FRANCHISE DISCLOSURE DOCUMENT

SHARKY'S
WOODFIRED MEXICAN GRILL

Passion Foods, Inc.
a California Corporation
780 Lakefield Road, Suite C
Westlake Village, CA 91361
(805) 496-8489
www.sharkys.com

The franchises described in this disclosure document are for the operation of a SHARKY'S WOODFIRED MEXICAN GRILL® or Express Restaurant ("**Restaurant**"). The total investment necessary to begin operation of a franchised Restaurant is $308,000 to $1,755,400. This includes $40,000 that must be paid to the franchisor plus a Development Fee equal to $10,000 for each agreed upon additional Restaurant.

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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 and payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Steven Paperno at the above address and telephone number.

The terms of your contract will govern your franchise relationship. Do not 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 accountant.

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

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

Issuance Date: March 27, 2018

STATE COVER PAGE

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

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

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

Special Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISAGREEMENTS MAY BE SETTLED BY ARBITRATION IN THE COUNTY WHERE THE FRANCHISOR'S CORPORATE HEADQUARTERS ARE LOCATED ("HOME COUNTY"), CURRENTLY VENTURA COUNTY, CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE.

2. ARBITRATION WILL NOT BE USED FOR ANY ACTION FILED BY US WHICH INVOLVES A FRANCHISEE'S CONTINUED USAGE OF ANY OF THE MARKS, OR THE SYSTEM OR ANY ISSUE INVOLVING INJUNCTIVE RELIEF AGAINST FRANCHISEE, ALL OF THESE ISSUES WILL BE SUBMITTED TO A STATE OR FEDERAL COURT HAVING JURISDICTION OVER THE ISSUE INVOLVED. THE PARTIES CONSENT TO PERSONAL JURISDICTION IN CALIFORNIA OVER ANY SUCH ISSUES NOT SUBJECT TO ARBITRATION.

3. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE WHERE THE RESTAURANT IS LOCATED GOVERNS THE AGREEMENT.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: _____________, 2018 ______

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

The Franchisor

To simplify the language in this disclosure document, the words "**We**", "**Us**" and "**Our**" mean Passion Foods, Inc., the franchisor. "**You**", "**Your**", or **"Franchisee"** means the person, corporation or partnership buying a Restaurant franchise from Us. Bold face terms are for ease of reference only.

We were organized on December 17, 2008 as a California corporation for the purpose of selling franchises and developing a network of franchisees. Our predecessor is Sharky's Franchise Group, LLC, a California limited liability company **("SFG**"), which was formed on August 30, 1999 to franchise SHARKY'S WOODFIRED MEXICAN GRILL® Restaurants ("**Restaurants**"). SFG's parent, Fresh Opportunities, Inc., a California corporation ("**FOI**"), has operated Restaurants since it was formed in 1997 and has authorized SFG to offer and sell these Franchises.

We have other commonly owned and controlled entities ("**Affiliates**") who own and operate franchised Restaurants. One of these Affiliates is named Feel Good About Eating, LLC ("**FGAE**") which was formed in February 13, 2014. FGAE owns and operates two franchised Restaurants. We entered into a Service Agreement with FGAE whose employees will provide support services to Us and franchised locations. FGAE does not provide products to Franchisees. Other than FGAE, Our Affiliates do not provide products or services to Franchisees. The principal business address and telephone number for Us, FGAE and Our Affiliates are 780 Lakefield Road, Suite C, Westlake Village, CA 91361; 805-496-8489. Our agents for service of process are listed on **Exhibit C**.

Neither We, SFG, FOI, nor FGAE conduct any other business or have sold franchises for any other lines of business. FOI, Our Affiliates and franchisees have previously operated and currently operate some original Restaurants under the name SHARKY'S® FRESH MEXICAN GRILL. SFG has offered and sold Franchises since 1999. We began offering Our franchises in March 2010.

As of December 31, 2017, there were 27 franchised Restaurants and 1 company Restaurant operated by the founder, Steven Paperno. Restaurants serve the general public under the SHARKY'S WOODFIRED MEXICAN GRILL trademark and other designated trademarks, trade names, service marks and logos (**"Marks"**).

The Franchises Being Offered

The first Restaurant was opened during 1991 in Sherman Oaks, California under the name SHARKY'S® FRESH MEXICAN GRILL. The name was changed to SHARKY'S WOODFIRED MEXICAN GRILL in 2001, which better describes the Restaurants. Each Restaurant offers an array of tacos, burritos, the Naked Menu**™** featuring low-cal and low-fat items, salads and tostadas all made with premium high quality ingredients such as Sushi grade fish, "All Natural" chicken, and "All Natural" beef. The menu items also include certified organic beans and rice and a variety of other Mexican style foods. Our menu is designed to appeal throughout the year to persons of all ages in a wide range of socio-economic classes with a special emphasis to appeal to quality and health conscious consumers who are willing to spend a little more to obtain an exceptionally fresh and healthy premium product. Food menu items range in price from $3.99 to $18.99.

Each Restaurant follows a system (the "**System**") developed by FOI and its owners. The System includes a menu of specialty food items and related products, recipes and unique names for such products, special food preparation techniques, attractive employee clothing, a training program which includes instructions in the preparation of Our food products, suggested sales presentations and techniques, distinctive interior designs, menu forms, advertising artwork and other materials and other business procedures together with an online Operations Manual and online Development Manual (collectively the "**Manual**").

Restaurants typically range in size from 1,200 to 3,000 square feet, with at least 20 feet of store frontage and 150 square feet of outside dining space. They seat from 30 to 75 persons and are typically located in small shopping centers. Restaurants may be in food court locations within larger shopping centers and typically have less square footage but require higher rent rates. Most Restaurants feature full table service with some smaller venues offering express service where customers pick up their own orders.

The Restaurants emphasize a clean and brightly colored atmosphere with well-trained, efficient and extremely personable managers and servers and serve very high-quality food products prepared by well-trained cooks and certified kitchen managers. Each Restaurant employs approximately 20 full and part time employees. Operating hours are generally 10:30 a.m. to 10:00 p.m.

Area Development Agreements

We are primarily seeking developers who will develop and open a minimum of 3, and preferably 5 or more franchised Restaurants within a designated area ("Territory"), pursuant to an Area Development Agreement (**"ADA**") which will have a mutually agreed upon Development Schedule. See **EXHIBIT A.**

The ADA grants the exclusive right and obligation to develop a minimum number of Restaurants within the Territory during a certain time period (the "**Required Restaurants**"). A Developer must pay Us a nonrefundable Development Fee. The primary purpose of the Development Fee is to pay Us for reserving the designated territory. See ITEM 5 for initial fees.

You must be approved both operationally and financially before signing the ADA and before opening each new Restaurant. The first step is to file a Franchise Application and Questionnaire with Us. If You are approved as a Developer, You and We will sign an ADA which will contain Our commitment to issue You SHARKY'S Franchise Agreements for the Required Restaurants, subject only to specified conditions.

The initial term of each Franchise Agreement (**Exhibit B**) is 10 years or the length of Your Lease for Your Restaurant, whichever is less, and is renewable for two additional 5-year terms, subject to certain conditions. See "Renewal" discussed below in ITEM 17. The term of each ADA will be five years or another period agreed upon by You and Us.

Competition

The food service business is highly competitive. You will compete with a variety of food service establishments, which may have financial, personnel, and technical resources far greater than Us or You, including mid-scale casual dining Restaurant chains and fast food chains. You will compete for business in this highly competitive environment, and understand that there is no guarantee of Your success.

Industry Regulation

Restaurant development and operation is highly regulated at the federal, state and local levels. These include design and construction requirements and permits, restaurant health, safety and sanitation, employee tip reporting, employment conditions, alcohol and tobacco sales and usage, “dram shop” laws (which make bars and restaurants liable to persons injured by an intoxicated customer), waste and hazard materials handling and storage, advertising, access for disabled persons, advertising and food product labeling and menus. You must comply with all local, state and federal laws that apply to the operation of Your Restaurant. You should investigate the applicability of these and possibly other regulations in the area in which you are interested in locating Your Restaurant and should consider both their effect and cost of compliance. To obtain an alcoholic beverages license, You will be subject to fairly intense governmental regulation both in obtaining the license and properly maintaining it.

ITEM 2. BUSINESS EXPERIENCE

Chief Executive Officer, Founder and Director: Steven Paperno

Mr. Paperno has been Our Chief Executive Officer since We were formed in 2008. He has been SFG's CEO and Managing Member since its formation in 1999. Mr. Paperno has been FOI's Secretary, Chief Financial Officer, and Director since its formation in 1997. He has been FGAE's CEO and managing member since its formation in 2014. Mr. Paperno created the Sharky's Fresh Mexican Grill concept and developed the first Sharky's Fresh Mexican Grill in 1991 as a sole proprietor. He then developed, owned, and operated two more Sharky's Fresh Mexican Grills Restaurants as a sole proprietor before forming FOI and transferring ownership of those three restaurants to it.

Vice President and Chief Operating Officer: David Goldstein

Mr. Goldstein has been Our Vice President and Chief Operating Officer since We were formed in 2008. Mr. Goldstein became SFG's Vice-President and Chief Operating Officer in November 2006. He has been FGAE's Vice-President and Chief Operating Officer since its formation in 2014. From September 2001 to October 2006, he was Vice President of Fresh Enterprises, Inc. in Thousand Oaks, California. He has an extensive background in the fast casual sector as a restaurant industry veteran with more than thirty years of progressive management, operations and R&D experience. During his extensive career Mr. Goldstein has been involved at the executive level in the expansion of three chain restaurants with over 200 locations nationwide. His extensive experience in organizing and directing successful efforts to establish new enterprises, enhance business volumes, and profitable operations is a valuable asset to Us.

Director of Operations: Tom Zampas

Mr. Zampas has been Our Director of Operations since May 2015. He has been FGAE's Director of Operations since January 2016. From March 2012 to December 2014, Mr. Zampas was Director of Operations of Ruby's Diner in Irvine, California. Mr. Zampas was District Manager of Restaurants for El Pollo Loco from November 2007 to November 2011 in Costa Mesa, California. He has been involved with three other national chains and their franchise development.

ITEM 3. LITIGATION

Other than the actions listed below, no litigation is required to be disclosed in this ITEM.

Mahmoud Malakafzali; Jafar Mosleh; and Pacific Fin Kitchen, Inc. v. Fin City Foods; Inc.; James Clark; Passion Foods, Inc.; Steven Paperno; and David Goldstein (Superior Court, Ventura County, California Case No. 56-2016-00477173, Filed January 19, 2016).

