control, including the occurrence of certain start-up and operating expenses and the amount of those expenses, and my/our level of expertise.

6. If the prospective franchisee is a business entity, the individuals signing for the "Prospective Franchisee" constitute all of the executive officers, members, managers, partners, shareholders, investors and/or principals (as applicable) of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all attachments and carefully read, discussed, understands and agrees to the Franchise Agreement, the Area Development Agreement, and each written attachment, addendum, or exhibit.

7. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and FSI has strongly recommended that I/we obtain such independent professional advice. I/we have also been advised by FSI to discuss my/our proposed purchase of, or investment in, a FAT SHACK Restaurant franchise with one or more existing FAT SHACK Restaurant franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing FAT SHACK Restaurant franchisees.

8. I/we understand that entry into any business venture necessarily involves certain risk of loss or failure, that the purchase of a FAT SHACK Restaurant franchise (or any other franchise) is a speculative investment, that investment beyond the amounts outlined in the Franchise Disclosure Document may be required to succeed, that there exists no guaranty against possible loss or failure in this or any other business and that the most important factors in the success of any FAT SHACK Restaurant, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills. I understand that my/our investment in a FAT SHACK Restaurant franchise contains substantial business risks and that there is no guarantee that it will be profitable.

9. I/we have made my/our own independent determination that I/we have adequate working capital to develop, open and operate my/our FAT SHACK Restaurant.

10. I/we acknowledge that FSI or its designee will use reasonable efforts to assist me/us in locating a site for my/our FAT SHACK Restaurant, but I/we also understand that I/we remain responsible for the final decision regarding the selection of a suitable site.

11. The name(s) of the person(s) with whom I/we dealt in the purchase of my/our FAT SHACK Restaurant franchise is/are _____ _____.

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I/we sign this document without all of its statements being true, correct and complete, I/we will make a written statement regarding such next to my signature below so that FSI may address and resolve any such issue(s) at this time and before either party goes forward.

FOR MARYLAND ONLY:

All representations requiring prospective franchisees 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.

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: _____

PROSPECTIVE FRANCHISEE:

By: _____

Print Name: _____

By: _____

Print Name: _____

All of the above is true, correct and complete to the best of my knowledge.

Franchise Marketing Representative: _____

Reviewed by: _____(FSI)

Managing Member: _____ Franchise Agreement Number: _____

ATTACHMENT B
(TO DISCLOSURE DOCUMENT)

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT ("**Development Agreement**") is made effective as of the date set forth on the signature page hereof, by and between **FAT SHACK INC.**, a Delaware corporation, located at 420 East 58th Avenue, Suite 128B, Denver, Colorado 80216 ("**FSI**") and the undersigned franchisee ("**Franchisee**"), who, on the basis of the following understanding, and in consideration of the following promises, agree as follows:

RECITALS

A. FSI has developed methods for establishing, operating and promoting specialty quick service sandwich restaurants under the name Fat Shack® that features "Fat Sandwiches," burgers and wings, together with appetizers, desserts, hot and cold beverages, and related merchandise, for dine in, takeout and delivery, and specializes in late night delivery of its products to its customers ("**FAT SHACK Restaurants**") associated with the service mark "FAT SHACK" and other logos, trademarks, service marks and commercial symbols ("**Marks**") and FSI's proprietary methods of doing business ("**Licensed Methods**").

B. Franchisee would like to use FSI's Marks and Licensed Methods in connection with the development of a certain number of FAT SHACK Restaurants (which shall not be less than two FAT SHACK Restaurants in addition to the FAT SHACK Restaurant to be opened pursuant to the Initial Franchise Agreement), in a specific geographical area as set forth in the addendum attached hereto as Exhibit A attached hereto ("**Addendum**"). FSI desires to grant Franchisee the right to establish and operate such FAT SHACK Restaurants under the terms and conditions which are contained in this Development Agreement.

The parties therefore agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1. FSI grants to Franchisee the right to develop and establish FAT SHACK Restaurants using FSI's Marks and Licensed Methods in the geographic area described in the Addendum (the "**Protected Area**"). Franchisee accepts this grant and undertakes the obligation to develop and operate the FAT SHACK Restaurants in compliance with FSI's standards. Each FAT SHACK Restaurant shall be established and operated pursuant to a separate Franchise Agreement to be entered into between the parties. The term "**Franchise Agreement**" means the then-current form of Franchise Agreement used by FSI for granting franchises to FAT SHACK Restaurant franchisees, including all ancillary documents FSI may require.

1.2. Except as set forth in Section 1.3 below, FSI shall not establish, nor shall it license any other party to establish, FAT SHACK Restaurants using the Marks and Licensed Methods anywhere within the Protected Area for so long as this Development Agreement is in effect. Notwithstanding the foregoing, there may be existing Franchise Agreements in effect as of the date of this Development Agreement under which FSI has granted rights to third parties to operate FAT SHACK Restaurants in the Protected Area (the "**Existing Stores**"). Franchisee agrees and acknowledges that the Franchise Agreements for such Existing Stores may remain in effect, and nothing in this Development Agreement shall prevent, prohibit, or restrict the operations of such Existing Stores. FSI may renew the Franchise Agreements or enter into successor Franchise Agreements for such Existing Stores.

1.3. Franchisee acknowledges that the rights granted in this Development Agreement are non-exclusive. Franchisee acknowledges that FSI reserves the right for itself and its affiliates to market, offer, and sell, and to authorize third parties to market, offer, and sell, any and all products and services (i) through venues and channels of distribution other than franchised and company-owned FAT SHACK Restaurants, including but not limited to grocery stores, wholesale distributors, coffee shops, restaurants that are not FAT SHACK Restaurants, offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and catering (collectively, "**Special Venues and Channels**") and (ii) in FAT SHACK Restaurants located in captive audience venues (collectively, "**Captive Audience Venue**"). Examples of Captive Audience Venue locations include airports and other transportation hubs, hospitals, convention centers, grocery stores, department stores, "big box" retail centers, resorts, sports arenas and stadiums, hotels and office buildings, military installations (Army and Air Force Exchange Services), and food courts. The products and services available through Special Venues and Channels and in a FAT SHACK Restaurant located in a Captive Audience Venue may include those that are the same as or similar to those which Franchisee will offer and sell, such as FSI's branded and exclusive "FAT sandwiches," or entirely different services and products. Special Venues and Channels and Captive Audience Venues may be in any location, including in close proximity to Franchisee's restaurant locations, and will be without any compensation to Franchisee. The marketing, offer, and sale of products and services through Special Venues and Channels or the Captive Audience Venues may be under the Marks and Licensed Methods or different trademarks, service marks, and methods. The prices advertised and charged by the operators of Special Venues and Channels or Captive Audience Venue Restaurants to third parties and the public may be higher or lower than the prices at which the same or similar products and services are made available by FSI and its affiliates to Franchisee and the prices charged by Franchisee to customers of its FAT SHACK Restaurant. FSI further retains the rights, among others, to: (1) use, and license others to use, the Marks and Licensed Methods in connection with the operation of a FAT SHACK Restaurant at any location other than in the Protected Area, other than Special Venues and Channels and Captive Audience Venue outlets; (2) use and license the use of alternative proprietary marks or methods in connection with the operation of other businesses under names which are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from FAT SHACK Restaurants; (3) establish alternative channels of distribution for the products and services sold in a FAT SHACK Restaurant, which may include marketing and distribution of the products and services through grocery stores, convenience stores, restaurants that are not FAT SHACK Restaurants, via the Internet, catalog sales, and other direct marketing sales channels, which may or may not use the Marks; and (4) engage in any other activities not expressly prohibited in this Agreement or the Franchise Agreement, in each case, at any location, including in your Protected Area, and in each case, on any terms and conditions as FSI deems advisable, without granting Franchisee any rights in them.

1.4. The parties acknowledge that concurrently herewith, they have executed a Franchise Agreement (the "**Initial Franchise Agreement**") governing the operation of Franchisee's first FAT SHACK Restaurant to be opened hereunder. Franchisee agrees to comply with the terms and conditions of the Initial Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with the Initial Franchise Agreement is a breach of this Development Agreement.

1.5. Franchisee agrees that if Franchisee is an entity, all of the owners of Franchisee and any other individuals designated by FSI shall sign the Guaranty and Assumption of Franchisee's Obligations attached hereto as Exhibit B and incorporated herein by this reference.

1.6. This Development Agreement is not a franchise agreement and FSI does not grant Franchisee any franchise rights or other similar rights to use the Marks or Licensed Methods under this Development Agreement. Franchisee has no right to license or subfranchise others to use the Marks or Licensed Methods. Other than the right to enter into Subsequent Franchise Agreements, as defined in

Section 2.2 below, nothing in this Development Agreement grants to Franchisee the right to enter into any agreement with respect to the Marks or Licensed Methods.

2. DEVELOPMENT FEE AND INITIAL FRANCHISE FEES

2.1. Concurrently with the execution of this Development Agreement, Franchisee will pay FSI as consideration for the development rights granted herein, in addition to the initial franchise fee ("**Initial Franchise Fee**") for the first FAT SHACK Restaurant under the Initial Franchise Agreement, an amount set forth in the Addendum ("**Development Fee**") equal to $5,000 for each additional FAT SHACK Restaurant to be opened hereunder.

2.2. Franchisee will be required to pay a total Initial Franchise Fee of $15,000 for the second and each subsequent FAT SHACK Restaurant to be developed pursuant to this Development Agreement. FSI will credit the $5,000 portion of the Development Fee attributable to each of the second and subsequent FAT SHACK Restaurants to be developed under this Development Agreement to the Initial Franchise Fee due under the Franchise Agreement for such FAT SHACK Restaurant (individually, the "**Subsequent Franchise Agreement**" or collectively, the "**Subsequent Franchise Agreements**"). The balance of the Initial Franchise Fee for each of the second and subsequent FAT SHACK Restaurants to be developed will be due at the earlier of (1) the date set forth in Paragraph 4 of the Addendum which is the deadline for signing the Franchise Agreement for that particular FAT SHACK Restaurant; or (2) the date which Franchisee signs a Subsequent Franchise Agreement for the FAT SHACK Restaurant to be developed.

2.3. Other than to have applied the portions of the Development Fee to a portion of the Initial Franchise Fee for Subsequent Franchise Agreements, the amounts paid pursuant to this Development Agreement are nonrefundable once paid to FSI. Under no circumstances will Franchisee be entitled to a refund, return or rebate of any portion of Development Fee paid hereunder.

3. DEVELOPMENT OBLIGATIONS

3.1. Franchisee will be bound by and strictly follow the schedule for developing the FAT SHACK Restaurants in the Protected Area set forth in the Addendum (the "**Development Schedule**"). Time is of the essence. By the date set forth under the Development Schedule for each applicable FAT SHACK Restaurant, Franchisee must exercise its development rights by entering into a Franchise Agreement with FSI for that FAT SHACK Restaurant. Further, Franchisee shall itself continuously maintain in operation at least the number of FAT SHACK Restaurants set forth on the Development Schedule.

3.2. Franchisee will exercise its right for development of each FAT SHACK Restaurant by giving FSI written notice of its intention to develop such FAT SHACK Restaurant at least 90 days in advance of the deadline set forth in the Development Schedule for executing each Subsequent Franchise Agreement. Subject to FSI's approval, Franchisee must execute the then-current form of Franchise Agreement for the particular FAT SHACK Restaurant and pay the balance of the Initial Franchise Fee, together with all other initial fees and deposits set forth in the applicable Subsequent Franchise Agreement by the deadline set forth in the Development Schedule. FSI will execute a Franchise Agreement with Franchisee only if Franchisee is in compliance with all requirements and obligations of this Development Agreement and all other agreements between the parties, including the individual Franchise Agreements between FSI and Franchisee. Franchisee acknowledges and agrees that FSI will have the right to refuse to offer Franchisee the right to enter into a Subsequent Franchise Agreement if FSI believes, in its discretion, that Franchisee does not have sufficient financial resources or other ability to properly develop and operate the proposed subsequent FAT SHACK Restaurant. The Subsequent

Franchise Agreement for the second and each subsequent FAT SHACK Restaurant will be executed within 10 days after FSI's approval of the particular FAT SHACK Restaurant location. Franchisee's failure to execute any Subsequent Franchise Agreement or its default in any term of any Subsequent Franchise Agreement may, at the option of FSI, be deemed a default under this Development Agreement and shall entitle FSI to terminate this Development Agreement as further provided in Article 4 below.

3.3. Franchisee shall not, without the prior written approval of FSI and without signing a Subsequent Franchise Agreement related to the FAT SHACK Restaurant for a particular location, enter into any contract for the purchase or lease of any premises for use as a FAT SHACK Restaurant. FSI will assist Franchisee in the selection and approval of locations for its FAT SHACK Restaurants in accordance with the terms and conditions of the applicable Subsequent Franchise Agreement. Franchisee acknowledges that FSI has no obligation to select or acquire a location on behalf of Franchisee.

3.4. Each Subsequent Franchise Agreement to be executed by Franchisee for each FAT SHACK Restaurant to be developed hereunder shall be in the form of Franchise Agreement then generally being offered to franchisees by FSI, which may contain terms subsequently different then the terms of the Initial Franchise Agreement. Notwithstanding the foregoing, FSI agrees that it will not charge an Initial Franchise Fee to Franchisee which is greater than the amounts set forth in Section 2.1. above. Franchisee acknowledges that FSI has the right, however, to charge then current published rates for the required products, royalty percentages, advertising contributions and other fees, products and services offered to Franchisee.

3.5. Franchisee acknowledges that FSI shall have the right, in FSI's sole discretion, to waive the initial training program, which is the same as or similar to the training provided under Section 7.1 of the Initial Franchise Agreement, for the second and each subsequent FAT SHACK Restaurant developed under the terms of this Development Agreement. Franchisee may request assistance from FSI in addition to the assistance provided to Franchisee as described in the Initial Franchise Agreement, in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of its Protected Area. If FSI agrees to provide such assistance, in FSI's sole discretion, FSI reserves the right to charge Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses incurred in connection with such assistance, plus a fee based on hourly time spent by any of FSI's employees in connection with such assistance, which fee will be charged in accordance with the then current daily or hourly rates being charged by FSI for assistance.