Plaintiffs purchased four franchised Restaurants from Defendants, Fin City Foods, Inc. and James Clark, former franchisees. Plaintiffs filed a Civil Complaint alleging Unfair Business Practices, Fraudulent Inducement, Failure to Disclose (Corp Code Sec. 31201), Conspiracy to Commit Fraud, Unlawful Offer and Sale of Franchise by Means of Untrue Statement or Omission of Material Fact (Corp. Code Sec 31201); and negligent misrepresentation. The Court granted the Defendants' Motions to Compel Arbitration on April 21, 2016. The arbitrations are not consolidated. The Demand for Arbitration involving Passion Foods, Inc., Steven Paperno and David Goldstein was filed by Claimants on June 24, 2016. The parties have agreed to settle this matter with dismissal of the Complaint and mutual general releases. Plaintiffs agreed to sell three of its franchised restaurants to Food with Purpose, LLC, an affiliate of Passion Foods, Inc., for approximately $1,112,237 of cash and assumed liabilities. The case was dismissed on January 26, 2018.

Alleged False Menu Claim against Predecessor and Franchisees:

Duana Chenier, Blair Robinson, Erin James, DeMarcus James v. Sharky's Franchise Group, LLC, Fin City Foods, Inc. and Sharky's Beverly Hills, Inc. (Superior Court, Orange County, California Case No. 00587784, Filed August 3, 2012).

The Defendants, City Foods, Inc. and Sharky's Beverly Hills, Inc. are Franchisee operators. Defendant Sharky's Franchise Group, Inc. ("**SFG**") was Our "predecessor" because it sold franchises. SFG did not operate any Restaurants. Plaintiffs filed a class action lawsuit using a firm out of Orange County CA that specialized in class action lawsuits. As alleged customers, Plaintiffs claimed unfair trade practices, false advertising and misrepresentation because these two locations did not have Mahi Mahi available as described on the menu. On September 25, 2013, Defendants filed an Answer denying all such allegations stating that due to an unprecedented worldwide shortage of Mahi Mahi, City Foods, Inc. and Sharky's Beverly Hills, Inc. had no choice except to post a disclaimer at their POS and direct guests to choose from other wild caught fish substitutions. Defendants agreed to a confidential settlement agreement requiring dismissal of the case and payment to the Plaintiffs of $25,000 in order to avoid the high estimated cost and the loss of management time required to defend even such a weak claim. The case was dismissed on October 28, 2013.

ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this ITEM.

ITEM 5. INITIAL FEES

Area Development Agreement

We are primarily looking for franchisees who will commit to developing a minimum of 3 and preferably 5 or more Restaurants pursuant to an Area Development Agreement ("**ADA**"), which will contain a Development Schedule with deadlines for opening and operating a specified number of Restaurants ("**Required Restaurants**").

The Developer must pay Us a nonrefundable Development Fee equal to the Initial Franchise Fee for the first Required Restaurant plus $10,000 for each additional Required Restaurant. Our Initial Franchise Fee is $40,000.

Each proposed Developer must submit a franchise application and questionnaire to Us. If We approve the Developer, You (or your designated legal entity) will execute an ADA, and will pay Us the Development Fee as discussed above.

As You develop each additional Required Restaurant, You will pay Us the Initial Franchise Fee less $10,000 credit from the Development Fee paid for that Restaurant. The $10,000 credit will apply only to Required Restaurants. There are no refunds of these payments.

Initial Franchise Fee

The Initial Franchise Fee for each new franchise Restaurant is $40,000. You will receive any available credits from the Development Fee, as discussed above. The Franchise Agreement (**EXHIBIT B**) will typically be executed after Your management training is completed and Your site is approved, and before opening Your Restaurant. There are no refunds of any part of the Initial Franchise Fee. All fees payable to Us are intended to be "net" amounts and You will pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees.

ITEM 6. OTHER FEES

NAME OF FEE (1)	AMOUNT	DUE DATE
Royalty Fee	5% of Gross Revenue (2)(3)	Every 4 weeks
Marketing Fund Fee (4)	Up to 3% of Gross Revenue. (Currently 2.0%) (2)(3)	Every 4 weeks
Local Marketing Spending (5)	Up to 2% of Gross Revenue. (2)	Every 4 weeks
Additional Services Fees (6)	Our reasonable costs (including travel costs) as specified in the Manual	Applicable only if the site is more than 200 miles from Our principal office or after You have submitted two prior sites for approval
Google 360 Software License	$300.00	Software License
Supplier Approval Fee (7)	$1,000	When applied for
Additional Training	Reasonable Fee (currently $500 per day)	Upon Invoice
Management Fee	Reasonable Fee (currently $1000 per day)	Upon Invoice
Construction Management Services (8)	$20,000 if applicable	Upon invoice
Late Charge and Interest	$250 plus interest on late amounts at 18% or highest legal rate. Interest begins from the date of non-payment or underpayment.	With late payment
Attorney Fees	Reasonable amount to prevailing party in any legal proceeding	Upon conclusion of proceeding
Transfer Fee	25% of then current Initial Fee	Before actual transfer
Renewal Fee	Currently 25% of then current initial fee	Prior to Renewal
Audit (9)	Cost of Audit plus interest on unpaid fees.	Upon invoice
Indemnification (10)	Our cost or assessment	Upon Demand
Reimbursement of Insurance Costs (11)	Insurance that You have failed to procure or maintain	Immediately upon Invoice
Liquidated Damages (12)	Royalty Fees for two years or the remainder of term, whichever is less.	Upon Demand
Liquidated Damages – Default(13)	Lump Sum (Calculation based on number of months and Royalty Fee averages.)	Upon Demand

FOOTNOTES:

(1) All of these fees are payable to Us and are nonrefundable. All fees payable to Us are intended to be "net" amounts and You will pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees (specifically not to include income taxes).

(2) "**Gross Revenue**" includes Your total receipts from the sale of all goods and services sold at or delivered from Your Restaurant or using Our Marks, but does not include sales tax, coupons, refunds, *bona fide* employee discounts, or *bona fide* discounts given to select, specially qualified customers which must be pre-approved by Us.

(3) You must pay Royalties and Marketing Fund Fees following each designated four-week period as designated in the Manual or such other time as may be designated in the Manual. You agree to pay all such Fees to Us by direct transfer of funds ("**EFT**") or other method of payment designated by Us. You will be required to sign an ACH Authorization Form (set forth in the Manual) permitting Us to electronically debit Your designated bank account for payment of all fees payable to Us. You must ensure that there are sufficient funds available in Your account for withdrawal before each due date. Payment currently must be made on the first Thursday thereafter or, if Thursday is a holiday, on the next business day. Late payments may require You to pay Us weekly. We may charge You for Our added expenses and change to weekly withdrawals.

(4) The current amount of these fees is 2.0% of Gross Revenues. We will deposit the Marketing Fund Fees into a segregated account to be used for System marketing purposes. See ITEM 11. Restaurants operated by Us or Our Affiliates will also contribute to this Fund.

(5) You must spend this amount monthly to conduct local advertising and sales programs for Your Restaurant, and send Us proof of spending. If an advertising cooperative is established in Your area, You must join it and contributions to it will be applied toward this obligation. The current level of required monthly spending is 2% of Gross Revenues.

(6) If You fail to comply with the requirements of this Agreement, Our Manual or request additional services from Us, We will invoice You for Our reasonable costs or our estimate of those costs as stated in the Manual. Examples are additional training at Your Restaurant either required by Us or requested by You, which would include travel and living costs, and use of one outside Manager provided by Us to assist You at Your Restaurant. We may add a 5% service fee if there are repeated needs or requests.

(7) You must pay Us this amount if You request Us to approve another supplier or food product.

FOOTNOTES:

(8) We may offer to supervise the construction of Your Restaurant in return for payment of this fee, which is optional to You. The Project Manager would oversee the construction of Your Restaurant from design to completion. We may also recommend a project management company that you may contract with.

(9) In addition to any additional fees found due as a result of an audit of Your financial records, You must pay Us Our audit cost if You have understated Gross Sales by more than 2% of the actual Gross Sales found by the audit. The cost of an audit varies widely depending on how well the books and records are kept, but We estimate the cost of an audit to be between $1,000 and $5,000.

(10) You must indemnify Us for claims relating to Your operation of the Restaurant.

(11) If You fail to procure or maintain the required insurance, You must reimburse Us for having to pay Your obligation.

(12) If the Franchise Agreement is terminated due to Your action or failure to act, You agree to pay Us liquidated damages equal to the average monthly Royalty Fees owed or paid during the twelve months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is less.

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ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Background Check	$400	$400	Lump Sum	Upon submitting Application	3rd Party
Initial Franchise Fee (1)	$40,000	$40,000	Lump Sum	In Full Prior to Opening Restaurant	Us
Franchisee Training Travel and Living Expenses (2)	$1,000	$50,000	As Incurred	During Training	Airlines, Hotels, Salaries and Restaurants
Lease (3)	$7,500	$180,000	As Negotiated	Signing of Lease	Landlord
Construction Costs (4)	$100,000	$800,000	As Negotiated	Prior to Opening Restaurant	Suppliers and Contractors
Furniture, Fixtures, Equipment, Kitchen Equipment (5)	$40,000	$325,000	As Incurred	Prior to Opening Restaurant	Suppliers
Initial Inventory (6)	$8,000	$50,000	Lump Sum	As Incurred	Suppliers
Plans, Permits, and Licenses (7)	$30,000	$150,000	As Incurred	Prior to Opening	Architect, Designer, Engineer, Municipality
Grand Opening (8)	$10,000	$10,000	As Incurred	Post Opening	PR Company, Local Marketing Company
Miscellaneous (9)	$12,000	$25,000	As Incurred	Prior to Opening	Suppliers, Utilities, Us
Additional Funds – Three Months (10)	$60,000	$125,000	Lump Sum	Prior to Opening	Employees, Suppliers, Utilities
TOTAL (11)	$308,000	$1,755,400			

FOOTNOTES:

(1) For Your First Required Restaurant, you must pay the entire Initial Franchise Fee as a deposit when You submit the executed Area Development Agreement. For all subsequent Restaurants, You will receive credit of $10,000 against the Initial Franchise Fee from the Development Fee You paid, and must pay the $30,000 balance when You sign the Franchise Agreement prior to the opening of the Restaurant. The Initial Franchise Fee is not refundable for any reason.

(2) Training is tuition-free, but You must pay for the expenses of attendance, such as lodging, meals, transportation and wages of trainees. This estimate is based upon training 3 persons for a minimum of six weeks for Your first Restaurant. Each Restaurant must have at least one trained and certified manager and one certified kitchen manager. The cost of these expenses will depend on the distance each must travel, type of accommodations, the number of Your employees attending training and their wages. This includes the initial training of the initial team members during the pre-opening period.

(3) These estimates are the initial lease costs and are based on the assumption that You will lease Your Restaurant. If you purchase the land and/or building, the cost will be substantially more and vary widely based on the regional area and the specific location of the premises. A typical Restaurant contains approximately 1,200 to 3,000 square feet of indoor space plus approximately 150 square feet of patio space.

A lease normally requires payment of the first month's rent and a deposit equal to a second month's rent. The levels of rent vary widely from area to area and for different locations within the same area. A location within a mall or large shopping center may be smaller but require higher rent. You should investigate all these costs in the area, and for the specific site where You wish to establish Your Restaurant. We do not recommend that You purchase real property for a Restaurant.

(4) Lessors will often contribute to the cost of remodeling or constructing the space for Your Restaurant. The Construction Cost estimates have been reduced by a typical lessor tenant improvement (“TI”) allowance. You will follow our standard development procedures and adapt them to meet the specific requirements of Your proposed Restaurant. Costs and TI allowances vary widely from area to area and for different locations within the same area. You should investigate all these costs in the area, and for the specific site, where You wish to establish Your Restaurant.

FOOTNOTES:

The lower estimate is based on a smaller Restaurant, approximately 1,200 to 1,800 square fee typically located in a high-density area and in-line shopping center. The higher estimate is based on a Restaurant approximately 2,500 to 3,000 square feet typically in an end cap of a suburbia location. If You are building a free standing Restaurant, these costs would be significantly increased and construction costs can range from $1,200,000 to $1,800,000. If you are building your own building there will also be site work fees which we included in the higher end of the improvement costs.

(5) This is an estimate of the cost of leasing or purchasing required restaurant equipment, fixtures, furniture and suppliers. The Manual contains a list of mandatory items for new Restaurants with instructions for various site variations. Although You are not prohibited from doing so, We do not recommend that You purchase additional or upgraded items other than as specified in the Manual.

(6) The initial inventory consists primarily of food, beverages, uniforms, smallwares and supplies. The amount will vary depending on the sales volume You anticipate as well as current market prices.

(7) You must obtain all necessary business permits, licenses and approvals to operate the Restaurant. You may be required to purchase an existing or new beer and wine license. The costs of these licenses and other licenses and permits vary widely from area to area. You should contact an attorney and the government authorities in Your area for information about the cost and level of difficulties in obtaining all necessary permits.

(8) This amount includes a mandatory $10,000 grand opening promotional program. Restaurants being opened in a new trade area may require a larger investment than where Our brand is already known. This includes all social media and non-traditional outreach programs.

(9) Insurance, deposits, and other prepaid expenses are included in this amount. Insurance is included in this amount. You should have funds for one year's estimated insurance premium for property, liability, workers’ comp and other insurance. The cost of insurance varies depending on many factors. Insurance must be obtained to meet minimum requirements set by the System Standards. Initial premiums for commercial general liability insurance are subject to change due to market forces. The cost of other coverage, including workers’ compensation and employer liability coverage varies depending on many factors. You should contact your insurance agent and obtain an estimate of Your actual insurance costs. There may also be a requirement to pay utility and/or other deposits and to prepay certain expenses.

FOOTNOTES:

(10) This category includes contingent working capital requirements, which could include expenditures for payroll, utilities, vendor, advertising, promotion and similar costs during the initial phase of a new Restaurant. We cannot guarantee that You will not have additional expenses starting Your business. Your costs will depend on factors such as how much You follow the System and its procedures, the local market for Restaurant products, the prevailing wage rate, competition, and the sales level reached during the initial period.

(11) This is Our estimate of the total expenses to start Your Restaurant. Except for security deposits, none of the above payments are expected to be refundable. We will not finance any of these payments. The above are all estimates based on Our experience with franchisee and company Restaurants, but Your costs will depend to a great extent on Your area, size of Your Restaurant; how much You follow the System and its procedures; Your management skill, experience, and business acumen; and the sales level reached during the initial period. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise. You may lease or purchase your equipment

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ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Each Restaurant must be constructed or remodeled to Our specifications. You must obtain Our written approval of any proposed alterations to our specifications before any work is begun. You must equip and supply Your Restaurant from suppliers previously approved by Us ("**Approved Suppliers**").

You must purchase Our proprietary food products and items bearing our Marks which We or designated suppliers will sell to You at a reasonable markup. You are not obligated to purchase anything else from Us or Affiliates, but You will be obligated to make 100% of your inventory purchases from Approved Suppliers. To insure that the highest degree of quality and service is maintained, You must operate Your Restaurant in strict conformity with the methods, standards and specifications that We prescribe in the Manual or otherwise in writing. We may modify or add new specifications in writing.

We do negotiate purchase arrangements with suppliers including price terms for the benefit of franchisees and Affiliates. In order to maintain the uniformity and conformity within the System, You must cooperate with Us and participate in these programs and purchase the products from suppliers designated in the Manual so long as they are also required for all other franchisees similarly situated.

You must use some supplies that are proprietary to Us, including copyrighted forms and materials bearing Our Marks. The only material benefits You will receive for using approved suppliers are lower prices and better services and quality due to Our negotiations with them for the System. You may be required to purchase from Us in the future software, Internet, and multi-area marketing programs and to participate in these programs. There are no such requirements at this time, and We estimate based on present circumstances, that these required purchases will be less than one percent of Your purchases and leases

We will specify Approved Suppliers and the products and services that are required to be purchased or leased in the Manual. These will include without limitation a back office computer system, online ordering system, polling services, broadcast background music, television broadcasting, signs, menu boards, promotional materials, website maintenance, uniforms and supplies. The list of required items will be changed to meet current needs.. We may update Our list of Approved Suppliers as We deem necessary or appropriate.

Approved Suppliers and specifications are determined based on the current needs for operating the Restaurant. We evaluate Approved Suppliers based on price, service, quality, and other commercially reasonable benchmarks. We have the right to limit the number of vendors and suppliers for products, goods, supplies, fixtures and equipment. We also have the right to designate a single source of supply for certain products. We or an affiliate may be that single source.

We will approve additional suppliers. If you want to purchase items from another supplier, you may request Our "Supplier Approval Form" and pay Our Supplier Approval Fee of $1,000.00. Based on the information and samples you supply Us, We will test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit rating and other information. We will complete Our review promptly, generally within 90 days. We are not required to make available to You or any supplier Our criteria for product or supplier approval.

During the last fiscal year, neither We nor Our Affiliates received any revenues or rebates as a result of franchisee purchases. We do not have any purchasing or distribution cooperatives. If We receive rebates from suppliers such as beverage companies based on Franchisee purchases, We use the funds to benefit the System. None of Our officers own an interest in an Approved Supplier.

The location of Your Restaurant must have Our prior written approval. We recommend that You obtain a written opinion from an approved statistical data firm regarding the predicted sales from that location. The current cost of an opinion is approximately $2,000. All leases must be approved by Us and meet Our then current criteria as specified in the Manual. Neither Our approval or the opinion will be a guarantee that Your Restaurant will attain any sales level as You must bear that risk.

Your construction plans must be prepared by an architect approved by Us. Your kitchen plans must be designed by a kitchen planner approved by Us and follow the requirements of the Manual. You must purchase a combined cash register and computer system which has been approved or designated by Us and will be compatible with Our proprietary software. See ITEM 11 for additional information.

We will specify Approved Suppliers and the products and services that are required to be purchased or leased in the Manual. These will include without limitation a back office computer system, online ordering system, polling services, broadcast background music, television broadcasting, signs, menu boards, promotional materials, website maintenance, uniforms and supplies. The list of required items will be changed to meet current needs. To insure that the highest degree of quality and service is maintained, You must operate Your Restaurant in strict conformity with the method, standards and specification that We prescribe in the Manual or otherwise in writing. We may modify or add new specifications in writing,

We will approve additional suppliers. If you want to purchase items from another supplier, you may request Our "Supplier Approval Form" and pay Our Supplier Approval Fee of $1,000.00. Based on the information and samples you supply Us, We will test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit rating and other information. We will complete Our review promptly, generally within 90 days. We are not required to make available to You or any supplier Our criteria for product or supplier approval.

ITEM 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT ("FA") AND THE AREA DEVELOPMENT AGREEMENT ("ADA"). IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.

Obligation	Section in Agreement	Item in Disclosure Document
a. Site Selection and acquisition/lease	FA: §1.3, 6.3 ADA: §1.1, 4.2	Items 1, 11
b. Pre-opening purchases/leases	N/A	Items 7, 8, 11, 16
c. Site development and other pre-opening requirements	FA: §4, 5 ADA: §1,2, 4	Items 1, 5, 7, 11, 12, 15
d. Initial and ongoing training	FA: §5 ADA: §4	Items 1, 11, 17
e. Opening	FA: §5.1, 5.4, 7.8 ADA: §2	Items 5, 7, 11
f. Fees	FA: §2.0, 3.2, 4.1, 4.8, 5.6 ADA: §3, 4.3, 6.2(e)	Items 1, 5, 6, 7, 17, 19
g. Compliance with standards and policies/Manuals	FA: §4 ADA: §4.1	Items 1, 11
h. Trademarks and proprietary information	FA: §4.5, 14 ADA: §4.4	Items 13, 14
i. Restrictions on products/ services offered	FA: §4.4, 4.7, 4.8 ADA None	Items 8, 16
j. Warranty and customer service requirements	FA: §4.3 ADA: None	Item 1

k. Territorial development and sales quotas	FA: §1.2 ADA: §1.1, 2, 4	Items 1, 12
l. Ongoing product/ service purchases	FA: §4.6, 4.7, 4.8 ADA: None	Items 8, 16
m. Maintenance, appearance & remodeling requirements	FA: §4.3, 4.4, 4.6, 6 ADA: None	Item 17
n. Insurance	FA: §11 ADA: None	Item 7
o. Advertising	FA: §7 ADA: None	Items 6, 7, 11
p. Indemnification	FA: §10.2 ADA: None	Item 13
q. Owner's participation/ management/staffing	FA: §4.2, 4.9, 4.10 ADA: §8.4, 8.5	Item 15
r. Records/ Reports	FA: §8, 9.3,9.4 ADA: None	Items 6, 11
s. Inspections/Audits	FA: §9 ADA: None	Item 17
t. Transfer	FA: §13 ADA: §1.5	Items 6, 17
u. Renewal	FA: §3.2 ADA: §6	Items 6, 17
v. Post Termination obligations	FA: §4.9, 15 ADA: None	Item 17
w. Non-competition covenants	FA: §4.9 ADA: §8	Items 5, 17
x. Dispute resolution	FA: §16.5, 16.7 ADA: §9	Item 17

ITEM 10. FINANCING

Neither We, SGF, FOI, FGAE nor Our Affiliates offer direct or indirect financing. Neither We, SFG, FOI nor Our Affiliates guarantee Your note, lease or other obligation. There are no waiver of defenses or similar provisions in any note, contract or other instrument executed by franchisees with Us, SFG, FOI, FGAE or Our Affiliates.