4. TERM AND TERMINATION

4.1. Unless sooner terminated in accordance with this Article 4, this Development Agreement shall commence as of the date of execution hereof and shall end on the earlier of (1) the date the last Subsequent Franchise Agreement is executed to open the maximum number of FAT SHACK Restaurants set forth in the Addendum, or (2) the date of the deadline set forth in the Development Schedule for Franchisee to execute the Franchise Agreement for the last of its FAT SHACK Restaurants to be developed under this Development Agreement. After expiration of the term, or earlier termination of this Development Agreement as provided below, FSI shall have the right to establish, or license any other party to establish FAT SHACK Restaurants anywhere within the Protected Area.

4.2. This Development Agreement may be terminated by Franchisee for any reason upon 60 days prior written notice to FSI, provided that Franchisee will not be entitled to a refund of any fees paid hereunder under any circumstances.

4.3. Franchisee shall be deemed in default and this Development Agreement may be terminated by FSI, at its option, in the following circumstances:

(i) Franchisee defaults on any term or condition of this Development Agreement, including without limitation, the failure to execute the required Franchise Agreements or maintain the number of FAT SHACK Restaurants required by the Development Schedule, and fails to cure such default after 30 days written notice to Franchisee; or

(ii) Franchisee is in default under any of the Franchise Agreements executed in furtherance of this Development Agreement or any other agreement between FSI or any of FSI's affiliates and Franchisee or any of Franchisee's affiliates and fails to cure such default within the time periods specified in such other agreements.

4.4. If this Development Agreement is terminated due solely to a failure by Franchisee to meet the Development Schedule, FSI and Franchisee agree that such termination shall not constitute a default or result in a termination of any Franchise Agreements executed between Franchisee and FSI in effect as of the date of termination of this Development Agreement. In that case, those Franchise Agreements shall continue in full force and effect notwithstanding the termination of this Development Agreement. FSI and Franchisee agree that any statements to the contrary in the Franchise Agreements executed by them, including any cross-default and cross-termination provisions, will be inapplicable in the situation of a termination of this Development Agreement based solely on Franchisee's failure to meet the Development Schedule. If this Development Agreement is terminated due to any other default under Section 4.3 above, all Franchise Agreements executed in furtherance of this Development Agreement and all other agreements between FSI and Franchisee or any of Franchisee's affiliates may, at FSI's sole option, be terminated.

4.5. In the event of termination or expiration of this Development Agreement for any reason, Franchisee shall not be entitled to any refund of any portion of the fees paid hereunder. Franchisee shall remain subject to the provisions of Article 6 of this Development Agreement regarding nondisclosure and covenants not to compete, in addition to the terms and conditions of any and all franchise agreements executed in furtherance of this Development Agreement which have not also been terminated or expired. No right or remedy herein conferred upon or reserved by FSI is exclusive of any other right or remedy provided or permitted by law or equity.

5. ASSIGNMENT

5.1. FSI may transfer or assign its rights under this Development Agreement at any time upon notice to Franchisee. After FSI's transfer of this Development Agreement to a third party who expressly assumes FSI's obligations under this Development Agreement, FSI will no longer have any performance or other obligations under this Development Agreement.

5.2. Because the rights granted herein are personal to Franchisee, Franchisee shall not transfer, assign or convey this Development Agreement or any interest hereunder without FSI's consent, which may be granted or withheld in FSI's sole discretion. Franchisee is prohibited from granting a sub-franchise hereunder. As used in this Development Agreement, the term "transfer" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by Franchisee (or any of its owners) of any interest in: (1) this Development Agreement; (2) the ownership of Franchisee; or (3) all or any part of the franchise development rights, or assets directly or indirectly related to the franchise development rights, described herein. An assignment, sale, gift or other disposition shall include a transfer resulting from a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law or, in the event of the death of Franchisee or an owner of Franchisee, or by will, declaration of or transfer in trust or under the laws of intestate succession. Any transfer approved by FSI shall be effective only upon express written assumption by the transferee of the interest, rights and

obligations being transferred. In addition to any conditions contained in this Development Agreement and except as may be modified by this Development Agreement, the conditions for FSI's approval of any transfer shall be the same as the conditions contained in the franchise agreement then most recently executed by FSI and Franchisee, which provisions shall be deemed to be incorporated herein by reference.

5.3. In the event of any proposed sale, transfer or assignment by Franchisee as described herein, Franchisee and/or the proposed transferee shall pay to FSI the standard transfer fee for each franchise agreement to be transferred, as governed by such franchise agreement executed pursuant to this Development Agreement, plus $3,000.00 for every undeveloped franchise right for which no Subsequent Franchise Agreement has been executed. This sum shall be payable in lump sum to FSI as one of the pre-conditions to obtaining FSI's written consent to any proposed transfer. In the event of transfer, the transferee shall pay the remaining portions of the Initial Franchise Fees owed to FSI, when each Subsequent Franchise Agreement is signed. Transfer fees paid to FSI will not be applied to the Initial Franchise Fees due, but the transferee will receive credit for Franchisee's earlier payment of the Development Fees.

5.4. A condition of FSI's approval of a transfer of this Development Agreement is that Franchisee must transfer all of its interest under this Development Agreement, and shall not be permitted to transfer any portion of this Development Agreement separate and apart from the remainder of this Development Agreement. Any transfer shall include the rights to all Franchise Agreements entered into between FSI and Franchisee hereunder. Franchisee and the transferee shall comply with the requirements under each Franchise Agreement entered into between FSI and Franchisee for the transfer of each such Franchise Agreement, including the payment of the applicable transfer fee for each Franchise Agreement.

5.5. Franchisee may transfer one or more of the individual Franchise Agreements or any interest in those Franchise Agreements, or all or a substantial portion of the assets of the FAT SHACK Restaurants associated with such Franchise Agreements without a transfer of its interest under this Development Agreement in accordance with the terms of each such Franchise Agreement, provided that the FAT SHACK Restaurant(s) associated with the Franchise Agreement(s) being transferred are open and operating as of the date of the transfer (a "**Franchise Transfer**"). In that event, (i) the FAT SHACK Restaurant(s) associated with the Franchise Transfer shall continue to be counted as FAT SHACK Restaurant(s) to be developed under this Development Agreement, (ii) the Franchise Agreement(s) associated with the Franchise Transfer shall continue to be included in the cumulative number of FAT SHACK Restaurants required to be opened and continuously operated in the Protected Area, regardless of whether the applicable Franchise Agreement is transferred to the transferee or the transferee executes a new Franchise Agreement, (iii) the exclusive rights granted to Franchisee in this Development Agreement shall be modified to permit the transferee of the Franchise Transfer to operate in the Protected Area, and (iv) a default by the transferee of the Franchise Agreement related to a Franchise Transfer shall constitute grounds for a default to be declared under this Development Agreement pursuant to Section 4.3 hereof.

5.6. In the event of any proposed sale, transfer or assignment of its rights under this Development Agreement or any interest in it or all or any part of the franchise development rights, or assets directly or indirectly related to the franchise development rights, Franchisee agrees to grant FSI a 30-day right of first refusal to purchase such rights or assets on the same terms and conditions as are contained in the Initial Franchise Agreement.

6. RESTRICTIVE COVENANTS

6.1. During the term of this Development Agreement, Franchisee and its officers, partners, directors, agents or employees who have completed FSI's training programs or had access to the

Operations Manual, as described in the Initial Franchise Agreement, and/or the beneficial owners of a 5 percent or greater interest in Franchisee and their respective immediate families, shall be subject to all restrictive covenants as set forth in the Initial Franchise Agreement and in any Nondisclosure and Noncompetition Agreements executed in conjunction with the Initial Franchise Agreement, which covenants by this reference are incorporated herein. Upon termination or expiration of this Development Agreement, Franchisee and its officers, partners, directors, agents or employees who have completed FSI's training programs or had access to the Operations Manual, as described in the Initial Franchise Agreement, and/or the beneficial owners of a 5 percent or greater interest in Franchisee and their respective immediate families, shall be subject to all restrictive covenants as set forth in the franchise agreement related to the last FAT SHACK Restaurant being operated by Franchisee, and in any Nondisclosure and Noncompetition Agreements executed in conjunction with such franchise agreement.

7. BUSINESS RELATIONSHIPS

7.1. During the term of this Development Agreement, Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of FSI. It is understood and agreed that no agency or partnership is created by this Development Agreement. As such, Franchisee has no authority of any nature whatsoever to bind FSI or incur any liability for or on behalf of FSI or to represent itself as anything other than an independent contractor. Notwithstanding any other provisions in this Development Agreement, FSI shall not be responsible for supervising the activities of Franchisee under this Development Agreement.

7.2. Franchisee shall indemnify, release, defend and hold FSI, its subsidiaries and affiliates, and its respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") harmless against, and to reimburse them for all Claims, defined below, any and all third party obligations of Franchisee, and any and all claims, obligations and liabilities directly or indirectly arising out of this Development Agreement or the operation of any FAT SHACK Restaurants. For purposes of this indemnification, "**Claims**" means all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. FSI will have the right to defend any such Claim against it. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Development Agreement.

8. MISCELLANEOUS

8.1. The parties agree that any dispute between the parties arising out of the terms of this Development Agreement shall be governed by the applicable provisions of the most recent Franchise Agreement entered hereunder, which terms and conditions are by this reference incorporated herein, and which shall apply regardless of whether the applicable Franchise Agreement remains in full force and effect at the time of the dispute.

8.2. This Development Agreement shall be binding upon and inure to the benefit of each of the parties' respective heirs, successors, assigns and personal representatives.

8.3. Except to the extent governed by United States Federal law, this Development Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

8.4. Franchisee acknowledges that it had a copy of this Development Agreement in its possession for a period of time not fewer than fourteen (14) full calendar days, during which time

Franchisee has had the opportunity to submit the same for professional review and advice of Franchisee's choosing prior to freely executing this Development Agreement.

8.5. No waiver of any condition or covenant contained in this Development Agreement or failure to exercise a right or remedy by any party hereto shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

8.6. This Development Agreement may be modified only upon execution of a written agreement between the parties.

8.7. This Development Agreement contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that any franchise agreement executed by the parties hereto shall remain binding, except to the extent that this Development Agreement specifically supersedes any term thereof. Nothing in this Development Agreement or in any related agreement is intended to disclaim any representations made by FSI in the franchise disclosure document provided to Franchisee.

8.8. In the event that any arbitrator or court of competent jurisdiction determines that any provision of this Development Agreement is unenforceable as written for any reason, then the parties hereby request and authorize the arbitrator or court to "blue pencil" such provision so as to make it enforceable and to best carry out the intent of the parties, or to deem such provision severed from this Development Agreement if it cannot be so modified. The holding, declaration or pronouncement shall not adversely affect any other provisions of this Development Agreement, which shall otherwise remain in full force and effect.

8.9. All notices required to be given under this Development Agreement shall be given in writing, by personal delivery, certified mail, return receipt requested, e-mail, or by an overnight delivery service providing documentation of receipt, and as to FSI, addressed at the physical addresses first set forth above, as to Franchisee, addressed at the physical address set forth below its signature on the signature page hereto, or, as to either party, at the e-mail address set forth below its signature on the signature page hereto, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when personally delivered or delivered by e-mail to the proper e-mail address, three days after being deposited in the United States mail, with proper address and postage prepaid, and one day after being deposited with the overnight delivery service, as may be applicable.

8.10. In the event of any conflict between the terms of this Development Agreement and the terms of any franchise agreement executed pursuant hereto, the terms of this Development Agreement shall control.

8.11. In the event of any default on the part of either party to this Development Agreement, in addition to all other remedies, the party in default will pay the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party in any legal action, arbitration or other proceeding as a result of such default, plus interest at the highest rate allowable by law, accruing from the date of such default. This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Development Agreement.

8.12. To the extent that any of the Riders to Development Agreement for Specific States and Provinces attached as Exhibit C are applicable, such rider is incorporated herein and this Development Agreement is modified accordingly. The provisions in any applicable rider are included as a condition to

registration or use in certain jurisdictions, and FSI is not precluded from contesting the validity, enforceability, or applicability of such provisions in any action relating to this Development Agreement or its rescission or termination.

8.13. This Development Agreement and any riders and addenda hereto may be executed in any number of identical counterparts and via electronic signatures, and each such counterpart shall be deemed a duplicate original hereof.

REMAINDER OF THIS PAGE INTENTIONALLY
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IN WITNESS WHEREOF, the parties hereto have caused this Development Agreement to be executed effective as of the last date set forth below.

FAT SHACK INC.

Date:_____ By:_____
Title:_____
E-mail Address: _____

FRANCHISEE:

Date:_____ _____
Individually

_____
Print Name

Date:_____ _____
Individually

_____
Print Name

OR (if corporation or partnership)

_____
(Print Name)

By:_____
Date:_____ Title:_____

Franchisee's Address:

_____
_____
_____
E-mail Address:_____

EXHIBIT A

ADDENDUM TO DEVELOPMENT AGREEMENT

This is an Addendum ("**Addendum**") to the Development Agreement (the "**Development Agreement**") by and between **FAT SHACK INC.**, hereinafter "**FSI**" and the undersigned franchisee, hereinafter "**Franchisee**." This Addendum modifies the terms of the Development Agreement and in the event of a conflict in terms between the Development Agreement and this Addendum, the terms of this Addendum shall be controlling.

The parties agree as follows:

1. The Protected Area, as referred to in Section 1.1 of the Development Agreement, is described below by geographic boundaries or by zip codes and on the attached map and shall consist of the following area or areas:

_____
_____
_____
_____
_____

2. The number of FAT SHACK Restaurants to be developed in the Protected Area referenced in Section 1.1 of the Development Agreement (including the FAT SHACK Restaurant under the Initial Franchise Agreement) shall be: _____.

3. The Development Fee to be paid by Franchisee to FSI pursuant to Section 2.1 of the Development Agreement shall be $_____.

4. The Development Schedule, as referred to in Section 3.1 of the Development Agreement is:

FAT SHACK Restaurant Number	Date by Which Franchise Agreement Must be Signed and Must be Submitted to FSI	Date by Which the FAT SHACK Restaurant Must be Opened	Cumulative Number of FAT SHACK Restaurants Required to be Opened and Continuously Operated by Franchisee as of the Date in Preceding Column
1	Date of this Development Agreement		1
2			2
3			3

* If there are extensions granted for the opening of a particular FAT SHACK Restaurant under the applicable Franchise Agreement, then the deadline to have that FAT SHACK Restaurant opened and operating in this Development Schedule shall be extended by the same length of time.

5. Other terms:

In witness whereof, the parties have executed this Addendum on the date set forth below each signature below.

FSI:	**FRANCHISEE:**
FAT SHACK INC.	_____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT B
TO DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

A. In consideration of, and as an inducement to, the execution of the above Development Agreement ("**Development Agreement**") by FAT SHACK INC. ("**FSI**"), each of the undersigned hereby personally and unconditionally:

1. Guarantees to FSI and its successors and assigns, for the term of the Development Agreement, including renewals thereof, that franchisee named on the signature page ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Development Agreement; and

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Development Agreement.

B. Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by FSI of the foregoing undertaking;

2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and

5. Notice of any amendment, modification, deletion or addition of any term or condition of or to any of the obligations hereby guaranteed.

6. Notice of any termination as to future liability of any other guarantor.

7. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

C. Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty will be joint and several;

2. He or she will render any payment or performance required under the Development Agreement upon demand if Franchisee fails or refuses punctually to do so;

3. His or her liability hereunder will not be contingent or conditioned upon pursuit by FSI of any remedies against Franchisee or any other person; and

4. His or her liability hereunder will not be diminished, relieved or otherwise affected by any amendment, assignment or modification of the Development Agreement or any extension of time,

credit or other indulgence which FSI may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Development Agreement, including renewals thereof.

5. He or she shall be bound by the restrictive covenants, confidentiality provisions, and the indemnification provisions contained in the Development Agreement.

6. FSI may, at its option, without notice to or further consent of him or her, take any of the following actions:

(i) retain the primary or secondary liability of any other party with respect to all or any part of the obligations hereby guaranteed.

(ii) release or compromise any liability of any other guarantor or any other party with respect to the obligations hereby guaranteed.

(iii) amend, modify, delete, or add any term or condition of or to any of the obligations hereby guaranteed, which may include the creation of new obligations.

D. No delay or neglect on the part of FSI in the exercise of any right or remedy existing under law or by virtue of this Guaranty shall operate as a waiver thereof, but such rights and remedies shall continue in full force and effect until specifically waived or released by an instrument in writing executed by FSI and designated as a waiver or release; and no single or partial exercise by FSI of any right or remedy shall preclude further exercise thereof or the exercise of any right or remedy.

E. The arbitration, governing law and jurisdiction provisions contained in or incorporated into the Development Agreement shall govern this Guaranty, and such provisions are incorporated into this Guaranty by this reference.

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

FRANCHISEE:

_____

WITNESS	**GUARANTOR(S)**
_____	_____
_____	_____
_____	_____
_____	_____

ALBERTA GUARANTEES ACKNOWLEDGMENT ACT

(Section 3)

CERTIFICATE

I HEREBY CERTIFY THAT:

1. (guarantor's name), the guarantor in the guarantee dated _____ made between _____ and _____, which this certificate is attached to or noted on, appeared in person before me and acknowledged that he/she had executed the guarantee.

2. I satisfied myself by examination of the guarantor that he/she is aware of the contents of the guarantee and understands it.

CERTIFIED by (print name), Barrister and Solicitor at the _____ of _____, in the Province of Alberta, this _____ day of _____, 20__.

_____
Signature

STATEMENT OF GUARANTOR

I am the person named in this certificate.

_____
Signature of Guarantor

EXHIBIT C
TO DEVELOPMENT AGREEMENT

RIDERS TO DEVELOPMENT AGREEMENT FOR SPECIFIC STATES AND PROVINCES

If any one of the following Riders to the Franchise Agreement for Specific States and Provinces ("Riders") is checked as an "Applicable Rider" below, then that Rider shall be incorporated into the Franchise Agreement entered into by FAT SHACK INC. and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider:

UNITED STATES

☐ Illinois

☐ Maryland

☐ Washington

CANADA

☐ Quebec

Fully executed on _____.

FSI:	**FRANCHISEE:**
FAT SHACK INC.	_____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

UNITED STATES RIDERS TO THE DEVELOPMENT AGREEMENT

ILLINOIS RIDER TO THE DEVELOPMENT AGREEMENT

1. Illinois law governs the Development Agreement.

2. 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. Franchisees' rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. 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.

5. See the first page of this Exhibit C for your signature.

MARYLAND RIDER TO THE DEVELOPMENT AGREEMENT

1. A general release required 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. This Agreement provides for disputes to be 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.

3. All representations requiring prospective franchisees 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.

4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

WASHINGTON RIDER TO DEVELOPMENT AGREEMENT

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. 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 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.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. 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 void and unenforceable in Washington.

7. 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.

CANADA RIDERS TO THE DEVELOPMENT AGREEMENT

QUEBEC RIDER TO THE DEVELOPMENT AGREEMENT

1. The parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including notices, have been and shall be prepared in the English language only.

Les parties aux présentes confirment leur volonté que cette convention de meme que tous les documents, y compris tous avis, s'y rattachant, soient rédigés en langue anglaise seulement.

To the extent that the language above is inconsistent with any other provision of the Agreement, the language above shall control.

ATTACHMENT C
(TO DISCLOSURE DOCUMENT)

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (this "**Agreement**") is made and entered into effective as of the date set forth on the signature page hereof, by and among **FAT SHACK INC.**, a Delaware corporation ("**FSI**") located at 420 East 58th Avenue, Suite 128B, Denver, Colorado 80216, the undersigned franchisee ("**Company**"), and the undersigned associate of Company ("**Associate**").

RECITALS

A. FSI is engaged in the business of establishing, operating, franchising, and promoting specialty quick service sandwich restaurants under the name Fat Shack® that features "Fat Sandwiches," burgers and wings, together with appetizers, desserts, hot and cold beverages, and related merchandise, for dine in, takeout and delivery, and specializes in late night delivery of its products to its customers ("**FAT SHACK Restaurants**") associated with the service mark "FAT SHACK" and other logos, trademarks, service marks and commercial symbols and the Franchisor's proprietary methods of doing business ("**Licensed Methods**").

B. FSI and its affiliates have developed proprietary methods for establishing, operating and promoting FAT SHACK Restaurants utilizing certain confidential information as more fully described herein, and have established substantial goodwill and an excellent reputation with respect to the quality of the products and services available in a FAT SHACK Restaurant, which goodwill and reputation have been and will continue to be of major benefit to FSI.

C. Company is a franchisee under an effective franchise agreement, development agreement, or both, with FSI (as applicable, the "**Franchise Agreement**").

D. Associate is or will become involved with Company in the capacity of an officer, partner, director, manager, agent, employee, member, Managing Owner, Designated Manager (as defined in the Franchise Agreement), beneficial owner, or independent contractor (such capacities collectively referred to as "**Affiliation**") or is related to a person who has an Affiliation with Company, and will become privileged as to certain confidential information related to FSI, its operations, the FAT SHACK Restaurants and/or the Licensed Methods.

E. FSI and Company require that Associate enter into this Agreement with them before Associate shall be allowed to have access to any confidential information of FSI (i) as a material term of the Franchise Agreement; (ii) in order to protect FSI's confidential know-how and distinctive systems, designs, décor, trade dress, specifications, standards, procedures and other trade secrets authorized or required by FSI for use in the operation of Company's FAT SHACK Restaurant; (iii) in order to protect FSI's proprietary rights in, and Company's right to use, the confidential information of FSI; and (iv) in consideration of Associate's Affiliation with Company.

F. Associate, Company, and FSI have reached an understanding and agreement with regard to nondisclosure by Associate of confidential information and with respect to noncompetition by Associate with FSI and Company.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate, Company and FSI, intending legally to be bound, agree as follows:

1. Confidential Information. Associate recognizes and agrees that certain proprietary information relating to FSI and its operations ("**Confidential Information**") is owned by and treated as

confidential by FSI and Company, including without limitation, (1) the Licensed Methods; (2) all proprietary information concerning FSI's business, the FAT SHACK Restaurants, and the FAT SHACK Restaurant business format and operating procedures; (3) sales methods; (4) formulas, recipes, or processes related to any products sold at FAT SHACK Restaurants; (5) all financial information of FSI and Company other than financial information filed with any government regulatory agency; (6) information regarding the design, décor and layout of FAT SHACK Restaurants; (7) franchise sales processes and promotional methods and materials; (8) all nonpublic statistical information; (9) the strategic plan, budgets and projections for FSI; (10) all information concerning negotiations of any kind conducted by FSI whether pending or completed; (11) all marketing research data and marketing plans; (12) all lead generation or prospecting methods; (13) all information contained in FSI's operations manual, and any other manual, written instructional guides, or other nonpublic written information; (14) internal lists of FSI's current and former franchisees, area developers, and customers of FSI and its franchisees and area developers, including contact information such as physical addresses and e-mail addresses thereof; and (15) all other information which gives FSI and its affiliates an opportunity to obtain an advantage over their competitors or that may be considered a trade secret or proprietary and such Confidential Information that may be further developed from time to time by FSI. Such Confidential Information is unique, exclusive property and a trade secret of FSI.

2. Use and Disclosure of Confidential Information. Associate acknowledges that, in connection with Associate's Affiliation with Company, FSI or Company will disclose in strict confidence certain Confidential Information necessary for the operation of a FAT SHACK Restaurant. Associate specifically acknowledges that the Confidential Information is valuable, unique and comprises a key portion of the assets of FSI; and Associate agrees that he or she will not utilize all or any portion of the same for Associate's personal benefit during the term of Associate's Affiliation with Company, nor in any manner use the same subsequent to the termination of Associate's Affiliation with Company or the termination or expiration of the Franchise Agreement, nor disclose any of the same to any person, firm, corporation or other entity whatsoever, including but not limited to a Competitive Business, as defined below, at any time for any reason or purpose, without the prior written consent of FSI. Associate shall not copy, publish or otherwise duplicate the Confidential Information or permit others to do so and shall return all Confidential Information to FSI or Company upon termination of Associate's Affiliation with Company. Associate may disclose to other employees, agents, or representatives of FSI or Company the Confidential Information only to the extent necessary for such employees, agents or representatives to carry out their intended function. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to Company. Associate further acknowledges that Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that Company has taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

3. Noncompetition Covenant. Associate covenants and agrees that, during the term of his or her Affiliation, except while conducting Company's business in a manner authorized by FSI and Company, Associate shall not, either directly or indirectly through any member of Associate's immediate family, separate business entity or otherwise:

a. have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business," as defined below;

b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business;

c. divert or attempt to divert any business related to, or any customer or account of Company's FAT SHACK Restaurant, FSI's business, or any other FSI franchisee's business; or

d. divert or attempt to divert the employment of any employee of Company, FSI, FSI's affiliates, or another FSI franchisee, to any Competitive Business.

The term "**Competitive Business**" as used in this Agreement means any business operating, or granting franchises or licenses to others to operate a quick-serve sandwich restaurant or other business deriving more than 10 percent of its gross receipts, excluding gross receipts relating to the sale of alcoholic beverages, from the sale of sandwiches, hamburgers and wings (other than another FAT SHACK Restaurant operated by Company); provided, however, Associate will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2 percent or less of that class of securities issued and outstanding.

4. Post-Termination Covenant Not to Compete. Associate covenants and agrees that, for a period of two years after the earlier of (i) the effective date of termination or expiration of Associate's Affiliation with Company, or (ii) the effective date of termination or expiration of Company's Franchise Agreement, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest, as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity, in or with any Competitive Business located or operating within a 10-mile radius of the location of Company's FAT SHACK Restaurant, or within a 10-mile radius of any other FAT SHACK Restaurant, whether franchised or owned by FSI or its affiliates. If Associate or any member of Associate's immediate family breaches this Section, then the two-year period under this Section shall start on the date that Associate or its family member, as applicable, is enjoined from such activity or ceases such activity, whichever is later. Associate expressly acknowledges that it and its immediate family members, officers, directors, shareholders, members, managers, equity owners, and/or partners possess skills and abilities of a general nature and have other opportunities for exploiting such skills and abilities. Consequently, enforcement of this covenant will not deprive them of their personal goodwill or ability to earn a living.

5. Audit of Business Records. FSI or its designated representatives may inspect and/or audit any business records, financial or otherwise, of Associate, Associate's immediate family members, or any party affiliated with Associate or its immediate family members, including any companies or entities associated with Associate or its immediate family members, that FSI in its sole discretion determines may be relevant in determining Associate's compliance with the terms of this Agreement or Company's compliance with its Franchise Agreement. The records subject to this audit include but are not limited to (i) tax returns; (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (iii) copies of check ledgers and bank statements for checking and savings accounts; (iv) copies of any checks or other evidence of payments; (v) all business contracts or agreements; and (vi) any other documents requested by FSI. Any such inspection or audit shall be conducted in accordance with the audit provisions set forth in the Franchise Agreement, which are deemed incorporated herein. Inspections and audits conducted at Associate's business location or other location where the records are held may take place without prior notice, during normal business hours. FSI may also require at any time the records from Associate or its affiliated parties be sent to FSI's offices or another location to permit the inspection or audit of such records to be conducted at FSI's place of business or the other location. If FSI notifies Associate that documents are to be sent to a location other than Associate's business location for the purpose of conducting an inspection or audit at that location, Associate shall provide the requested documents to FSI within the time period set forth in FSI's notice. FSI may audit and inspect documents covering a period beginning with the date on which Associate's Affiliation commenced and ending on the date such audit is concluded. All documents

provided for FSI's inspection or audit must be certified by Associate and the appropriate affiliated party, if applicable, as true, complete and correct. Inspections and audits may be conducted following the expiration or termination of Associate's Affiliation for any reason.