We are registered with the SBA Franchise Registry. This affiliation may assist You with obtaining expedited loan processing if You should seek SBA financing.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as listed below, We need not provide any assistance to You.

A. Pre-opening. Before You open your business, We will:

1) Conduct an operations training course for You and Your ADA Designated Operator Area Development Agreement Section 4.5) and for each new Restaurant, Your General Manager, Your Kitchen Manager and all Assistant Managers (Franchise Agreement, Section 5.2).

2) Loan You a copy of Our confidential Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules, in electronic form (Franchise Agreement, Section 4.4).

3) Provide You with assistance in locating the site for Your Restaurant (Franchise Agreement, Section 1.3)

4) Approve, if it meets Our standards and specifications for approval, plans submitted by You for the design of Your Restaurant (Franchise Agreement, Section 1.3).

5) Assist You in developing a marketing program designed for Your Restaurant's initial opening (Franchise Agreement, Sections 4.1, 7.8).

6) Advise and assist You in opening Your Restaurant and be available to assist with its operations for as long as reasonably needed, in Our opinion (Franchise Agreement, Section 4.1).

B. Post-opening. During the operation of your Franchised business, We will:

1) Advise and assist You with operating Your Restaurant, including periodic visits by Our representatives (Franchise Agreement, Section 9.2).

2) Make available additional training programs as We deem appropriate (Franchise Agreement, Section 5.5).

3) Develop and administer at Our discretion Marketing programs designed to promote the collective success of all Restaurants (Franchise Agreement, Section 7.3).

4) Administer the Marketing Fund ("**Marketing Fund**") (Franchise Agreement, Sect. 7.3 and 7.4).

5) Develop a Marketing Fund Policy containing procedures and guidelines for disbursements from the Marketing Fund. (Franchise Agreement, Section 7.4).

6) Deposit Marketing Fund Fees received into a separate account (Franchise Agreement, Section 7.3).

87) Make periodic visits to Your Restaurant as We deem advisable (Franchise Agreement, Section 9.2).

8) Include information about your Restaurant on our Web site (Franchise Agreement, Section 7.9)

C. Site Selection. You must select a site that meets Our approval. We will help You select a site for Your Restaurant. Within 90 days after execution of the Area Development Agreement, You should have located and obtained Our approval for the site of Your first Restaurant. If You have not done so, We will grant You one or two additional 30 day extensions so long as, in our sole opinion, You have been duly diligent, after which the Area Development Agreement will be considered as abandoned if there is no approved site, and canceled without refund. You must in any event meet each deadline specified in the ADA's Development Schedule. You must use Our approved form to request an extension. After the extensions, We may terminate the Agreement with no refunds if You have not obtained an approved site.

We will consider as part of site approval a number of factors such as potential customer density levels, assessment of a demographic study of the customer mix compared to existing profiles already established by Us, assessment of competitor activity, revenue generators, traffic patterns of the area, as well as specific size, parking and other physical characteristics of the proposed site itself. We will use reasonable efforts to make a site acceptance decision within 30 days after We acknowledge receipt of a complete site information form and any other materials we have requested. Our approval means that the site and plans meet minimum specifications, and is not a warranty of their appropriateness. We do not generally own the premises and lease it to franchisees.

D. Time Before Opening. We believe that based upon the experience of other operators, You should typically open the first Restaurant within twelve (12) months after executing Your Franchise Agreement. This length of time may be affected by factors such as difficulties in obtaining a lease for acceptable premises, financing arrangements, building or sign permits, or delays caused by zoning or local ordinances, weather conditions, labor strikes, shortages of products and installation of equipment, fixtures and signs. Failure to open within the specified time period is a breach of the Franchise Agreement and Your Franchise Agreement can be terminated. You are responsible for conforming the premises to building codes and local ordinances. You must adhere to Our standards and specifications for the construction and design of the Restaurant, which will include requirements for the interior and exterior layout, signage, equipment, fixtures and trade dress.

E. Advertising. We will develop marketing, promotion and advertising programs designed to promote SHARKY'S Restaurants. Your participation in all such advertising and sales promotion programs must be in full and complete accordance with any terms and conditions as We may have established.

We will provide access to advertising and marketing materials and services to You. We currently conduct marketing at a trade area level to encourage the customer base to use Our services in preference to the competition. We may also use premium incentives and product awareness campaigns in Marketing. Advertising media may include print, Internet, vehicle wraps, fundraisers, public relations campaigns and radio or television, (primarily local in scope).

You may develop advertising materials for Your own use at Your own cost. We must approve the advertising materials in advance and in writing. Approval takes between 10 and 30 days. All of Your advertising, promotion and marketing must be completely clear and factual, not misleading, and conform to the highest standards of ethical marketing and promotion policies, and comply with all truth in advertising laws. You must submit to Us samples of all advertising, promotional and marketing materials (including Internet or electronic media marketing material) for Our prior written approval. You must only use advertising copy and other materials which are in strict compliance with Our requirements, as set forth in the Manual or otherwise.

There are no restrictions on Your advertising, except that You may not advertise independently on the World Wide Web or outside Your territory, and that Your advertising must be approved by Us, as stated above. You may not establish or maintain any website or any type of presence on the Internet or World Wide Web that in any manner whatsoever uses the Marks without Our prior written approval. You must adhere to the social media policies that We establish from time to time, and must require Your employees to do so as well. You must participate in Our online marketing campaigns, Gift Card program, Loyal Customer program and other programs designated in the Manual currently or in the future.

Marketing Fund.

You must pay Us Marketing Fund ("**Marketing Fund**") Fees of up to 3% (currently 2.0%) of Your Gross Revenues. We will administer the Marketing Fund and spend Marketing Fund Fees only for the purposes described in the Franchise Agreement and follow the procedures contained in the Marketing Fund Policy described in the Manual. The purpose of the Marketing Fund is to develop advertising and marketing content that will benefit all Restaurants wherever located. We will use monies from the Marketing Fund for advertising, marketing and promotion of SHARKY'S Restaurants generally. We cannot ensure that Marketing Fund expenditures will be equally beneficial or proportionate to each Restaurant's contributions.

The Marketing Fund which will be used to develop and produce marketing content designed to increase sales for all Restaurants system-wide. We may use a national or regional advertising agency or in house advertising personnel to create and place advertising. All interest earned on monies contributed to the Marketing Fund and any funds received from suppliers based on Franchisee purchases will be used for the same purpose. Marketing Fund contributions will not be targeted to advertise or sell franchises. The Restaurants operated by Our founder will contribute to the Marketing Fund at the same rate as Franchisees.

We will account for monies in the Marketing Fund separately from Our other amounts received. Money from the Marketing Fund may be used to pay Us for the reasonable salaries, administrative costs, travel expenses and overhead incurred by Us in activities relating to the administration of the Marketing Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing Fund. (Franchise Agreement, 7.3(h).) The monies in the Marketing Fund will generally be spent in the same fiscal year as they are accrued. Any unused funds will be spent in the next year. You may request an accounting of advertising expenditures at any time during normal business hours and obtain a written accounting within less than 2 weeks.

Local Marketing.

You must also spend at least 2% of Your Restaurants Gross Revenues monthly for pre-approved local Marketing of Your Restaurant in its trade area. You must submit confirmation of Your Local Advertising following the procedures and timing requirements designated in the Manual.

If an Advertising Cooperative ("**Ad Co-op**") is established for the area where Your Restaurant is located, You must join, actively participate in and contribute to the Ad Co-op; contributions to it will be applied toward Your Local Marketing Commitment. The Ad Co-op may also serve as a means of exchanging ideas, sharing information and problem solving.

The Franchise Agreement gives Us the power to require Ad Co-ops to be formed, changed, dissolved or merged. We will determine the area of each Ad Co-op You must contribute to the Ad Co-op up to 2% or more of Your Restaurant's Gross Revenues, which is in addition to your contributions to the system wide Marketing Fund discussed above. The Ad Co-op members may agree to additional funding in accordance with its established Bylaws.

Each Ad Co-op will be organized and governed in a form and manner and will operate according to written governing documents, all of which must be approved in advance by Us. We will oversee each Ad Co-op. If You are in default of the Franchise Agreement, You will not have voting privileges. The Ad Co-op may prepare annual or periodic financial statements and these will be available to You upon request. We have the right to form, change, dissolve, and merge any Ad Co-op and to create and amend any organization and governing documents of any Ad Co-op in our sole business judgment. A copy of the governing documents for Your area will be provided upon written request. We may create an Advisory Council whose members will be Franchisees elected by Our Franchisees with one member for every ten Restaurants. We will not be bound by decisions or other actions taken by the Advisory Council and may change or dissolve it at Our discretion.

F. Computers; Computer Programs. Your Restaurant must have a point of sale and computer system as specified in the Manual, which will operate Our currently approved software and allow You to participate in the Network. Your Restaurant must also have one or more modems, fax machine, security system, polling systems, digital menu board, computerized safe systems and a telephone answering machine capable of voice mail recovery, all as specified in the Manual. We may require you to upgrade or update Your equipment, such as the computers, other hardware, programs, security system, and telephone system, with reasonable limitation on the frequency or cost of this requirement. You are responsible for installing a broadband hook-up and other utilities for the Restaurant.

We will have independent access to the information that will be generated or stored in any electronic cash register or computer systems, such as financial and marketing information. There are no contractual limitations on Our right to access this information. If We establish an online management and communication system for Restaurant Operations, You must participate fully with its requirements as stated in the Manual. The purchase costs of these items is estimated at $30,000. Your annual maintenance costs are estimated at $3,500. Except for the software, none of the above are proprietary properties of Us, or Our Affiliates, and We are not obligated to provide or assist You in obtaining the above items or services.

G. Confidential Online Manual. You may review Our Manual before purchasing a Franchise but only at Our headquarters. You may not copy any of the information contained in the Manual as it contains proprietary information. You must sign a Confidentiality Agreement regarding the Manual. See Exhibit H.

H. Training

We provide mandatory initial training course for three levels: Executive (majority owner), Management (operating partner and opening unit Restaurant Manager) and Kitchen Management (opening kitchen manager). We may cancel Your Franchise Agreement if Your designated representatives fail to successfully complete Our training program and obtain certification. See the Notes following the Tables.

TRAINING PROGRAMS

MAJORITY OWNER

SUBJECT	INSTRUCTION MATERIAL	INSTRUCTOR	AMOUNT OF TRAINING On the Job	/ Classroom
Introduction-Food Preparation and Food Safety	Manual and handouts	Training GM and Kitchen Manager	20 hours	4 hours
Equipment handling and operation	Manual and handouts	Training GM and Kitchen Manager	10 hours	3 hours
Systems review and service expectations.	Manual and handouts	Training GM and District Manager	19 hours	2 hours
Brand building blocks	Manual and handouts	Marketing Director	0 hours	4 hours
Building Your local trade area	Manual and handouts	District Manager and Marketing Director	0 hours	4 hours
Final Review/Questions	None	Training GM, Marketing Director and/or Executives		3 hours

UNIT MANAGER
42 days (over 7 weeks)

Subject	Instruction Material	Instructor	On The Job Hours	Classroom Hours
Kitchen Management & Food Preparation	Prep Recipe Book, Menu Item Recipe Book & KM Daily Agenda	Training GM & BOH Training Kitchen Manager	60 Hours	10 Hours
Menu Item Production	Line Cook Training Manual	Training GM & BOH Training Kitchen Manager	80 Hours	6 Hours
Guest Service, Cashier & Lobby Attendant	Cashier & Lobby Training Manuals	Training GM & FOH Training Manager	48 Hours	4 Hours
Restaurant Management	Manual	Training GM & District Manager	100 Hours	10 Hours
Back Office Computer Systems	Vendor Manual & Manual	Training GM & FOH Training Manager	8 Hours	2 Hours
Menu Pricing & Competitive Menu Analysis	Manual & LSM Manual	Marketing Director		3 Hours
Trade Area Survey Execution	Manual & LSM Manual	Marketing Director		4 Hours
Restaurant Maintenance	Manual	Training GM & District Manager	4 Hours	
Final Review & Certification	None	Training GM & District Manager		4 Hours

KITCHEN MANAGER

Subject	Instruction Material	Instructor	On the Job Hours	Classroom Hours
Kitchen Management & Food Preparation	Prep Recipe Book, Menu Item Recipe Book & KM Daily Agenda	Training GM & BOH Training Kitchen Manager	94 Hours	10 Hours
Menu Item Production	Line Cook Training Manual	Training GM & BOH Training Kitchen Manager	98 Hours	6 Hours
Restaurant Management	Manual	Training GM & District Manager	40 Hours	10 Hours
Restaurant Maintenance	Manual	Training GM & District Manager	4 Hours	
Final Review & Certification	None	Training GM & District Manager		4 Hours

We provide this initial training at no additional charge to You. You and/or Your Designated Operator must attend and successfully complete Our Initial Training. We may terminate the Franchise Agreement for failure to successfully complete this training course.

You must pay all travel and living expenses for your trainees. We may increase, decrease and/or adjust the above training program to the extent that We deem appropriate to meet Your and Our requirements.

We hold these training sessions several times each year. Initial training will be located in Southern California, partially at Our headquarters and at a designated Restaurant. The materials used in Our Initial Training are the Manual and other materials such as various videos. We may modify Our training programs at any time. The actual hours will depend on a variety of factors, including the trainee's prior experience and his or her ability to pass any written and/or practical exams to Our reasonable satisfaction.

All of Our trainers have at least one year of experience working in restaurant operations. We may substitute trainers and speakers depending on availability. Certification may be required in additional areas and will be published in the Manual.

As We deem necessary, We may provide employees (up to 2) for such a period of time (currently 7 days) to conduct on-site training before and during the opening of Your Restaurant. We may charge Our then-current per employee fee (currently $500 per day), plus reasonable travel-related expenses for such on-site training and assistance.

As We deem necessary, We may require that You and Your personnel attend additional training courses or programs covering operations and new product or procedure introductions. We may require You to pay a reasonable fee for the additional training. Currently, Our training fee is $500 per day. You must pay for all travel, lodging and food costs for You and Your personnel. We expect that additional training will be conducted at one of Our Affiliate's Restaurants and will be one or two days in duration and cover changes in Restaurant products and procedures. Under normal circumstances, the additional training will not occur more than once a year.

ITEM 12. TERRITORY

You must operate each Restaurant at a specific location selected by You and approved by Us. You will have the right and obligation to operate and maintain Your Restaurant within a designated geographic area as described in this Item 12 (Your "**Protected Area**").

We agree that unless Your Restaurant is in a "**high density area**" (as defined below), We will not establish another SHARKY'S Restaurant within three (3) miles radius from the front door of Your Restaurant, except for one or more "**Non-traditional Venue"** restaurants.

We have the discretion to determine what is to be considered a "**high density area**", which will typically be an area with a high degree of pedestrian traffic, such as a downtown portion of an urban area with high rise commercial buildings, or a densely populated residential area with primarily multi-family or apartment units, in which event You and We will agree on the area, if any, in which You will have territorial protection.

"**Non-Traditional Venue"** means a site or location for which the lessor, owner or operator thereof shall have indicated its intent to limit the operation of its food service facilities to itself or a master concessionaire or contract food service provider, and which site or location is either (i) within another primary business or (ii) at an institutional setting such as a school, college and university, military and other governmental facility, hospital, hotel, limited access highway, shopping mall, airport, toll road, office or in-plant food facility, sports arena and stadium, supermarket, grocery store or convenience store.

The Franchise Agreement will not grant You any options, rights of first refusal or similar rights to acquire additional franchises within Your Protected Territory or contiguous areas. There is no minimum sales quota. You maintain rights to Your exclusive territory even though the population increases. Your territorial rights are not dependent upon achievement of a certain sales volume, market penetration or any other contingency, and it will not be altered except by mutual consent.

You must receive Our approval before relocating the Restaurant. Any request to relocate Your Restaurant will be either approved or denied within 90 days of Our receipt of all relevant information. We may approve the relocation of Your Restaurant in certain limited circumstances, such as loss of the location due to condemnation, eminent domain destruction, or loss of Your right of possession for reasons not caused by You.

We reserve all rights not expressly granted in the Franchise Agreement. You will not receive an "exclusive" territory and You may face competition from other franchisees, from outlets that We own, or from other channels of distribution or competitive brands that We control.

The Franchise Agreement does not restrict Us from operating or authorizing others to operate other franchises or company-owned Restaurants or other channels of distribution selling or leasing similar products or services under a different trademark. Neither We nor any Affiliate has established or presently intends to establish Restaurants under a different trade name or trademark, but We reserve the right to do so.

We have the sole and exclusive right to produce, license, distribute and market products using the Marks or other marks (such as pre-packaged products, beverages, books, clothing, souvenirs and novelty items) through any outlet anywhere, and through any distribution channels. We reserve the right to use or license others to use Our name and other trademarks to distribute pre-packaged products. You will not receive any of these rights. We are not required to pay You for soliciting or accepting orders from inside Your territory.

Area Development Agreement. During the term of an Area Development Agreement ("**ADA**"), We will not license or allow any other party to open a SHARKY'S Restaurant within Your development Territory (except for one or more "**Non-traditional Venue"** restaurants (defined above) or pursuant to the first refusal rights contained in Your Franchise Agreement).

If You materially breach the ADA and it is terminated, We will have full rights to franchise other parties to operate Restaurants within what was Your Territory, or to operate Restaurants Ourselves within that Territory.

If before the end of the term You have opened all of the Restaurants required by the ADA and We decide that one or more additional Restaurants should be developed within Your Territory, You will have the right of first refusal for the additional Restaurant(s).

If We acquire a chain of Restaurants with the intention of converting them to Restaurants using Our Marks, You will have a right of first refusal to purchase and convert any of those Restaurants within Your territory.

ITEM 13. TRADEMARKS

Our founder, Steven Paperno (the "**TM Owner**") own all of the Marks used by the Restaurants and have licensed Us to use the Marks and franchise others to use the Marks. The License granted Us by the TM Owner will not expire until 2107, and the TM Owner may not take action regarding the Marks which affect Your right to use them under a Franchise Agreement.

You will receive the right to operate a Restaurant under the name SHARKY'S WOODFIRED MEXICAN GRILL. You may also use other current or future Marks to operate Your Restaurant. By Mark, We mean trade names, trademarks, service marks and logos used to identify and operate Your business. The TM Owner has registered the following Marks on the United States Patent and Trademark Office ("**USPTO**") Principal Register and has filed all required affidavits regarding these Marks:

Mark	Date	Number
Sharky's	07/22/97	2080706
Sharky's Woodfired Mexican Grill (Design)	08/13/13	4383823
Get It Naked	02/01/11	3913677
Beyond Just Fresh	02/06/01	2427086
Always Natural, Always Fresh	04/24/01	2446316
Eat Naked	11/15/11	4055323
Power Plates	01/12/11	4104219
Sharky's Woodfired Mexican Grill (Design)	02/23/16	86916685 (App#)

You must follow Our rules when using these Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques except as We license to You. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated from time to time.

There are no agreements that limit Our right to use or franchise the use of the Marks. We do not know of any infringing uses that could materially affect Your use of the Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks.

You must notify Us immediately after learning about an infringement of or challenge to your use of the Marks. We will take the action We think appropriate to protect the integrity and validity of the Marks. We are not required to take any specific action in regard to infringements involving the Marks. We have the sole right to control administrative proceedings or litigation regarding any trademark infringements.

We will defend You and indemnify You if You are a party to a legal proceeding involving a Mark licensed by Us and used properly by You. You must modify or discontinue the use of a trademark if We modify or discontinue it. We have the right to modify, add to, or discontinue use of the Marks, or to substitute different Marks. You must promptly comply with any required changes, revisions and/or substitutions, and You will pay all the costs of modifying Your signs, advertising materials, interior graphics and any other items which bear the Marks. You must not contest Our right to the Marks, trade secrets or business techniques.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but You can use the proprietary information in the Manual, training materials, including DVD and CD diskettes, electronic emails and confidential information. The Manual is referred to in ITEM 11. Although We have not filed an application for a copyright registration for the Manual, training materials, advertising materials and other written materials, We claim a copyright and the information is proprietary and confidential and may only be used as provided in the Franchise Agreement. ITEM 11 describes limitations on the use of this Manual by You and Your employees. You must also promptly tell Us when you learn about unauthorized use of this proprietary information. We are not required to take any action, but We will respond to this information as We think appropriate. You or Designated Operator may divulge confidential information only to those employees who must have access to it to operate Your Restaurant. The Manual may not be copied, recorded or otherwise reproduced without Our prior written consent.