6. Invalidity. If any provision of this Agreement is held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or otherwise, the parties authorize and request such court, governmental authority, or arbitrator to modify the provision held to be void, voidable, invalid, unenforceable or inoperative to contain such lesser covenants that impose the maximum duty permitted by law so that the provision is upheld as valid, and the parties agree to be bound by the modified provision. The holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

7. Injunction. Associate acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, FSI and Company, or either one separately, shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which FSI and/or Company may be entitled. Associate agrees that FSI or Company may obtain such injunctive relief, without posting a bond or bonds, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had. Associate hereby expressly waives all claims for damages by reason of a wrongful issuance of any such injunction.

8. Assignment. Both Company and FSI may assign all or part of this Agreement and the rights which inure to either of them hereunder without the consent of Associate, provided that any assignment by Company shall require the written consent of FSI. This Agreement shall not be assignable by Associate.

9. Effect of Waiver. The waiver by Associate, Company, or FSI of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof, and in no event shall such a waiver be binding upon FSI unless it is in writing and signed by an authorized representative of FSI.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate, Company, and FSI, and their respective heirs, executors, representatives, successors and assigns. This Agreement shall be binding on Associate and enforceable by FSI and Company regardless of whether or not it is signed by FSI or Company.

11. Entire Agreement. This instrument contains the entire agreement of Associate, Company, and FSI relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. Further, both Associate and Company agree that no change to this Agreement shall be made without the written consent of FSI having first been obtained. The Recitals set forth at the beginning of this Agreement are binding on the parties and are specifically incorporated herein by this reference.

12. Governing Law. If FSI is a party to any action, this Agreement shall be governed by and construed under the laws of the State of Colorado, U.S.A. Otherwise, this Agreement shall be governed by and construed under the laws of the state, province, or country where Company is located.

13. Arbitration. Any and all controversies, disputes or claims between FSI, its subsidiaries and affiliated companies or their shareholders, members, managers, officers, directors, agents, employees

and attorneys (in their representative capacity); Company, its shareholders, members, managers, officers, directors, agents and employees; and/or Associate arising out of or related to this Agreement or the validity hereof shall be submitted for arbitration on the demand of any involved party; except for actions for injunctive relief pursuant to Section 7, which actions FSI and/or Company at their option may bring either in a court of competent jurisdiction or in arbitration. If FSI is a party to any controversy, dispute or claim, such arbitration proceedings shall be conducted in Denver, Colorado, will be submitted to the Denver, Colorado office of the Judicial Arbiter Group, will be heard by one arbitrator in accordance with the then current rules of the American Arbitration Association ("**AAA**") applicable to commercial arbitration, and the arbitrator shall be a resident of the State of Colorado knowledgeable of Colorado law and fluent in English. The arbitration proceeding and all other hearings shall be conducted in English only, although Associate shall have the right, at Associate's option and sole expense, to have a translator present at the proceeding or other hearings. If FSI is not a party to such controversy, dispute or claim, such arbitration proceedings shall be conducted within the area in which Company's FAT SHACK Restaurant is based and will be heard by one arbitrator in accordance with the then current commercial arbitration rules of any arbitration group mutually acceptable to Company and Associate, and if Company and Associate cannot agree on an arbitration group within 30 days after demand for arbitration, then the AAA shall conduct such arbitration in accordance with its then current commercial arbitration rules. All jurisdictional issues will be decided by the arbitrator.

14. **Attorneys' Fees.** If FSI or Company must enforce any of the provisions or rights under this Agreement in any action at law or in equity and if Company and/or FSI is successful in such litigation or arbitration as determined by the court or arbitrator in a final judgment or decree taking into consideration the merits of the claims asserted by each party, then Associate shall pay FSI or Company, as applicable, all costs, expenses and reasonable attorneys' fees incurred by FSI and/or Company (including without limitation such costs, expenses and fees on any appeals), and if FSI and/or Company receives a judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

15. **Definitions.** All capitalized terms not defined in this Agreement have the respective meanings set forth in the effective Franchise Agreement between Company and FSI.

16. **Cross Default.** A default by Associate under this Agreement will be deemed a default of all agreements between Company and FSI, unless waived by FSI in writing.

17. **Counterparts; Electronic Signatures.** This Agreement may be executed in counterparts and via electronic signatures.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Dated this ____ day of _____, 202_____.

"FSI"

FAT SHACK INC.,
a Delaware corporation

By:_____
Title:_____
Date: _____

"COMPANY"

_____
a _____

By:_____
Title:_____
Date: _____

"ASSOCIATE"

_____
Name:_____
Date: _____

RIDERS TO THE NONDISCLOSURE AND NONCOMPETITION AGREEMENT FOR SPECIFIC STATES AND PROVINCES

If any one of the following Riders to the Nondisclosure and Noncompetition Agreement for Specific States and Provinces ("**Riders**") is checked as an "**Applicable Rider**" below, then that Rider shall be incorporated into the Nondisclosure and Noncompetition Agreement entered into by Fat Shack, Inc. and the undersigned Associate and Company. To the extent any terms of an Applicable Rider conflict with the terms of the Nondisclosure and Noncompetition Agreement, the terms of the Applicable Rider shall supersede the terms of the Nondisclosure and Noncompetition Agreement.

APPLICABLE RIDER

UNITED STATES

☐ WASHINGTON

CANADA

☐ QUEBEC

FSI:

FAT SHACK INC.,
a Delaware corporation

By: _____
Its: _____

COMPANY:

_____
a _____

By: _____
Its: _____

ASSOCIATE:

_____
Print Name: _____

UNITED STATES RIDERS

WASHINGTON RIDER TO THE NONDISCLOSURE AND NONCOMPETITION AGREEMENT

1. 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 void and unenforceable in Washington.

2. 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.

CANADA RIDERS

QUEBEC RIDER TO THE NONDISCLOSURE AND NONCOMPETITION AGREEMENT

1. The parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including notices, have been and shall be prepared in the English language only.

Les parties aux présentes confirment leur volonté que cette convention de meme que tous les documents, y compris tous avis, s'y rattachant, soient rédigés en langue anglaise seulement.

To the extent that the language above is inconsistent with any other provision of the Agreement, the language above shall control.

ATTACHMENT D
(TO DISCLOSURE DOCUMENT)

CONDITIONAL ASSIGNMENT OF LEASE

CONDITIONAL ASSIGNMENT OF LEASE

THIS CONDITIONAL ASSIGNMENT OF LEASE ("**Assignment**") is made as of this ____ day of _____, 202__ by and between _____, a _____ _____ ("**Assignor**"), **FAT SHACK INC.**, a Delaware corporation ("**Assignee**") and ___ _____**,** a _____ ("**Landlord**").

WHEREAS, Assignor is a tenant of certain property generally known as _____ _____, located in the City of _____, State of _____ ("**Property**"), pursuant to a lease by and between Landlord and Assignor, dated _____, 202___ (the "**Lease**");

WHEREAS, Assignor desires to construct, or have constructed by Landlord (whichever is applicable), and thereafter operate a FAT SHACK Restaurant under a certain franchise agreement between Assignor and Assignee (the "**Franchise Agreement**"); and

WHEREAS, as a condition to the grant of rights under the Franchise Agreement to Assignor, Assignee requires that Assignor enter into this Assignment.

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns all of its right, title and interest in and to the Lease and the FAT SHACK Restaurant to Assignee.

2. With the exception of Assignee's rights under paragraph 3 below and Assignor's and Landlord's respective obligations, representations and covenants under paragraphs 3, 4, 8, 9 and 10 below, the Conditional Assignment of lease contemplated hereunder is expressly conditioned upon, and shall not be effective and Assignee shall have no right to pursue any remedy hereunder unless and until:

(a) Default by Assignor under the terms of the Lease, which default (i) is not cured by Assignor within the time limits provided therein or (ii) results in a demand for performance by Assignee under any guaranty of the Lease; or

(b) Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein; or

(c) Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or involuntary insolvency or bankruptcy proceedings brought against Assignor which are not dismissed within 60 days of the filing thereof; or

(d) Discontinuation by the Assignor of operation of the FAT SHACK Restaurant to be located on the Property, whether voluntarily or involuntarily; or

(e) Nonrenewal by Assignor of the Franchise Agreement; or

(f) Nonrenewal by Assignor of the Lease.

3. During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor. Landlord further agrees to

give Assignee a 30-day period to cure such default, or 10 days after the period provided to the Assignor in the Lease, whichever period shall be longer.

4. In the event Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of 1.5 percent per month, or the highest rate allowed by law. Nothing herein shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to Section 5 below.

5. The date upon which the assignment shall be effective (the "**Effective Date**"), is the date upon which Landlord and Assignor receive written notice from Assignee that:

(a) Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of paragraph 3 above, and that Assignee will assume the Lease; or

(b) The events described in any of subsections 2(b), 2(c), 2(d), 2(e) or 2(f) above have occurred and that Assignee will assume the Lease.

6. As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease.

7. Landlord hereby consents to the terms and provisions of this Assignment, and to the assignment of the Lease to Assignee. Landlord further agrees that after the Effective Date, Assignee may (i) enter into a sublease or assignment of the Lease with any FAT SHACK Restaurant franchisee who will operate the FAT SHACK Restaurant located on the Property without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is acceptable to Landlord. Landlord further agrees that upon the occurrence of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Conditional Assignment of Lease by and between Assignee and the new tenant.

8. Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Assignment.

9. Assignor and Landlord agree not to allow any surrender, amendment, modification or termination of the Lease without the prior written consent of Assignee. Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing. Upon Assignee's failure otherwise to agree in writing, and upon the failure of Assignor to elect to extend or renew the Lease, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal option in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

10. Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby.

11. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent via Federal Express or similar overnight courier to:

Assignee:

Fat Shack Inc.
420 East 58th Avenue, Suite 128B
Denver, Colorado 80216

Assignor:

_____
_____
_____
_____

Landlord:

_____
_____
_____
_____

12. Should any one or more of the provisions hereof be determined to be illegal or unenforceable, all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

13. This Assignment may be executed in counterparts and via electronic signatures.

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

WITNESS/ATTEST:

_____

ASSIGNOR:

_____

By:_____
Title:_____
Date:_____

WITNESS/ATTEST:

_____

ASSIGNEE:

FAT SHACK INC.

By:_____
Title:_____
Date:_____

WITNESS/ATTEST:

_____

LANDLORD:

By: _____
Title: _____
Date:_____

ATTACHMENT E
(TO DISCLOSURE DOCUMENT)

LIST OF FRANCHISEES AND AREA DEVELOPERS

LIST OF FRANCHISEES AND AREA DEVELOPERS
AS OF DECEMBER 31, 2020

Colorado

FS Chambers, LLC
1708 S Chambers Road
Aurora, CO 80017
720-477-7805

FS Boulder, LLC
1110 13th Street
Boulder, CO 80302
303-442-2610

FS Powers, LLC
3735 Bloomington Street
Colorado Springs, CO 80922
719-375-8851

FS Woodmen, LLC
3578 Hartsel Drive, Suite F
Colorado Springs, CO 80920
719-598-9333

Fat Shack DU, LLC
2041 S. University Blvd.
Denver, CO 80210
720-242-6336

Fat Shack Fort Collins, LLC*
706 S College Avenue, Suite 102
Fort Collins, CO 80524
970-682-2216

TJ Fats, LLC
2622 11th Avenue
Greeley, CO 80631
970-352-3460

Fat Shack Loveland, LLC*
1433 N Denver Avenue
Loveland, CO 80538
970-619-8003

Ginter Foods, LLC
2665 E. 120th Avenue
Thornton, CO 80233
720-277-0727

FS Wheat Ridge, LLC
10160 W. 50th Avenue
Wheat Ridge, CO 80033
303-558-0538

Illinois

FS Chicago Cloud, LLC*
2537 S Wabash Avenue
Chicago, IL 60616
773-459-7341

FS Chicago Cloud, LLC*
3220 W Grand Avenue
Chicago, IL 60651
815-986-6888

Kansas

FS Lawrence, LLC
1008 Massachusetts Street
Lawrence, KS 66044
785-856-0271

ATQI Ventures, LLC #1
1131 Moro Street
Manhattan, KS 66502
785-706-2020

Pennsylvania

FS Philly Cloud, LLC
3300 Fairmount Avenue
Philadelphia, PA 19104
845-521-4840

Tennessee

Clarksville Fat Shack, LLC
1715 Wilma Rudolph Blvd
Clarksville, TN 37040
931-551-2141

Texas

FS College Station, LLC
4309 Wellborn Road
Bryan, TX 77801
979-704-6765

Fat Shack Support, LLC
508 S Elm Street, Suite 109
Denton, TX 76201
940-218-1055

FS Fort Worth, LLC
2858 W Berry Street
Fort Worth, TX 76109
817-367-9951

FS San Marcos, LLC
350 N Guadalupe Street, Suite 130
San Marcos, TX 78666
512-667-9380

Washington

Martingang Enterprises, LLC
414 W. Bakerview Road, Suite 112
Bellingham, WA 98226
360-366-8752

Martingang Underground, LLC
88 Yesler Way
Seattle, WA 98104
206-682-1139

*Company-Owned Outlet

Outlets Not Yet Opened for Business as of December 31, 2020:

Georgia
FS Acworth, LLC
6199 Highway 92, Suite 200
Acworth, GA 30102
404-668-7544

Kansas
ATQI Ventures, LLC #2
1418 SW Lane Street
Topeka, KS 66604
785-409-8309

Missouri
ATQI Ventures, LLC #4
2510 NE Vivion Road
Kansas City, MO 64118
785-409-8309

Nevada
FS LV, LLC
9635 Bermuda Road
Las Vegas, NV 89123
702-525-7024

Texas
NYTX Restaurants, LLC
6205 Coit Road, Suite 364
Plano, TX 75024
716-425-3005

ATTACHMENT F
(TO DISCLOSURE DOCUMENT)

FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM

FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM

Listed below is the name and last known city, state and telephone number of every franchisee and area developer who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their respective franchise agreement or area development agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

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

NONE

ATTACHMENT G
(TO DISCLOSURE DOCUMENT)

FINANCIAL STATEMENTS

FAT SHACK INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

FAT SHACK INC. AND SUBSIDIARY
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Statement of Stockholders' Equity	**Page 4**
Statements of Cash Flows	**Page 5**
Footnotes	**Pages 6 - 10**