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

You or Your Designated Operator, who has successfully completed Our training program, must directly supervise and participate in the actual day-to-day operation of the Restaurant.

Your Restaurant must at all times have an on-site manager approved by Us and certified as designated in the Manual. You must take steps necessary to ensure that Your employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and are properly trained. You and Your employees must handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from Our name and goodwill. You will be solely responsible for all employment decisions and functions of the franchised location, including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees.

If You are an entity, We do not require that Your Designated Operator own an equity interest in such entity. Neither You nor Your Designated Operator may have an interest or business relationship with any of Our business competitors, unless otherwise approved by Us in advance and in writing.

If You are a legal entity such as a corporation, partnership or limited liability company, one of Your owners must be approved by Us to be Your full-time representative. All of Your owner(s) must personally guarantee the Franchise Agreement and, if applicable, Area Development Agreement. We have the right to approve all owners and any future owners. The ADA requires You to designate an "**Authorized Agent**" who will have full authority to act on Your behalf in performing, administering or amending the ADA.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those products and services that We have approved (see ITEM 8). You must offer all products and services that We designate as required for all franchisees. These required products and services are described in the Manual. You must obtain Our prior written approval for any other products and services to be sold by Your Restaurant. If We implement customer satisfaction programs for all franchisees, You must participate fully with their requirements as stated in the Manual.

We may change the types of authorized products and services that you must offer from Your Restaurant. There are no limits on Our rights to make such changes. If You propose an additional product or service, You must submit it to Us for approval before offering it in Your Restaurant. We may approve it initially for testing only. All proposals approved by Us will become Our property.

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ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section	Summary
Initial Term	FA: §3.1	Initial term of Franchise is 10 years.
Renewal or extension of the term.	FA: §3.2	You may renew the franchise for two additional 5-year terms if certain conditions are met. "**Renewal"** may require You to sign a contract with materially different terms and conditions than Your original contract.
Requirements for renewal or extension.	FA: §3.2	6-12 months' notice, no defaults during last 12 months, material and timely compliance with Franchise and other agreements during initial term, satisfied all monetary obligations owed to Us and Your suppliers, completed all required additional training, made all requested changes in operating personnel, modernized the Restaurant and other equipment, payment of renewal fee, and signing of new Franchise Agreement with Renewal Addendum, and general release.
Termination by You without cause.	None	
Termination by Us without cause	None	
Termination by Us with cause.	FA: §15.1	We can terminate only if You default.
"Cause" defined as defaults which can be cured.	FA: §15.1	You have 30 days after notice to cure defaults (except defaults in payment to Us, in which case You only have five days to cure after notice). Includes defaults in other franchise agreements with Us. No cure period for default repeated twice within any twelve-month period.

"Cause" defined as defaults which cannot be cured.	FA: §15.1	Non-curable defaults: Failure to open in a specified time period, failure to complete training or allow inspection, bankruptcy or similar action, loss of possession, material misrepresentation in obtaining franchise, or violation of health and safety laws, conviction of crime involving moral turpitude or failure to obtain consent to transfer rights or offer first right of refusal, or repetition of default within any 12 month time period.
Obligations on termination.	FA: §15.3	Immediate obligations include no more use of telephone numbers, trademarks or proprietary information, remove all Marks, return of Our manual, and de-identify the Restaurant.
Assignment of contract by Us.	None	No restriction on Our right to assign.
"Transfer" by You- definition	FA: §13.5	Includes transfer of rights under Franchise Agreement and ownership change.
Our approval of transfer by franchisee.	FA: §13.3	We have the right to approve all third party transfers but will not unreasonably withhold approval.
Conditions for Our approval of transfer.	FA: §§13.4, 13.5, 13.6	No default, assets of the Restaurant in standard condition, payment of all amounts owed to Us and Affiliates, payment of transfer fee, transferee qualifies and passes training, current Franchise Agreement signed by transferee and release and non-competition agreement signed by You.
Our right of first refusal to acquire your business.	FA: §13.7	We can match any offer for the franchised business.
Our option to purchase your business	None	
Your death or disability.	FA: §13.6	Approval by Us of heir or sale within six months to an approved buyer.
Non-competition covenants during the term of the franchise.	FA: §4.9	No interest in a Restaurant or similar business offering the same or similar food and drink items to those sold in a SHARKY'S business ("**Similar Business**").

Non-competition covenants after the franchise is terminated, transferred or expires.	FA: §4.9	No interest in any Similar Business for 2 years within 10 miles of any Restaurant in U.S. or Canada.
Modification of the agreement.	FA: §16.12	Only written and signed modifications, but Manual subject to change.
Integration/ merger clause.	FA: §16.11	The agreement between the parties is limited to the agreement and other documents referred to therein. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
Dispute resolution by arbitration or mediation.	FA: §16.5	Except for certain claims, all disputes must be arbitrated in county where Our headquarters are located ("Home County"), currently Ventura County, California.
Choice of forum	FA: §16.5	Except for certain claims, any arbitration or litigation must be in Home County.
Choice of Law.	FA: §16.7	Law of state where Your Restaurant is located applies.

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AREA DEVELOPMENT AGREEMENT

This table lists important provisions of the Area Development Agreement ("ADA"). You should read these provisions in the ADA attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision	Section	Summary
Initial Term	ADA: §6	Initial term is mutually agreed between You and Us.
Renewal or extension of the term.	ADA: §6	
Requirements for renewal or extension.	None	
Termination by You without cause.	None	
Termination by Us without cause	None	
Termination by Us with cause.	ADA: §1.5, 7	We can terminate only if You default or fail to meet the Development Schedule. The termination of the ADA will have no effect on any franchises previously issued to You.
"Cause" defined as defaults which can be cured.	ADA: §7	You have 30 days after notice to cure defaults. Such cause includes defaults in other Franchise Agreements developed under the ADA..
"Cause" defined as defaults which cannot be cured.	ADA: §7	Non-curable defaults: Failure to meet deadlines in Development Schedule.
Obligations on termination.	ADA: §1.4	No further rights or obligations.
Assignment of contract by Us.	None	
"Transfer" by You-definition	None	
Our approval of transfer by franchisee.	ADA: §1.7	No transfers allowed.

Conditions for Our approval of transfer.	None	
Our right of first refusal to acquire your business.	None	
Our option to purchase your business	None	
Your death or disability.	None	
Non-competition covenants during the term of the franchise.	ADA: §8.3	No Competitive Interest in a restaurant similar to or competitive with a SHARKY'S business.
Non-competition covenants after the franchise is terminated, transferred or expires.	None	
Modification of the agreement.	ADA: §9.1	Only written and signed modifications.
Integration/ merger clause.	ADA: §9.1	The agreement between the parties is limited to the agreement and other documents referred to therein. Only the terms of the franchise agreement and area development agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable.
Dispute resolution by arbitration or mediation.	ADA: §9.1	Except for certain claims, all disputes must be arbitrated in county where Our headquarters are located ("Home County").
Choice of forum	ADA: §9.1	Except for certain claims, any arbitration/ or litigation must be in Home County.
Choice of Law.	ADA: §9.1	Law of state where most of Your Territory is located applies

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote Our franchises but may do so in the future.

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 Restaurants if there is a reasonable basis for the information and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing Restaurant 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.

Except as contained in **Exhibit F**, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised Restaurants. We also do not authorize Our employees or representatives to make any such representation either orally or in writing. If You are purchasing an existing Restaurant, however, We may provide You with the actual records of that Restaurant. If You receive any other financial performance information or projections of Your future income, You should report it to the franchisor's management by contacting Our CEO Steven Paperno at 780 Lakefield Road, Suite C, Westlake Village, CA 91361; 805-496-8489, the Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20: RESTAURANTS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEM WIDE RESTAURANTS SUMMARY
For Fiscal Years – 2015 TO 2017

Column 1 Restaurant Type	Column 2 Year	Column 3 Restaurants at the Start of the Year	Column 4 Restaurants at the End of the Year	Column 5 Net Change
Franchised	2015	20	22	+2
	2016	22	24	+2
	2017	24	27	+3
Company - Owned	2015	1	1	0
	2016	1	1	0
	2017	1	1	0
Total Restaurants	2015	21	23	+2
	2016	23	25	+2
	2017	25	28	+3

Note: Our Fiscal Year ends December 31. "Company-owned Restaurants" shown in these tables are operated by entities which Our owners control.

Table No. 2
TRANSFERS OF RESTAURANTS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
For Fiscal Years 2015 TO 2017

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2015	1
	2016	0
	2017	3
Totals	2015	1
	2016	0
	2017	3

Table No. 3

STATUS OF FRANCHISED RESTAURANTS
For Fiscal Years 2015 TO 2017

Column 1 State	Column 2 Year	Column 3 Restaurants at Start of Year	Column 4 Restaurants Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Restaurants at End of the Year
California	2015	20	2	0	0	0	0	22
	2016	22	1	0	0	0	0	23
	2017	23	3	0	0	3	1	25
Oregon	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Nevada	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Total	2015	20	2	0	0	0	0	22
	2016	22	2	0	0	0	0	24
	2017	24	4	0	0	3	1	27

Table No. 4
STATUS OF COMPANY RESTAURANTS
For Fiscal Years
2015 TO 2017

Column 1 State	Column 2 Year	Column 3 Restaurants at Start of Year	Column 4 Restaurants Opened	Column 5 Restaurants Reacquired from Franchisees	Column 6 Restaurants Closed	Column 7 Restaurants Sold to Franchisees	Column 8 Restaurants at End of the Year	Column 9 Totals
California	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1

Table No. 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2017

STATE	FRANCHISE AGREEMENTS SIGNED BUT BUSINESS NOT OPENED	PROJECTED FRANCHISED NEW BUSINESSES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED BUSINESSES OPENINGS IN NEXT FISCAL YEAR
Arkansas	1	1	0
California	2	0	0
Oregon	4	0	0
Nevada	1	1	0
Totals	**7**	**2**	**0**

The names, addresses and telephone numbers of Our franchisees as of December 31, 2017 are listed in **Exhibit D**. The name, last known address and telephone number of every franchisee within the most recently completed calendar year who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has not communicated with Us within 10 weeks of the date of this Disclosure Document, are listed in **Exhibit E**.

During the last three fiscal years, We have signed no settlement agreements containing confidentiality clauses with current or former franchisees. You should be aware that We are required by law to disclose Your contact information to other franchise purchasers if You become a franchisee or leave Our franchise system.

We have not created, sponsored or endorsed any trademark-specific franchisee organization associated with Our System and no such association has asked to be included in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Our audited financial statements dated December 31, 2017, December 31, 2016, and December 31, 2015 are attached as **Exhibit G**.