AKIVA MANNE
CERTIFIED PUBLIC ACCOUNTANT
905 HARRISON ST ALLENTOWN, PA 18103

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Fat Shack Inc. and Subsidiary

We have audited the accompanying financial statements of Fat Shack Inc. and Subsidiary (the Company) which comprises the balance sheet as of December 31, 2020 and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended December 31, 2020 and the related notes to financial statements. The financial statements for the year ending December 31, 2019 were audited by other auditors whose report dated March 20, 2020 included an unqualified opinion of those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fat Shack Inc. and Subsidiary as of December 31, 2020 and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Akiva Manne, CPA
March 23, 2021

FAT SHACK INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31 2020	2019
Current Assets		
Cash	$ 500,928	$ 357,530
Accounts receivable	21,595	—
Notes receivable	77,550	60,836
Due from franchisees	7,500	10,000
Inventory	12,374	—
Other	150	333
Total Current Assets	620,097	428,699
Long Term Assets		
Fixed assets, net	61,893	4,988
Security deposits	7,545	7,545
Notes receivable, net of current	161,700	37,950
Total Assets	$ 851,235	$ 479,182
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 49,778	$ 36,408
Income taxes payable	71,863	38,979
Sales tax payable	6,212	-
Rebates payable	59,791	-
Deferred revenue	90,000	37,500
Total Current Liabilities	277,644	112,887
Deferred Tax Liability	—	1,200
Stockholders' Equity		
Common stock	85	85
Preferred stock	15	15
Additional paid in capital	279,900	279,900
Retained earnings	293,591	85,095
Total stockholders' equity	573,591	365,095
Total Liabilities and Stockholders' Equity	$ 851,235	$ 479,182

See notes to financial statements

FAT SHACK INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDING DECEMBER 31	
	2020	2019
Revenue		
Franchise fees	$ 95,500	$ 55,500
Royalties	979,664	578,081
Store sales	523,783	—
Marketing fees	43,304	53,346
Other income	70,362	4,447
Total Revenues	1,712,613	691,374
Cost of Store Sales	174,937	—
	1,537,676	691,374
Operating Expenses	1,080,457	487,119
Operating Income	457,219	204,255
Interest Income	17,745	8,488
Net Income Before Income Tax	474,964	212,743
Income Tax (Expense)	(106,468)	(38,979)
Deferred Income Tax (Expense)	—	(1,200)
Net Income	$ 368,496	$ 172,564

See notes to financial statements

FAT SHACK INC. AND SUBSIDIARY
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	Members Capital	Common Stock	Series Seed Preferred Stock	Additional Paid in Capital	Retained Earnings	Total
Balance, December 31, 2018	$ 200,989					$ 200,989
Net income	49,574				122,990	172,564
Members' draws	(220,563)					(220,563)
Note payable conversion to stock			15	249,985		250,000
Members' capital conversion to capital stock	(30,000)	85		29,915		-
Dividends					(37,895)	(37,895)
Balance, December 31, 2019	$ -	$ 85	$ 15	$ 279,900	$ 85,095	$ 365,095
Net income					368,496	368,496
Dividends					(160,000)	(160,000)
Balance, December 31, 2020	$ -	$ 85	$ 15	$ 279,900	$ 293,591	$ 573,591

See notes to financial statements

FAT SHACK INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	YEARS ENDING DECEMBER 31	
	2020	2019
Cash Flows from Operating Activities:		
Net income	$ 368,496	$ 172,564
Depreciation	9,632	1,871
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(21,595)	(9,729)
Prepaid expenses	—	1,545
Due from franchisees	2,500	—
Security deposits	—	(6,000)
Notes receivable	(140,464)	(157,139)
Due from related parties	183	(333)
Inventory	(12,374)	—
Accounts payable and accrued expenses	13,370	726
Due to related parties	—	(18,496)
Income taxes payable	32,884	38,979
Sales tax payable	6,212	—
Deferred taxes	(1,200)	1200
Rebates payable	59,791	—
Deferred revenue	52,500	32,500
	369,935	57,688
Cash Flows from Financing Activities		
Notes payable	—	250,000
Dividends paid	(160,000)	(37,895)
Member draws	—	(29,591)
	(160,000)	182,514
Cash Flows from Investing Activities		
Fixed asset acquisition	(66,537)	—
	(66,537)	—
Net Increase in Cash	143,398	240,202
Cash - Beginning	357,530	117,328
Cash - Ending	$ 500,928	$ 357,530
Supplemental Disclosure of Noncash Investing and Financing Activities		
Distribution of notes receivable to members'		190,972
Note payable converted to equity stock		250,000
Members' capital converted to equity stock		30,000

See notes to financial statements

1. THE COMPANY

Fat Shack America, LLC was a Delaware Limited Liability Company formed on February 20, 2013. Effective April 1, 2019 (the restructure date), Fat Shack America, LLC reorganized as a C corporation under the name Fat Shack Inc. (the Company). The Company offers qualified franchisees the right to own and operate a specialty quick service sandwich restaurant featuring "Fat Sandwiches," burgers, wings, appetizers, desserts and beverages and other related food items prepared in accordance with the Company's proprietary recipes. The Company is located in Colorado and sells franchises throughout the United States.

FS Chicago Cloud, LLC (the Subsidiary) is an Illinois Limited Liability Company formed on August 14, 2019 and is wholly owned and managed by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of cash.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a quick-service restaurant using the Fat Shack system and name for 7 years.

Principles of Consolidation-The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, FS Chicago Cloud, LLC (the Subsidiary). The Company has determined that consolidation of the Subsidiary is required in accordance with Accounting Standards Codification 810-10-25, *Consolidation of Variable Interest Entities.* All material intercompany accounts and transactions have been eliminated in consolidation.

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2020 exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000 by $253,843. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Taxes on Income – Beginning in 2019, the Company revoked is election to be taxed as a limited liability company for income tax purposes, and instead will be taxed as a C corporation. The provision for federal and state income tax have been included in the financial statements. On December 31, 2020 and 2019, the Company estimated is tax liability as $71,863 and $40,179, respectively.

The Company has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statement's uncertainty in income taxes. The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's tax provisions and accruals, interpretations and tax planning strategies are considered. The Company believes its estimates are appropriate based on current facts and circumstances and have not recorded any reserves or related accruals for interest and penalties for uncertainty in income taxes as of December 31, 2020 and 2019.

Advertising-The Company expenses advertising as incurred. The Company incurred approximately $22,776, and $62,548, in advertising costs for the years ended December 31, 2020 and 2019, respectively.

Fixed Assets-Fixed assets are stated at cost. Depreciation is provided by utilizing the straight-line method over an estimated useful life of *5* years.

Property and equipment consist of Restaurant Equipment purchased during June 2020 in the amount of $66,537. Depreciation expense for the year ended December 31, 2020 and 2019 was $7,763 and $0, respectively. Accumulated depreciation as of December 31, 2020 and 2019 totaled $7,763 and $0 respectively.

Property and equipment also included a POS system placed into service in August 2017 in the amount of $9,354. Depreciation expense for the year ended December 31, 2020 and 2019 was $1,871 and $1,871, respectively. Accumulated depreciation as of December 31, 2020 and 2019 totaled $6,325 and $4,454 respectively.

There were no asset dispositions during 2020 or 2019.

Inventory-Inventory is recorded at cost using the average costing method. Inventory costs of short-lived food products for the two store locations which began operations during 2020. Inventory balances were $12,374, and $0 for the years ended December 31, 2020, and 2019, respectively

3. REVENUE RECOGNITION

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"*, that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing, and uncertainty of the revenue recorded. The Company adopted the standard commencing as of January 1, 2019 using the retrospective transition method.

The new standard changed how the Company records initial franchise fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

The new standard requires that the franchise fee received from customers be allocated to each separate and distinct performance obligation. The following services ("distinct performance obligations") are typically provided by the Company prior to the opening of a franchise location.

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiations
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business; and
- Inspection, testing, and other quality control programs.

The transaction price attributable to each separate and distinct performance obligation would then be recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise agreement.

Brokerage and employee commissions paid for the sale of a franchise are also affected by the changes in revenue recognition for franchise fees. Commissions paid are recognized as an expense in the same ratio as franchise fees are recognized as a percentage of the total fee paid. Any unrecognized fees paid are classified as deferred franchise fee expense on the balance sheet.

The Company recognizes this initial franchise fee in two phases: half upon satisfaction of pre-opening activities and the remainder upon the grand opening of the store. Deferred revenue represents initial franchise fees paid by the franchisee for which the related store has not yet opened in accordance with the franchise agreement and the recognition criteria of Topic 606. The non-refundable franchise fees received but not yet earned as of December 31, 2020 and 2019, were $90,000 and $37,500, respectively.

4. NOTES RECEIVABLE

During the year ended December 31, 2019, the Company executed a note receivable loan agreement with an unrelated third-party franchisee in the amount of $103,852. The note requires monthly principal payments of $3,450 through maturity on November 27, 2021, at which time all outstanding principal is due. In lieu of interest, the note requires a payment of 1% of the third party's franchise gross sales for every month that the note has an outstanding balance. The total amount of this loan was not advanced to the third party in a lump sum. Instead, the Company began paying for franchise start-up expenses on behalf of the third party upon execution of the agreement. The loan was collateralized by substantially all assets of the franchise owned by the third party. The outstanding balance of the note receivable at December 31, 2020 and 2019 was $37,950 and $79,350, respectively.

During the year ended December 31, 2020, the Company executed a note receivable loan agreement with an unrelated third-party franchisee in the amount of $214,500. The note requires monthly principal payments of $3,300 through maturity on January 27, 2026, at which time all outstanding principal is due. In lieu of interest, the note requires a payment of 1% of the third party's franchise gross sales for every month that the note has an outstanding balance. The total amount of this loan was not advanced to the third party in a lump sum. Instead, the Company began paying for franchise start-up expenses on behalf of the third party upon execution of the agreement. The loan was collateralized by substantially all assets of the franchise owned by the third party. The outstanding balance of the note receivable at December 31, 2020 and 2019 was $201,300 and $0, respectively.

Notes receivable due by year are as follows:

Notes Receivable	Year Due
Due in 2021	$ 77,550
Due in 2022	39,600
Due in 2023	39,600
Due in 2024	39,600
Due in 2025 or later	42,900
	$ 239,250

5. REBATES PAYABLE

The Company receives volume purchase rebates from certain food suppliers. Although not required by any franchise agreement, the Company does elect to reinvest these funds back into the franchise system. How and when this money goes back into the system is up to the Company's discretion, however it is established that the Company will ultimately use these funds on system growth initiatives. One major project the Company intends to use the funds for is to build out a new training platform and mobile app. On December 31, 2020 and 2019 rebates payable balance was $59,791 and $14,786, respectively.

6. LEASE COMMITMENTS

During the year ended December 31, 2018, the Company entered into a lease agreement for office space. The lease requires a security deposit of $1,545 and monthly lease payments of $1,545 through November 30, 2020. This lease was extended through December 2022 with no change in terms. Required minimum lease payments under this agreement are $18,540 due during the year ending December 31, 2021 and 2022.

During the year ended December 31, 2019, the Company entered into a lease agreement for a corporate store location (W Grand location). The lease was set to expire in November 2020, but due to COVID-19 the lease was delayed, and the Company did not take use of the premises until June 2020. Verbally the company has committed to remain until June 2021. The Company has not exercised its 12-month renewal option, and as such there are not currently any required minimum lease payments due in 2021. The lease terms indicate a security deposit of $3,000 and monthly lease payments of $3,000 through November 2020.

During the year ended December 31, 2019, the Company entered into a lease agreement for a corporate store location (Wabash location). The lease was set to expire in December 2020, but due to COVID-19 the lease was delayed, and the Company did not take use of the premises until May 2019. Verbally the company has committed to remain until June 2021. The Company has not exercised its 12-month renewal option, and as such there are not currently any required minimum lease payments due in 2021. The lease terms indicate a security deposit of $3,000 and monthly lease payments of $3,000 through October 2020.

7. GUARANTEES

During the year ended December 31, 2019, the Company guaranteed two loans for two unaffiliated franchisees for point-of-sale systems. The total liability outstanding on these loans as of December 31, 2020 and 2019 is $14,635.44 and $32,000, respectively. In the event the franchisees fail to make payments, the Company would be liable for this debt. However, the Company has not recognized this liability in these consolidated financial statements as it does not believe it is probable that it will be required to satisfy the obligation.

8. LINE OF CREDIT

The Company has a line of credit agreement, secured by substantially all assets, that allows for borrowings up to $75,000 with a variable interest rate of 2.30% above the prime rate. The interest rate at December 31, 2020 and 2019 was 5.55% and 7.05%, respectively. The agreement requires monthly payments of interest until maturity. The line of credit is guaranteed by two officers of the Company and one affiliate store. There was no outstanding balance at December 31, 2020 and 2019.

9. COVID-19 AND THE PAYCHECK PROTECTION PROGRAM

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The pandemic has yet to have an adverse impact on the Company's business results, financial condition, and cash flows. The Company did not receive a PPP loan, however, at this time the full impact of COVID-19 cannot be determined.

10. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated though March 22, 2020 at which time the financial statements were available to be issued.

FAT SHACK INC. (Formally FAT SHACK AMERICA, LLC) and SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019, 2018, and 2017

FAT SHACK INC. (Formally FAT SHACK AMERICA, LLC)
and SUBSIDIARY

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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fat Shack Inc.
Fort Collins, Colorado

We have audited the accompanying consolidated financial statements of Fat Shack Inc. (formally Fat Shack America, LLC) and subsidiary, which comprise the consolidated balance sheets as of December 31, 2019, 2018, and 2017, and the related consolidated statements of income, stockholders' equity, members capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, as established by the Auditing Standards Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fat Shack Inc. (formally Fat Shack America, LLC) and subsidiary as of December 31, 2019, 2018, and 2017, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, effective April 1 2019, Fat Shack America, LLC reorganized as a C corporation under the name Fat Shack Inc. (the Company). Further disclosed in Note 1 to the consolidated financial statements, FS Chicago Cloud, LLC (the Subsidiary) was formed on August 14, 2019 and is wholly owned and managed by the Company and meets the requirements for consolidation under Accounting Standards Codification 810-10-25, *Consolidation of Variable Interest Entities*. The financial statements presented herein, as of and for the years ended December 31, 2018 and 2017, were previously reported as the unconsolidated financial statements of Fat Shack America, LLC. Those financial statements were audited by us, and in our report dated March 29, 2019, we expressed an unmodified opinion on those financial statements.