ITEM 22. CONTRACTS

Copies of the following agreements are attached:

Exhibit A. Area Development Agreement
Exhibit B. Franchise Agreement with Exhibits & State Addenda
Exhibit H. Confidentiality Agreement

ITEM 23. RECEIPTS

You will find copies of a detachable receipt in **Exhibit I** at the very end of this disclosure document.

It is important that you sign, date and return a Receipt to Us. As noted on the cover page, this Disclosure Document is available in electronic format, in which case You must print a copy of the Receipt and send a signed and dated copy to Us. Thank you.

Our Franchise Sellers are Steven Paperno and David Goldstein. Their address and telephone number are: 780 Lakefield Road, Suite C, Westlake Village, CA 91361; 805-496-8489

Exhibit
A

SHARKY'S WOODFIRED MEXICAN GRILL®

AREA DEVELOPMENT AGREEMENT

SHARKY'S WOODFIRED MEXICAN GRILL
AREA DEVELOPMENT AGREEMENT
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SHARKY'S WOODFIRED MEXICAN GRILL®
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT dated ________________, 201__, is between Passion Foods, Inc., a California corporation ("**We**", "**Us**" or "**Our**", on the one hand, and ________________________________, a _____________ organized under the laws of the State of _________________ ("**You**" or "**Your**"), and the person(s) executing this Agreement as "**PRINCIPAL**S" (the "**Principals**"), on the other hand.

In consideration of the mutual promises set forth herein, the parties agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Development of Territory. We hereby grant to You the right to open and operate SHARKY'S WOODFIRED MEXICAN GRILL franchise restaurants ("**Restaurants**") in the geographic area which is specified in **Exhibit A** attached hereto and incorporated herein by reference (the "**Territory**").

1.2 Your Territorial Rights. (a) During the term and any extension or renewal of this Agreement, We will not (a) license or allow any other party to operate a Restaurant within the Territory except one or more "**Non-traditional Venue"** restaurants defined in subsection 2.1(c) below, or (b) open or operate, directly or indirectly, any Restaurants within the Territory (except pursuant to any first refusal rights contained in any Franchise Agreement between You and Us, or as otherwise provided in Article 5 below).

(b) Notwithstanding the foregoing, if You have opened the minimum number of Restaurants referred to in Section 2.1 below and We determine in Our discretion that one or more additional Restaurants should be developed within the Territory, We will notify You in writing of such determination and offer You the right of first refusal to develop such Restaurant(s). If after 30 days following mailing of such notice, We have not received Your written acceptance of such right of first refusal, We may develop such Restaurants within the Territory or authorize other(s) to do so.

1.3 Termination. If this Agreement is terminated as a result of a material breach by You, We will have the full and absolute right to operate or franchise or license other parties to operate SHARKY'S WOODFIRED MEXICAN GRILL Restaurants within the Territory. Such termination will not affect Your then existing Franchise Agreements with Us or Your right to complete the opening and operation of a Restaurant to which You are then fully committed.

1.4 Other Products and Outlets. You agree that We retain the unrestricted right within the Territory and elsewhere to use, or license others to use, Our trademarks as follows to distribute pre-packaged food and other products.

1.5 Not Transferable. This Agreement is a personal, non-transferable commitment by You to Us based on the personal confidence reposed by Us in the Principals. Accordingly, both parties agree that any attempt without the prior express written consent of Us to transfer, encumber or assign this Agreement by You or by the Principals in any manner whatsoever will cause the immediate and automatic termination of this Agreement, and We will have no further liability or obligation to You or the Principals pursuant to this Agreement.

2. DEVELOPMENT OF TERRITORY

2.1 Development Schedule. (a) You agree to develop at least a total of __________ (____) SHARKY'S WOODFIRED MEXICAN GRILL Restaurants (the "**Required Restaurants**") within the Territory during the term of this Agreement in strict accordance with the Development Schedule set forth in **Exhibit B** attached hereto and incorporated herein by reference (the "**Development Schedule**").

(b) The Development Schedule contains a specific number of Required Restaurants to be opened and operated by You within the Territory during certain time periods. If any Restaurants within the Territory are closed for business (except for authorized holidays or temporarily for major repairs or otherwise with Our prior written consent), such Restaurants will not be included in computing the number of open and operating Required Restaurants and in satisfying the deadlines set forth in the Development Schedule.

(c) The number of Required Restaurants for purposes of the Development Schedule will not without Our prior written consent include a Restaurant located at a "**Non-Traditional Venue",** which means a site or location for which the lessor, owner or operator thereof shall have indicated its intent to limit the operation of its food service facilities to itself or a master concessionaire or contract food service provider and which site or location is either (i) within another primary business or (ii) at an institutional setting such as a school, college and university, military and other governmental facility, hospital, hotel, limited access highway, shopping mall, airport, toll road, office or in-plant food facility, sports arena and stadium, supermarket, grocery store or convenience store.

2.2 Deadlines. The parties acknowledge and agree that the deadlines set forth in the Development Schedule are of the essence of this Agreement. No modification or amendment to the Development Schedule or any consent to or waiver of any deadline or other obligation of this Agreement will either (a) create any obligation to grant additional modifications, amendments, consents or waivers or (b) be effective unless made by written mutual agreement of the parties.

3. DEVELOPMENT FEE

3.1 Development Fee. In consideration of Our grant to You of the right to develop SHARKY'S WOODFIRED MEXICAN GRILL Restaurants in the Territory as provided for herein, You agree to pay to Us upon execution of this Agreement the Initial Franchise Fee for the first Required Restaurant plus $10,000 for each additional Required Restaurant (the "**Development Fee**"). The Development Fee is non-refundable and is fully earned by Us upon Our execution hereof as a result of the grant of rights to You and Our forbearance from developing the Territory Ourselves or through other parties. You will not be entitled to a refund of such fee under any circumstances.

SIGN HERE: ___________________

3.2 Amount of Fee. The total Development Fee to be paid by You upon execution of this Agreement is $________________.

4. DEVELOPMENT PROCEDURES

4.1 Mandatory Compliance. You must at all times remain in compliance with this Agreement and all Franchise Agreements issued for Restaurants developed hereunder. We will not approve any pending franchise application or site approval request by You for additional Restaurant(s) if You are in material breach of any Franchise Agreement.

4.2 Site Approval. You will utilize Your own financial, real estate, construction and any other resources required to develop Restaurants. You agree to comply with the requirements of the Franchise Agreement and any additional requirements provided for in the Manual.

4.3 Franchise Agreements and Fees. You will receive $10,000.00 credit from the Development Fee toward the Initial Franchise Fee for each Required Restaurant, except that the total Initial Franchise Fee for the first Required Restaurant will be included in the Development Fee. You must pay the balance of the Initial Franchise Fee and execute Our then-current form of SHARKY'S WOODFIRED MEXICAN GRILL Franchise Agreement for each other Required Restaurant. For the second and each of the other Required Restaurants opened pursuant to Your Development Schedule, the Restaurant's Initial Franchise Fee and Royalties will be the same as those contained in Your first Required Restaurant.

4.4 Confidentiality Agreements. You agree to obtain from each of the Principals and any other or Your representatives a Confidentiality Agreement in the form attached hereto as **Exhibit C** and incorporated herein by reference. You further to comply fully with the terms of such Confidentiality Agreement. A copy of all such signed agreements shall be delivered to Us within one week of their execution.

4.5 Designated Operator. The individual named in this Section must be an experienced food professional with multi-unit restaurant supervisory experience who, will devote his or her full time, best efforts and constant personal attention to the operation and development of the Required Restaurants, with full authority to act on Your behalf and on behalf of the Principals with regard to the operation of Your Restaurants:____ (the "**Designated Operator**"), who must be at all times approved by Us and certified by Us as fully trained for development and restaurant operations. Certification and approval of the Designated Operator includes both satisfactory completion of Our Restaurant Manager and Kitchen Manager Training Programs, and also working sufficient additional time in a company-operated restaurant, as we deem necessary in our sole discretion, to successfully develop and operate a SHARKY'S WOODFIRED MEXICAN GRILL restaurant. Failure of the Designated Operator to successfully complete this training and the additional in-restaurant assignment to Our satisfaction constitutes a material breach of this Agreement. Any change in the identity of Your Designated Operator must be approved by Us in writing.

5. EXISTING RESTAURANTS; ACQUISITIONS

5.1 Company Restaurants. If We or another entity under common control with Us ("**Affiliate**") currently operate SHARKY'S WOODFIRED MEXICAN GRILL Restaurants within the Territory, such Restaurants are specified on **Exhibit A** attached hereto and incorporated herein by reference ("**Company Restaurants**") and any present or proposed franchised Restaurants in the Territory are specified on **Exhibit A** as "**Franchised Restaurants**". Unless You are purchasing the Company Restaurants or Franchised Restaurants pursuant to a separate agreement, You agree that Company Restaurants and Franchise Restaurants may continue to be operated as SHARKY'S WOODFIRED MEXICAN GRILL Restaurants notwithstanding their location in the Territory. In any event, such Restaurants will not be included under any circumstances toward meeting Your development obligations hereunder.

5.2 Acquisitions; First Right of Refusal.

(a) We may during the term hereof acquire a chain of Restaurants from a third party with the intention of converting some or all of such Restaurants to SHARKY'S WOODFIRED MEXICAN GRILL Restaurants, in which event You agree that We may so convert any of such Restaurants located within the Territory so long as We satisfy the following conditions:

(i) We will first send You a written offer to purchase all such Restaurants within the Territory at Our total acquisition cost (including without limitation "soft" costs as defined below) for such Restaurants.

(ii) You will have thirty days from the date such offer is sent to accept such offer, and until You have either rejected such offer or such thirty day period has lapsed, no conversion or other offer to third parties will be made by Us.

(iii) Your failure to accept such offer within such thirty day period will constitute a rejection.

(b) If You have accepted the above offer and converted such Restaurant(s) to Our satisfaction, such Restaurants(s) will apply toward meeting Your development obligations under the Development Schedule. If We convert or franchise another party to convert such Restaurants, such Restaurants will not have any effect on Your obligations under the Development Schedule.

(c) For purposes herein, "**soft costs**" will mean all internal and external costs incurred by Us in connection with the acquisition. These will include, without limitation, cost of funds, personnel time (e.g., in analyzing, negotiating, approving and permitting the acquisition, etc.), and out-of-pocket expenses (e.g., travel, lodging, meals, professional fees to attorneys, architects, engineers, etc.) in connection with the acquisition as applied pro rata to each Restaurant being offered to You.