Fort Collins, Colorado
March 20, 2020

FAT SHACK, INC. (Formally FAT SHACK AMERICA, LLC)
and SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
For the Years Ending December 31, 2019, 2018, and 2017

	2019	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	$ 357,530	$ 117,328	$ 94,312
Accounts receivable	-	271	5,173
Prepaid expenses	-	1,545	-
Notes receivable, current portion	60,836	112,147	112,350
Due from franchisees	10,000	9,472	63,700
Due from shareholders	333	-	-
Due from related party	-	-	15,000
Total current assets	428,699	240,763	290,535
Non-Current Assets			
Fixed assets, net of accumulated depreciation of $4,366 (2019), $2,495 (2018) and $624 (2017)	4,988	6,859	8,730
Other assets	7,545	1,545	-
Notes receivable, net of current portion	37,950	11,000	-
Total non-current assets	50,483	19,404	8,730
Total assets	$ 479,182	$ 260,167	$ 299,265
LIABILITIES, STOCKHOLDERS' EQUITY AND MEMBERS' CAPITAL			
Current Liabilities			
Accounts payable and accrued expenses	$ 36,408	$ 35,682	$ 5,209
Due to related parties	-	18,496	17,781
Deferred revenue	37,500	5,000	-
Income taxes payable	38,979	-	-
Notes payable - related party, current portion	-	-	60,766
Total current liabilities	112,887	59,178	83,756
Non-Current Liabilities			
Deferred tax liability	1,200	-	-
Total liabilities	114,087	59,178	83,756
Members' Capital	$ -	$ 200,989	$ 215,509
Stockholders' Equity			
Common stock, $0.00001 par value, 10,000,000 (2019) authorized, 8,500,000 (2019) issued and outstanding	85	-	-
Series seed preferred stock, $0.00001 par value, 1,500,000 (2019) authorized, issued and outstanding	15	-	-
Additional paid in capital	279,900	-	-
Retained earnings	85,095	-	-
Total stockholders' equity and members' capital	365,095	200,989	215,509
Total liabilities, stockholders' equity and members' capital	$ 479,182	$ 260,167	$ 299,265

See accompanying notes to consoldiated financial statements.

FAT SHACK, INC. (Formally FAT SHACK AMERICA, LLC)
and SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ending December 31, 2019, 2018, and 2017

	2019	2018	2017
Revenue			
Royalties	$ 578,081	$ 412,326	$ 309,074
Franchise fees	55,500	15,000	42,500
Advertising	53,346	36,014	36,539
Other income	4,447	2,959	5,487
Total revenue	691,374	466,299	393,600
General and Administrative Expense	487,119	329,762	230,735
Net operating income	204,255	136,537	162,865
Interest Income (Expense)			
Interest income	8,488	15,597	13,595
Interest (expense)	-	(1,528)	(5,026)
Total other income (expense)	8,488	14,069	8,569
Net income before income tax	212,743	150,606	171,434
Current income tax (expense)	(38,979)	-	-
Deferred income tax (expense)	(1,200)	-	-
Net income	$ 172,564	$ 150,606	$ 171,434

See accompanying notes to consolidated financial statements.

FAT SHACK, INC. (Formally FAT SHACK AMERICA, LLC)
and SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY and MEMBERS' CAPITAL
For the Years Ended December 31, 2019, 2018, and 2017

	Members' Capital	Common Stock	Series Seed Preferred Stock	Additional Paid In Capital	Retained Earnings	Total
Balance, December 31, 2016	$ 51,699	$ -	$ -	$ -	$ -	$ 51,699
Net income	171,434	-	-	-	-	171,434
Members' draws	(7,624)	-	-	-	-	(7,624)
Balance, December 31, 2017	215,509	-	-	-	-	215,509
Net income	150,606	-	-	-	-	150,606
Members' draws	(165,126)	-	-	-	-	(165,126)
Balance, December 31, 2018	200,989	-	-	-	-	200,989
Net income	49,574	-	-	-	122,990	172,564
Members' draws	(220,563)	-	-	-	-	(220,563)
Note payable conversion to stock	-	-	15	249,985	-	250,000
Members' capital conversion to capital stock	(30,000)	85	-	29,915	-	-
Dividends	-	-	-	-	(37,895)	(37,895)
Balance, December 31, 2019	$ -	$ 85	$ 15	$ 279,900	$ 85,095	$ 365,095

See accompanying notes to consolidated financial statements.

FAT SHACK, INC. (Formally FAT SHACK AMERICA, LLC)
and SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ending December 31, 2019, 2018, and 2017

	2019	2018	2017
Cash Flows From Operating Activities			
Net income	$ 172,564	$ 150,606	$ 171,434
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	-	-	183
Depreciation	1,871	1,871	624
Changes in operating assets and liabilities:			
Accounts receivable	(9,729)	4,902	(2,284)
Prepaid expenses	1,545	(1,545)	-
Other assets	(6,000)	(1,545)	-
Due from related party	(333)	(49,265)	(15,000)
Accounts payable and accrued expenses	726	30,473	2,358
Due to related parties	(18,496)	715	3,768
Income taxes payable	38,979	-	-
Deferred tax liability	1,200	-	-
Deferred revenue	32,500	5,000	(15,000)
Net cash provided by operating activities	214,827	141,212	146,083
Cash flows from Investing Activities			
Principal payments from notes receivable	83,075	57,188	58,953
Advances made from notes receivable	(240,214)	(67,985)	(53,807)
Due from franchisees, advances made	-	(19,688)	(73,300)
Due from franchisees, payments received	-	11,916	45,600
Purchase of fixed assets	-	-	(4,707)
Net cash (used) by investing activities	(157,139)	(18,569)	(27,261)
Cash Flows From Financing Activities			
Principal advance of note payable	250,000	-	-
Principal payments on note payable - related party	-	(60,766)	(63,664)
Principal payments on note payable	-	-	(16,316)
Dividends paid	(37,895)	-	-
Member draws	(29,591)	(38,861)	(7,624)
Net cash provided (used) by financing activities	182,514	(99,627)	(87,604)
Net Increase in Cash and Cash Equivalents	240,202	23,016	31,218
Cash and Cash Equivalents at Beginning of Year	117,328	94,312	63,094
Cash and Cash Equivalents at End of Year	$ 357,530	$ 117,328	$ 94,312
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	$ -	$ 1,528	$ 5,026
Supplemental Disclosure of Noncash Investing and Financing Activities			
Due from franchisee converted to due from related party, satisfied through members draws	$ -	$ 62,000	$ -
Member draws in satisfaction of due from related party	$ -	$ 15,000	$ -
Members draws in satisfaction of due from franchisees	$ -	$ 49,265	$ -
Distribution of notes receivable to members	$ 190,972	$ -	$ -
Note payable converted to equity stock	$ 250,000	$ -	$ -
Members' capital converted to equity stock	$ 30,000	$ -	$ -

See accompanying notes to consolidated financial statements.

Note 1. Summary of Nature of Operations and Significant Accounting Policies

Nature of Operations

Fat Shack America, LLC was a Delaware Limited Liability Company formed on February 20, 2013. Effective April 1, 2019 (the restructure date), Fat Shack America, LLC reorganized as a C corporation under the name Fat Shack Inc. (the Company). The Company offers qualified franchisees the right to own and operate a specialty quick service sandwich restaurant featuring "Fat Sandwiches," burgers, wings, appetizers, desserts and hot and cold beverages and other related food items prepared in accordance with the Company's proprietary recipes. The Company is located in Colorado and sells franchises throughout the United States.

FS Chicago Cloud, LLC (the Subsidiary) is an Illinois Limited Liability Company formed on August 14, 2019 and is wholly owned and managed by the Company.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, FS Chicago Cloud, LLC (the Subsidiary). The Company has determined that consolidation of the Subsidiary is required in accordance with Accounting Standards Codification 810-10-25, *Consolidation of Variable Interest Entities*. All material intercompany accounts and transactions have been eliminated in consolidation.

New Accounting Pronouncement

Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The Company has implemented Topic 606 and has adjusted the presentation in these consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on equity or members' capital previously reported.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. The Company maintains its cash balances in accounts insured by the Federal Deposit Insurance Corporation up to $250,000. The Company has not experienced any losses in these accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are primarily from franchisees and generally represent royalties due to the Company or reimbursements from equipment provided by the Company to the franchisees. Management of the Company estimates an allowance for doubtful accounts based on factors relating to the age of the receivable, franchisee relations, and judgment by the Company as to the expected collectability of the receivable.

Note 1. Summary of Nature of Operations and Significant Accounting Policies (continued)

Accounts Receivable (continued)

The Company records receivables at the amount invoiced to customers. The Company does not obtain collateral for its accounts receivable. The Company does not hold any receivables for sale. Interest is not assessed on outstanding receivables.

The Company considers a reserve for doubtful accounts based on the creditworthiness of the franchisee. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Company on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. At December 31, 2019, 2018, and 2017 the Company determined that no allowance for bad debt was necessary.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided utilizing the straight-line method over an estimated useful life of 5 years. Depreciation expense was $1,871, $1,871, and $624 for the years ended December 31, 2019, 2018, and 2017, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

The Company reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired.

Revenue Recognition

Initial franchise fees – Franchisees are charged initial franchise fees based on the number of franchise stores they operate. The Company recognizes this initial franchise fee in two phases: half upon satisfaction of pre-opening activities and the remainder upon the grand opening of the store. Deferred revenue represents initial franchise fees paid by the franchisee for which the related store has not yet opened in accordance with the franchise agreement and the recognition criteria of Topic 606. The initial franchise fee may be waived or reduced at the discretion of Company management.

Royalties – Franchisees generally pay royalties of 6% of gross sales on a weekly basis. The Company recognizes royalty revenue on the accrual basis. Royalties may be reduced or abated at the discretion of Company management.

Major Franchisees

Revenue earned from three non-affiliate franchisees was greater than 10% of total revenue at December 31, 2018. Further, accounts receivable from all three stores was greater than 10% of total accounts receivable at December 31, 2018. Revenue earned from five non-affiliate franchisees was greater than 10% of total revenue at December 31, 2017. Further, accounts receivable from three of the five non-affiliate franchisees was greater than 10% of total accounts receivable at December 31, 2017. There was no revenue earned in excess of 10% of total revenue from any non-affiliate franchisees for the year ended December 31, 2019.

Note 1. Summary of Nature of Operations and Significant Accounting Policies (continued)

Fair Value

Fair value is the price that would be received from the sale of an asset or settlement of a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which a hypothetical sale or transfer would take place and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The fair value hierarchy is made up of three levels of inputs which may be used to measure fair value: Level 1—observable inputs such as quoted prices for identical instruments in active markets; Level 2—observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations in which all significant inputs are observable in active markets; and Level 3—unobservable inputs for which there is little or no market data and which require us to develop our own assumptions. The Company categorizes fair value measurements within the fair value hierarchy based upon the lowest level of the most significant inputs used to determine such fair value measurement.

Advertising

The Company expenses advertising as incurred. The Company incurred approximately $62,548, $47,583, and $49,780 in advertising costs for the years ended December 31, 2019, 2018, and 2017, respectively.

Income Taxes

Effective April 1, 2019, the Company is taxed as a C Corporation. Therefore, federal and state income taxes are payable by the Company and are included in the accompanying consolidated financial statements.

Prior to the restructure date, Fat Shack America, LLC, was treated as a partnership for income tax purposes. Accordingly, taxable income and losses of Fat Shack America, LLC were reported on the income tax returns of Fat Shack America, LLC's members and no provisions for income taxes have been recorded on the accompanying consolidated financial statements prior to the restructure date.

The Company has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statements uncertainty in income taxes. The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's tax provisions and accruals, interpretations and tax planning strategies are considered. The Company believes its estimates are appropriate based on current facts and circumstances and have not recorded any reserves or related accruals for interest and penalties for uncertainty in income taxes at December 31, 2019, 2018, and 2017.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities.

The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Note 1. Summary of Nature of Operations and Significant Accounting Policies (continued)

Reclassification

Certain reclassifications have been made to prior year amounts to conform with the current presentation. Total net income and members' capital are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through March 20, 2020, the date on which the consolidated financial statements were available to be issued.

Note 2. Summary of Franchises and Subsequent Events

The following is a summary of changes in the number of franchises for the years ended December 31:

	2019	2018	2017
Franchise stores operating, beginning of year	9	8	5
Franchise stores commencing during the year	4	1	3
Franchise stores converted from affiliate stores during the year	1	1	-
Franchise stores converted to affiliate stores during the year	(1)	(1)	
Franchise stores closed during the year	-	-	-
Franchise stores in operation, end of year	13	9	8
Affiliate stores operating, beginning of year	2	2	2
Affiliate stores commencing during the year	-	-	-
Affiliate stores converted to franchise stores during the year	(1)	(1)	-
Affiliate stores converted from franchise stores during the year	1	1	-
Affiliate stores in operation, end of year	2	2	2
Total stores in operation, end of year	15	11	10

As more fully disclosed in Note 3, one affiliate store owned by a related party was transferred to a franchisee during each of the years ended December 31, 2019 and 2018. One franchise store was transferred to an affiliate store owned by a related party during each of the years ended December 31, 2019 and 2018.

The Company entered into a franchise agreement with an unrelated third party in December 2016, with the related store location opening in January 2017. The Company also entered into franchise agreements with two unrelated third party franchisees in 2017, with the related store locations opening in September and November 2017.

During the year ended December 31, 2018, the Company entered into two separate franchise agreements with unrelated third parties. The stores began operations during the year ending December 31, 2019.

During the year ended December 31, 2019, the Company entered into three separate franchise agreements with unrelated third parties. One of these stores commenced operations subsequent to December 31, 2019. The other two stores were not open for operations as of March 20, 2020.

Subsequent to December 31, 2019, the Company entered into two separate franchise agreements with unrelated third parties. These store locations were not open for operations as of March 20, 2020.

Note 3. Related Party Transactions

Royalties

The following table shows royalties for the years ending December 31, 2019, 2018 and 2017 along with accounts receivable at December 31, 2019, 2018, 2017 from affiliate and related party stores. All of the following stores are considered to be related parties due to common ownership between the store and Fat Shack Inc.

	Royalty revenues:			Accounts receivable:		
Franchise:	2019	2018	2017	2019	2018	2017
A	$ 28,792	$ 23,681	$ 23,308	-	-	$ 319
B	6,216	7,491	12,868	-	-	228
C	19,360	38,720	17,570	-	-	-
D	43,195	-	-	-	-	-
E	46,126	-	-	-	-	-
F	37,906	-	-	-	-	-
G	33,384	-	-	-	-	-

Due from Related Party

The Company had an amount due from a related party, who is considered a related party through ownership in the Company. The amount due from the related party, and included in the line item due from related party on the balance sheet at December 31, 2017, was $15,000. The balance was fully satisfied during the year ended December 31, 2018.

Due from Shareholders

The Company has an amount due from three shareholders for interest income on a franchise advance paid to the shareholders personally. The amount due from the shareholder, and included in the line item due from shareholders on the balance sheet at December 31, 2019, is $333.

Due to Related Parties

The Company periodically receives advances for operating expenses from related parties, who are considered related parties through their ownership in the Company. The amount owed to the related parties, and included in the line item due to related parties on the balance sheet at December 31, 2018 and 2017, was $18,496, and $17,781, respectively. The balance was fully satisfied during the year ended December 31, 2019.

Note 3. Related Party Transactions (continued)

Notes Payable to Related Party

The Company entered into a note payable agreement on September 15, 2016 with an immediate family member of one of the owners. The original principal balance was $70,000 with an interest rate of 5% due in monthly installments of $3,071 through maturity on October 1, 2018. The note was fully satisfied during the year ended December 31, 2018. The outstanding balance was $30,018 at December 31, 2017. The Company entered into a note payable agreement on December 1, 2016 with the same immediate family member. The original principal balance was $60,000 with an interest rate of 5% due in monthly installments of $2,632 through maturity on December 1, 2018. The note was fully satisfied during the year ended December 31, 2018. The outstanding balance was $30,748 at December 31, 2017. Both note payable agreements were secured by substantially all assets of the Company.

Note 4. Notes Receivable and Subsequent Event

Prior to December 31, 2017, the Company executed a note receivable loan agreement with an unrelated third party in the amount of $99,000. The note carried annual interest of 7.35%, and originally required monthly principal payments of $2,750 plus interest calculated monthly on the outstanding principal balance through maturity on April 27, 2018, at which time all outstanding principal and interest was due. Upon the agreement's maturity, the parties verbally agreed to extend the agreement on a month-to-month basis. The loan was collateralized by substantially all assets of the franchise owned by the third party. During the year ending December 31, 2019, the note receivable asset was distributed to the members of Fat Shack America, LLC prior to the restructure date. The outstanding balance of the note receivable at December 31, 2018, and 2017 was $68,500, and $75,000, respectively.

Prior to December 31, 2017, the Company executed a note receivable loan agreement with an unrelated third party in the amount of $75,000. The note required monthly principal payments of $3,125 through maturity on December 27, 2018, at which time all outstanding principal was due. In lieu of interest, the note required a payment of 1% of the third party's franchise gross sales for every month that the note had an outstanding balance. The total amount of this loan was not advanced to the third party in a lump sum. Instead, the Company began paying for franchise start-up expenses on behalf of the third party upon execution of the agreement, reaching the agreed upon amount of $75,000 in February 2017. The loan was collateralized by substantially all assets of the franchise owned by the third party. The note receivable loan was fully satisfied as of December 31, 2018. The outstanding balance of the note receivable at December 31, 2017 was $37,350.

During the year ended December 31, 2018, the Company executed a note receivable loan agreement with an unrelated third party in the amount of $48,000. The note carries monthly interest of $250 and requires monthly principal payments of $2,000 through maturity on July 27, 2020, at which time all outstanding principal and interest was due. The loan was collateralized by substantially all assets of the franchise owned by the third party. During the year ending December 31, 2019, the note receivable asset was distributed to the members of Fat Shack America, LLC prior to the restructure date. The outstanding balance of the note receivable at December 31, 2018, was $35,000.

Note 4. Notes Receivable and Subsequent Event (continued)

During the year ended December 31, 2018, the Company executed a note receivable loan agreement with an unrelated third party in the amount of $75,000. The note required monthly principal payments of $3,125 through maturity on January 27, 2021, at which time all outstanding principal is due. In lieu of interest, the note required a payment of 1% of the third party's franchise gross sales for every month that the note had an outstanding balance. The total amount of this loan was not advanced to the third party in a lump sum. Instead, the Company began paying for franchise start-up expenses on behalf of the third party upon execution of the agreement. The loan was collateralized by substantially all assets of the franchise owned by the third party. The outstanding balance of the note receivable at December 31, 2018 was $19,647. During the year ending December 31, 2019, the note receivable asset was distributed to the members of Fat Shack America, LLC prior to the restructure date.

During the year ended December 31, 2019, the Company executed a note receivable loan agreement with an unrelated third party in the amount of $103,852. The note requires monthly principal payments of $3,450 through maturity on November 27, 2021, at which time all outstanding principal is due. In lieu of interest, the note requires a payment of 1% of the third party's franchise gross sales for every month that the note has an outstanding balance. The total amount of this loan was not advanced to the third party in a lump sum. Instead, the Company began paying for franchise start-up expenses on behalf of the third party upon execution of the agreement. The loan was collateralized by substantially all assets of the franchise owned by the third party. The outstanding balance of the note receivable at December 31, 2019 was $79,350.

During the year ended December 31, 2019, the Company began paying for franchise start-up expenses on behalf of the third party upon execution of a verbal agreement. The amount outstanding at December 31, 2019 was $19,436. Subsequent to December 31, 2019, the Company executed a written note receivable loan agreement with the unrelated third party in the amount of $125,000. The note requires monthly principal payments of $3,475 through maturity on March 27, 2023, at which time all outstanding principal is due. In lieu of interest, the note requires a payment of 1% of the third party's franchise gross sales for every month that the note has an outstanding balance. The total amount of this loan was not advanced to the third party in a lump sum. Instead, the Company will continue to pay for franchise start-up expenses on behalf of the third party up to the maximum balance allowed. The loan is collateralized by substantially all assets of the franchise owned by the third party.

Note 5. Notes Payable

During the year ended December 31, 2019 the Company entered into an agreement whereby an investor agreed to provide $250,000 in exchange for a note payable, at zero percent convertible into equity at the discretion of the investor. During the year ended December 31, 2019, the investor exercised the conversion terms of the note payable and the note payable was satisfied in full by the conversion to series seed preferred stock.

Note 6. Leases

During the year ended December 31, 2018, the Company entered into a lease agreement for office space. The lease requires a security deposit of $1,545 and monthly lease payments of $1,545 through November 30, 2020. Required minimum lease payments under this agreement are $16,995 due during the year ending December 31, 2020.

Note 6. Leases (continued)

During the year ended December 31, 2019, the Subsidiary entered into a one year lease agreement for use of kitchen space in Chicago, Illinois. The lease requires a security deposit of $3,000 and monthly lease payments of $3,000. The lease has a renewal option for an additional one year. Future minimum lease payments under this lease, including the renewal, is $36,000 and $33,000 for the years ending December 31, 2020 and 2021, respectively.

During the year ended December 31, 2019, the Subsidiary entered into an additional one year lease agreement for use of a separate kitchen space in Chicago, Illinois. The lease requires a security deposit of $3,000 and monthly lease payments of $3,000. The lease has a renewal option for an additional one year term. Future minimum lease payments under this lease, including the renewal, is $36,000 for each of the years ending December 31, 2020 and 2021.

Note 7. Guarantees

During the year ended December 31, 2019, the Company guaranteed two loans for two unaffiliated franchisees for point of sale systems. The total liability outstanding on these loans at December 31, 2019 is $32,000. In the event the franchisees fail to make payments, the Company would be liable for this debt. However, the Company has not recognized this liability in these consolidated financial statements as it does not believe it is probable that it will be required to satisfy the obligation.

Note 8. Line of Credit

The Company has a line of credit agreement, secured by substantially all assets, that allows for borrowings up to $75,000 with a variable interest rate of 2.30% above the prime rate. The interest rate at December 31, 2019 was 7.05%. The agreement requires monthly payments of interest until maturity. The line of credit is guaranteed by two officers of the Company and one affiliate store. There was no outstanding balance at December 31, 2019, 2018, and 2017.

Note 9. Capitalization

As a result of the note payable stock conversion, as disclosed in Note 5, the capital stock structure is as follows:

	2019
Common stock, $0.00001 par value, voting rights, 10,000,000 shares authorized, 8,500,000 shares issued and outstanding	$ 85
Preferred series seed stock, $0.00001 par value, voting rights, convertible into voting common stock, 1,500,000 shares authorized, issued and outstanding	15
	$ 100

Note 10. Income Taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities. Significant components of the Company's deferred tax liability is as follows:

	2019
Deferred Tax Liability	
Book/Tax depreciation difference	$ 4,988
	$ 4,988

The federal and state income tax provision is summarized as follows at December 31, 2019:

	2019
Current:	
Federal	$ 33,277
State	5,702
	$ 38,979
Deferred:	
Federal	$ 1,000
State	200
	$ 1,200

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

Note 11. Recent Pronouncements

The Financial Accounting Standards Board (FASB) has issued ASC 2016-02, Leases (Topic 842). Topic 842 will require the Company to recognize operating lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements in its financial statements. The effective date for this new standard is for annual reporting periods beginning after December 15, 2020. The Company plans to adopt the standard during the year ending December 31, 2021, and has not yet determined the effect of the standard on its financial statements.

ATTACHMENT H
(TO THE DISCLOSURE DOCUMENT)

FRANCHISE OPERATIONS MANUAL
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ATTACHMENT I
(TO DISCLOSURE DOCUMENT)

SAMPLE ACKNOWLEDGMENT OF TERMINATION AND RELEASE AGREEMENT

SAMPLE ACKNOWLEDGMENT OF TERMINATION AND RELEASE AGREEMENT

This Acknowledgment of Termination and Release Agreement ("**Agreement**") is entered into this _____ day of _____, 202__, between FAT SHACK INC., a Delaware corporation ("**Franchisor**") and _____ ("**Franchisee**"). The Franchisee and the Franchisor will collectively be referred to herein as the "**Parties**."

RECITALS

WHEREAS, Franchisor and Franchisee entered into that certain franchise agreement ("**Franchise Agreement**") dated _____, 20__, in which Franchisor granted Franchisee the right to operate a FAT SHACK Restaurant in the authorized territory ("**Protected Territory**") described in Exhibit 1 of the Franchise Agreement; and

WHEREAS, on _____ 202__, Franchisee's rights under the terms of the Franchise Agreement were terminated ("**Termination**") as a result of _____ _____.

WHEREAS, the Parties desire to enter into this Agreement for the purpose of acknowledging the Termination; acknowledging Franchisor's retention of all rights and remedies under the Franchise Agreement including, but not limited to, Franchisor's right to retain all of any type set forth in the Franchise Agreement or any related agreements and right to audit Franchisee's books and records; and fully and finally resolving all legal and equitable claims, known or unknown, of Franchisee existing against Franchisor that were or could have been asserted by Franchisee in any action.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto hereby covenant, promise and agree as follows:

AGREEMENT

1. **Acknowledgment of Termination**. Franchisee acknowledges and agrees that all of its rights under the Franchise Agreement and Development Agreement (if any) ("**Franchise Documents**"), were fully and finally terminated on _____ 202__. Franchisee agrees to abide by all provisions which expressly survive the Termination of the Franchise Documents, as more fully set forth in the Franchise Documents.

2. **Release by Franchisee**. As of the date of this Agreement, Franchisee does hereby compromise, settle, and absolutely, unconditionally, and fully release, discharge, and hold harmless for itself and each of its respective heirs, executors, administrators, representatives, successors, assigns, officers, members, managers, directors, shareholders, employees, partners, and Affiliates (as hereinafter defined) (collectively, the "**Franchisee Releasing Parties**"), the Franchisor and its past, present and future officers, directors, agents, attorneys, employees, shareholders, successors, assigns, members, managers, and Affiliates (collectively, the "**Franchisor Released Parties**"), for all purposes, of and from any and all claims, debts, demands, damages, costs, expenses, actions, causes of action, or suits of any kind whatsoever, at common law, statutory or otherwise, whether now known or not, whether contingent or matured, including, without limitation, any claim, demand, or cause of action arising out of or in connection with the Franchisee's FAT SHACK Restaurant or the Franchise Documents or any other contractual relation between Franchisee and Franchisor and/or any Affiliate of the Franchisor, which the Franchisee Releasing Parties may have had or may now have directly or indirectly against any or all of the Franchisor Released Parties based upon or arising out of any event, act, or omission that has occurred

prior to the date hereof. The Franchisee Releasing Parties further covenant and agree to never institute, prosecute or assist others to institute or prosecute, or in any way aid any claim, suit, action at law or in equity, or otherwise assert any claim against any or all of the Franchisor Released Parties for any damages (actual, consequential, punitive or otherwise), injunctive relief, or other loss or injury either to person or property, cost, expense, attorneys' fees, amounts paid on account of recovery or settlement, or any other damage or harm whatsoever, based upon or arising out of any event, act, or omission that has occurred prior to the date hereof. The Franchisor Released Parties are not releasing any claim which they may have against the Franchisee Releasing Parties or any rights or remedies the Franchisor Released Parties may have under the Franchise Documents or the Non-Disclosure and Non-Competition Agreement, (including but not limited to the right to retain all of any type set forth in the Franchise Agreement or any related agreements and any other sums paid to the Franchisor or its Affiliates by the Franchisee or its Affiliates and any audit rights), under law or equity, or under any other contractual relationship between the Franchisee and the Franchisor and/or any Affiliate of the Franchisor.

3. **Affiliates**. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

4. **Full Release**. Except as is set forth in this Agreement, the Parties intend that this Agreement shall be effective as a full and final accord and satisfaction and release as to the Franchisor Released Parties and shall extend to all matters, claims, demands, actions or causes of action of any kind or nature whatsoever which the Franchisee Releasing Parties may have against the Franchisor Released Parties. The Parties acknowledge that they may hereafter discover facts in addition to, or different from, those which they now know or believe to be true with respect to the subject matter of this Agreement but that, notwithstanding the foregoing, it is their intention hereby to fully, finally, completely and forever settle and release the Franchisor Released Parties and that the release given herein shall be and remain irrevocably in effect as a full and complete general release notwithstanding the existence of any such additional or different facts.

5. **No Coercion**. The Parties acknowledge that they are freely and voluntarily entering into this Agreement, uncoerced by any person, and that they have been advised and afforded the opportunity to seek the advice of legal counsel of their choice with regard to this Agreement.

6. **Notices**. Any notices given under this Agreement shall be in writing and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

7. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

8. **Amendments**. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto.

9. **Governing Law**. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado.

10. **Jurisdiction**. The Parties agree that any disputes relating to the enforcement of this Agreement will be governed by the dispute resolution provisions set out in the Franchise Agreement.

11. **Fees and Costs**. In any action to enforce, interpret or seek damages for violation of this Agreement, the prevailing Party shall recover all attorney's fees and litigation expenses.

12. **Severability**. If any provision of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby.

13. **Authorization**. Each Party warrants that each individual executing this Agreement on behalf of the respective Parties is fully authorized to do so by each of the respective Parties and each individual executing this Agreement warrants that he or she is acting within the scope of his or her employment and authority in executing this Agreement.

14. **Counterparts and Telecopies**. This Agreement may be executed in counterparts or by copies transmitted by telecopier, all of which shall be given the same force and effect as the original. This Agreement shall be effective when the signatures of all Parties have been affixed to counterparts or copies.

15. **Entirety**. This Agreement contains the entire agreement between the Parties related to the subject matter hereof, and in entering into this Agreement, each Party represents that he, she, or it is doing so voluntarily and of his, her or its own free will, and have executed this Agreement below acknowledging that each Party has completely read and fully understands the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

FAT SHACK INC., a Delaware corporation:

_____

By: _____, Managing Member

FRANCHISEE:

_____

By: _____

ATTACHMENT J
(TO DISCLOSURE DOCUMENT)

STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

STATE LAW ADDENDA TO THE
FAT SHACK INC.
FRANCHISE DISCLOSURE DOCUMENT

The following modifications are made to the Fat Shack Inc. Franchise Disclosure Document for the states noted below.

CALIFORNIA

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.

OUR WEBSITE (www.fatshack.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

1. The following paragraph is added to the end of Item 3:

   Neither we nor any person listed in Item 2 of this 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. § 78a et seq., suspending or expelling these persons from membership in this association or exchange.

2. The following statement is added at the end of Item 6:

   In the event that California law is determined to apply, the maximum interest rate permitted under California law varies but is generally 10 percent per annum.

3. The following paragraphs are added to the end of Item 17:

   The California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, nonrenewal, or transfer of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement contains a covenant not to compete, which extends beyond the termination or expiration of the franchise. This provision may not be enforceable under California law.

   The Franchise Agreement requires binding arbitration. The arbitration will occur in Denver, Colorado with the costs being awarded to the prevailing party. Prospective Franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (such as Business and Professions Code 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

   The Franchise Agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You may be required to sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 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 provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C. § 101 et seq.)

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

4. The following paragraph is added to the end of Item 19:

The financial performance representations in this Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your FAT SHACK Restaurant. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS 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 FSI AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(303) 586-2722

1. The following paragraph is added to Item 17:

Section 482E-6(3) of the Hawaii Revised Statutes provides that upon termination or refusal to renew the franchise, we are obligated to compensate you for the fair market value, at the time of the termination or expiration of the franchise, of your inventory, supplies, equipment and furnishings purchased from us or a supplier designated by us; provided that personalized materials which have no value to us need not be compensated for. If we refuse to renew a franchise for the purpose of converting your business to one owned and operated by us, we, in addition to the remedies provided above, shall compensate you for the loss of goodwill. We may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings pursuant to this requirement, and may offset from such compensation any monies due us.

2. The following list reflects the status of our franchise registration in the states which require registration:

A. The states in which this proposed registration is effective: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

B. The states in which this proposed registration is or will be shortly on file: None.

C. The states, if any, which have refused, by order or otherwise, to register these franchises: None.

D. The states, if any, which have revoked or suspended the right to offer these franchises: None.

E. The states, if any, in which the proposed registration of these franchises has been withdrawn by us: None.

ILLINOIS

1. Illinois law governs the Franchise Agreement and the Development Agreement.

2. 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. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. 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.

INDIANA

The following modifications are made to the Disclosure Document only to the extent required by the Indiana Franchises Act, IND. CODE § 23-2-2.5, and the Indiana Deceptive Franchise Practices Act, IND. CODE § 23-2-2.7:

1. The following statement is added to Item 12:

Indiana law prohibits us from establishing a franchisor-owned outlet engaged in a substantially identical business within your exclusive territory, or if no exclusive territory is designated, that competes unfairly with you within a reasonable area.

2. The Summary column of Items 17.r and 17.w are deleted and replaced by the following:

17.r: No interest in Competitive Business for 2 years within 10 miles of the former Restaurant Location.

17.w: Except to the extent governed by federal law, disputes related to a violation of the Indiana Franchises Act or the Indiana Deceptive Franchise Practices Act shall be governed by those laws, and all other matters regarding the Franchise Agreement shall be governed by Federal and Colorado law. The Colorado Consumer Protection Act does not apply.

MARYLAND

1. The Summary column of Item 17.v is deleted and the following is inserted in its place:

17.v: Colorado (except for claims arising under the Maryland Franchise Registration and Disclosure Law). Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. The following sentences are added at the end of Item 17:

A general release requested as a condition of renewal and/or transfer excludes claims which may arise under the Maryland Franchise Registration and Disclosure Law.

A default due to bankruptcy may not be enforceable under federal bankruptcy laws.

MINNESOTA

1. The following legend is added to the Risk Factors on the page titled "Special Risks to Consider About *This* Franchise":

MINNESOTA STATUTES, SECTION 80C.21 AND MINNESOTA RULE 2860.4400(J) PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA, REQUIRING WAIVER OF A JURY TRIAL, OR REQUIRING YOU TO CONSENT TO LIQUIDATED DAMAGES, TERMINATION PENALTIES OR JUDGMENT NOTES. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE (1) ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR (2) YOUR RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.

2. The following statements are added to the Cover Page:

THIS FRANCHISE HAS BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

3. In Item 6, the following replaces the Insufficient Funds Fee row in the chart:

Insufficient Funds Fee[1]	$30 per violation	As incurred	Payable any time you bounce a check to us or your bank account does not have sufficient funds to cover any direct debits that we submit to your bank.

4. The following statement is added at the end of Item 13:

We will protect your right to use our Marks in the manner authorized by us. The Minnesota Department of Commerce requires franchisors to indemnify franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's marks infringes upon the trademark rights of the third party.

5. The following statement is added at the end of Items 17.c and 17.m:

(Any release executed in connection herewith shall not apply to any claims that may arise under the Minnesota Franchise Act. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided, it does not bar the voluntary settlement of disputes.)

6. The following statements are added at the end of Item 17:

We will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement, and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Statutes, Section 80C.17, Subd. 5 provides that any claims and actions based on a violation of Chapter 80C of the Minnesota statutes or any rule or order thereunder shall be commenced within three years from the occurrence of the facts giving rise to such claim or action.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

NEW YORK

1. The following information is added to the Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN ATTACHMENT K 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 THIS 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 paragraphs are added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following paragraph is added at the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following statement is added at 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 statement is added to the end of the "Summary" sections of Item 17.c, titled "Requirements for you to renew or extend," and Item 17.m, titled "Conditions for our 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 hereunder 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 you":

You may terminate the Franchise Agreement upon any grounds available by law.

7. The following statement is added to the end of the "Summary" section of Item 17.j, titled "Assignment of contract by us":

However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

8. The following statement is added to the end of the "Summary" sections of Item 17.v, titled "Choice of forum," and Item 17.w, titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon either us or you by Article 33 of the General Business Law of the State of New York. (The foregoing language has been included in this Disclosure Document as a condition of registration. We and you do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchisee Agreement and all other documents signed by us, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.)

WE REPRESENT THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees:

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Franchise agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

I. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

2. Item 17.w is deleted.

RHODE ISLAND

The following statement is added at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

The preceding language has been included in this Disclosure Document as a condition to registration. We and you do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchise Agreement, and all other documents signed by us, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA

1. The following statement is added at the end of Row h in Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. 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 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.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. 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 void and unenforceable in Washington.

7. 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.

8. Specific Risks to Consider About this Franchise:

Exclusive Territory. 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.

WISCONSIN

REGISTRATION OF THIS FRANCHISE IN THE STATE OF WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

ATTACHMENT K
(TO DISCLOSURE DOCUMENT)

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS
LIST OF STATE AGENCIES

LIST OF STATE AGENCIES AND
AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 One Sansome Street, Suite 600 San Francisco, California 94104-4448 (415) 972-8565 2101 Arena Boulevard Sacramento, California 95834 (916) 445-7205 (866) 275-2677 (toll free)	Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 (toll free)
COLORADO	None	Thomas J. Armenti 420 East 58th Avenue, Suite 128B Denver, Colorado 80216
FLORIDA	Florida Department of Agriculture and Consumer Services Division of Consumer Services Attn: Finance & Accounting 407 South Calhoun Street Tallahassee, Florida 32399-0800 (850) 410-3800	None
HAWAII	Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Illinois Attorney General Same Address
INDIANA	Indiana Secretary of State Division of Securities 302 West Washington Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
IOWA	Iowa Secretary of State 321 E. 12th Street Des Moines, Iowa 50319 (515) 281-5204	Same
MARYLAND	Office of Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Attorney General Franchise Section - Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 W. Ottawa Street Lansing, Michigan 48933 P.O. Box 30213 Lansing, Michigan 48909 (517) 373-7117	Michigan Department of Commerce Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1638	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 (402) 471-3445	None
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8222	Secretary of State of the State of New York 99 Washington Avenue Albany, New York 12231 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712	North Dakota Securities Commissioner Same
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4140	Director of Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4140

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
RHODE ISLAND	State of Rhode Island and Providence Plantations Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex - Building 69-1 Cranston, Rhode Island 02920 (401) 462-9500	Director of Rhode Island Department of Business Regulation Same Address
SOUTH DAKOTA	South Dakota Division of Insurance Securities Regulation 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director of South Dakota Division of Insurance Same Address
TEXAS	Secretary of State Statutory Documents Section James E. Rudder Building 1019 Brazos Street Austin, Texas 78701 P.O. Box 13550 Austin, Texas 78711 (512) 463-5705	None
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South, 2nd Floor Salt Lake City, UT 84114 801-530-6601	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-8760 (360) 902-8760	Director of Financial Institutions 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 P.O. Box 1768 Madison, Wisconsin 53701-1768 (608) 266-8557	Administrator, Division of Securities Same Address

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 franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process.

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

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	_____, 2021
Hawaii	_____, 2021
Illinois	_____, 2021
Indiana	_____, 2021
Maryland	_____, 2021
Michigan	_____, 2021
Minnesota	_____, 2021
New York	_____, 2021
North Dakota	_____, 2021
Rhode Island	_____, 2021
South Dakota	_____, 2021
Virginia	_____, 2021
Washington	_____, 2021
Wisconsin	_____, 2021

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.

ATTACHMENT L
(TO DISCLOSURE DOCUMENT)

RECEIPT

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 Fat Shack Inc. ("**Fat Shack**") 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.

New York requires that Fat Shack 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.

Michigan requires that Fat Shack 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.

Iowa requires that Fat Shack give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

If Fat Shack 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, DC 20580, and the appropriate state agency identified on Attachment L.

Fat Shack authorizes the parties identified on Attachment L to receive service of process for it in the particular state.

The following Franchise Sellers were involved in the offering of this franchise:

> The following employees, having a principal business address and telephone number the same as Fat Shack: Thomas J. Armenti, Kevin J. Gabauer, Cory J. Whitman.
>
> The following independent sales agent (we request that the prospective franchisee fill in the information if known): _____, having a principal business address at : _____ _____, telephone number: _____.

Issuance Date: March 31, 2021.

I received a Disclosure Document dated March 31, 2021, that included the following Attachments:

Franchise Agreement (Attachment A); Area Development Agreement (Attachment B); Nondisclosure and Noncompetition Agreement (Attachment C); Conditional Assignment of Lease (Attachment D); List of Franchisees and Area Developers (Attachment E); Franchisees and Area Developers Who Have Left the System (Attachment F); Financial Statements (Attachment G); Operations Manual and Area Developer Manual Tables of Contents (Attachment H); Sample Acknowledgment of Termination and Release Agreement (Attachment I); State Addenda to Franchise Disclosure Document (Attachment J); List of State Agencies/Agents for Service of Process (Attachment K); and Receipt (Attachment L).

DATE: _____

_____

Prospective Franchisee

Print Name: _____

Please retain this copy for your records.

RECEIPT

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New York requires that Fat Shack 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.

Michigan requires that Fat Shack 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.

Iowa requires that Fat Shack give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

If Fat Shack 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, DC 20580, and the appropriate state agency identified on Attachment L.

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>
> The following independent sales agent (we request that the prospective franchisee fill in the information if known): _____, having a principal business address at : _____ _____, telephone number: _____.

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DATE: _____

_____

Prospective Franchisee

Print Name: _____

IMPORTANT: PLEASE IMMEDIATELY SIGN AND E-MAIL A COPY TO TOM ARMENTI, AT tom@fatshack.com, RETURN THE ORIGINAL OF THIS PAGE BY MAIL OR COURIER TO FAT SHACK INC., 420 EAST 58TH AVENUE, SUITE 128B, DENVER, COLORADO 80216.