6. TERM; RENEWAL

6.1 Term; Renewal. (a) The initial term of this Agreement ends Five (5) years from the date set forth above **or if signed by You and Us**, until the following date:

_______________, 20__.

YOU: ___________________ Print Name: ________________________

US: ____________________ Print Name: ________________________

6.2 Renewal

You may renew this Agreement for one or more additional five (5) year terms so long as all of the following conditions have been met before the end of the current term:

(a) You must give Us written notice of renewal not less than six (6) months or more than twelve (12) months before the end of the current term;

(b) You must not default in any material provision of this Agreement or any other agreement with Us at any time during the last twelve months of the prior term and must have complied with all material terms and conditions of this Agreement during the current Term;

(c) You must have paid all amounts owed to Us and our affiliated companies (“**Affiliates**”) and have timely paid all such amounts throughout the current term;

(d) You and We must have agreed upon a new Development Schedule to apply during the next term;

(e) You must pay Us a “**Renewal Development Fee**” equal to $10,000.00 times the number of the additional Required Restaurants specified in the new Development Schedule; and

(f) You must execute Our form of a general release of any and all claims against Us, the Company and other Affiliates, and Our and their officers, directors, agents and employees.

7. DEFAULT

7.1 Default by You. We will have the right to terminate this Agreement upon thirty (30) days written notice to You if You fail to perform any of Your material obligations contained in this Agreement and fail to cure such failure within thirty (30) days of Your receipt of such notice.

7.2 Deadlines Missed by You. TIME IS OF THE ESSENCE for this Agreement. Your failure to meet any deadline set forth in the Development Schedule will constitute a material default under this Agreement without any opportunity to cure such default or notice under Section 7.1 hereof. If You fail to meet such a deadline, We may at any time thereafter immediately terminate this Agreement effective upon written notice from Us. The termination of this Agreement will have no effect on any franchises previously issued to You or on franchises to be issued for sites where We have already approved the site and the franchise.

7.3 Other Defaults. A default by You under any SHARKY’S WOODFIRED MEXICAN GRILL Franchise Agreement developed under this Agreement will constitute a material default under this Agreement, in which event We may terminate this Agreement unless such default is timely cured in accordance with the term of the pertinent Franchise Agreement or applicable law.

8. PRINCIPALS; LEGAL ENTITY; COVENANTS

8.1 Definition of Principals. For purposes of this Article 8, the term "**Principals**" will include the persons executing this Agreement as Principals, their spouses, minor children or any trust for the benefit of such persons. We have unrestricted right to approve all owners and any future owners.

8.2 Personal Guarantees. Unless We have given Our written consent to the contrary, each of the Principals signing this Agreement hereby personally guarantees, jointly and severally, the full payment and performance of the Your obligations under this Agreement and under each and every Franchise Agreement to be entered into pursuant hereto.

8.3 Conflicts of Interest. During the term of this Agreement, neither You nor any Principal will, without Our prior express written consent of, directly or indirectly, engage in, or acquire any financial or beneficial interest in, any Restaurant or similar business primarily featuring Mexican food, healthy life style foods or menu items that equate to more than 20% of its estimated sales ("**Similar Busine**ss");

8.4 Authorized Agent. You and the Principals appoint the following person with full authority (the "**Authorized Agent**") to act on Your behalf and on behalf of the Principals in regard to performing, administering or amending this Agreement and any and all Franchise Agreements related to it: ___________________________________
We may deal completely with the Authorized Agent in such regard unless and until Our actual receipt of written notice from You of the appointment of a successor to the Authorized Agent;

SIGN HERE: __________

8.5 Form of Legal Entity. (a) You have been organized under applicable law as a legal entity such as a corporation, partnership or limited liability company (hereinafter referred to as a "**Legal Entity**"). Your Principals must have received Our written approval and You must comply with this Subsection 8.5 and any other condition which We may require. We have unrestricted right to approve all equity owners and any future owners. We will not charge a transfer fee for forming such a Legal Entity.

(b) Unless We provide its prior written consent to the contrary, the Legal Entity must satisfy the following conditions and such other conditions as We may require under the circumstances:

(i) The Legal Entity must be closely held with the single purpose of developing and operating SHARKY'S WOODFIRED MEXICAN GRILL Restaurants.

(ii) The Principal(s) (as defined in Section 8.1 above) will collectively own and control not less than fifty-one percent (51%) of the voting rights of the Legal Entity or otherwise satisfy Us that the Principals have operational control of the Legal Entity.

(iii) Not more than twenty percent (20%) in the aggregate of the voting rights of the Legal Entity will be owned beneficially or of record by institutional firms or publicly-held corporations.

(iv) There will be no public offerings of debt or equity ownership by or in the Legal Entity without Our prior written consent and approval.

(v) Prior to the end of ___ days after the date of this Agreement, at least $100,000 times the number of Required Restaurants ($___________) cash will be invested in Your Legal Entity, which will be its minimum start up capitalization. You agree to furnish Us with written evidence of such investment on or before the above date.

(vi) You must at all times maintain in the Legal Entity (A) positive working capital and (B) a net worth of at least $100,000 multiplied by the number of Required Restaurants developed hereunder.

(c) Throughout the term of this Agreement, the Legal Entity will not make any transfer of value to any of its beneficial or record owners or any affiliate of such owner ("**Owner")** which would create negative working capital or would cause the net worth of the Legal Entity to be less than $100,000.00 multiplied by the number of Required Restaurants to be developed hereunder. Similarly, there will at no time be any transfer of value to any Owner unless You are fully current in all payments to Us and Our Affiliates and all Advertising Cooperatives in the Territory. For purposes herein, "**transfer of value**" will include but not be limited to gifts, bonuses, salaries, benefits or other compensation, dividends of any nature, loans, cancellation of debt, purchases or sales, or similar transfers.

(d) You agree to notify Us of any proposed issuance or transfer of an ownership interest in the Legal Entity, and We will have thirty (30) days after receipt of such notice to disapprove such intended issuance or transfer. Such disapproval must be reasonable and based on the transferee's being involved with other parties in competition with SHARKY'S WOODFIRED MEXICAN GRILL Restaurants, or having a known history, reputation or character which is adverse to the interests of SHARKY'S WOODFIRED MEXICAN GRILL Restaurants. Our failure to respond timely to such notice will be deemed an approval of the proposed transfer. Each such notice from You must identify the proposed transferor and transferee and provide a complete and accurate description of the proposed transferee sufficiently detailed to allow Us to make a reasoned decision of approval or disapproval.

(e) Notwithstanding anything to the contrary contained in this Section 8.5, a transfer of ownership interest in the Legal Entity which involves only a transfer between or among the Principals, entities wholly owned and controlled by the Principals or any of them or entities controlled by any Principal for the benefit of members of his or her immediate family shall not require Our prior written approval so long as the other requirements of this Section 8.5 are satisfied and We receive prior written notice of such transfer together with complete details regarding the ownership and legal structure of the transferee(s). We will not unreasonably withhold approval of any transfer so long as the Principals maintain operational control of Your Legal Entity.

(f) The organization documents of the Legal Entity will contain the restrictions set forth in this Section 8.5. You will cause to be printed on each certificate or other document of ownership of the Legal Entity a legend referencing the restrictions contained herein, which will read substantially as follows:

"Transfer of ownership in this company is subject to the
terms and conditions of a SHARKY'S WOODFIRED MEXICAN GRILL
Area Development Agreement and Franchise Agreement(s).
Reference is made to such Agreements and to the restrictive provisions
contained in this company's organization documents."

8.6 Financial Statements. You and the Principals agree that each will furnish Us every year during the term hereof a certified copy of the same form of annual financial statements required of the Franchisee in the Franchise Agreements provided for herein. Such financial statements must be received by Us not later than one hundred twenty (120) days after the last day of each fiscal year. Any amendments to such information will be sent to us promptly. TIME IS OF THE ESSENCE with respect to completion and submission of each such document.

9. MISCELLANEOUS

9.1 Miscellaneous. (a) Each of the parties hereto agrees that the terms and conditions of this Agreement are confidential and restricted to the knowledge of the parties and their respective attorneys, accountants, advisors and only other persons whose knowledge of this Agreement are necessary for the implementation of the transaction contemplated hereby.

(b) The terms hereof are intended only to benefit the parties to this Agreement, and no one else is entitled to any benefits as a result of this Agreement or its terms and conditions.

(c) If any part of this Agreement will for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions will not be affected thereby, and such remaining portions will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. It is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid.

(d) The parties agree that except for conflict of laws issues, the law of the state where most of the Territory is located will apply to the construction and enforcement of this Agreement and govern all questions which arise with reference hereto. If either party initiates any legal proceeding which involves issues arising out of this Agreement, the prevailing party in such action will be paid its reasonable attorneys' fees and costs by the other party. Such legal proceeding shall be submitted to a court within the county in which Our corporate headquarters are then located (the "**Home County**"). The parties hereby submit to exclusive jurisdiction and venue in the Home County. As of the date of this Agreement, the Home County is Ventura County, California.

(e) All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by telefax to such person's telefax number, sent by an established overnight delivery service or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party will have given such written notice of change of address to the sending party, in which event the new address so specified will be used. If mailed, such notice shall be deemed to have been received three days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

(f) All terms used in this Agreement regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. All terms used herein shall have their customary meanings unless specified to the contrary. The headings inserted in this Agreement are for reference purposes only and will not affect the construction of this Agreement or limit the generality of any of its provisions. Words in bold face are done so for easer of reference only.

(g) Nothing in this Agreement or any related agreement is intended to disclaim the representations We have made in Our Franchise Disclosure Document. This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancels any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Except as may be expressly authorized herein, no amendment or modification of this Agreement will be binding unless executed in writing by both parties.

9.2 Acknowledgment. BY INITIALING WHERE INDICATED, YOU EXPRESSLY ACKNOWLEDGE THAT:

(a) YOU HAVE ENTERED INTO THIS AGREEMENT AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION, AFTER CONSULTATION WITH AN ATTORNEY OR OTHER ADVISOR(S) OF YOUR CHOICE, AND IN ANY EVENT NOT AS A RESULT OF ANY REPRESENTATIONS OF US, OUR AGENTS, OFFICERS OF EMPLOYEES EXCEPT AS CONTAINED HEREIN AND IN OUR FRANCHISE DISCLOSURE DOCUMENT DELIVERED TO YOU.

YOUR INITIALS:______

(b) THE SUCCESS OF THE FRANCHISED RESTAURANTS WILL BE LARGELY DEPENDENT UPON THE ABILITIES AND EFFORTS OF YOU AND THE PRINCIPALS, AND WE HAVE MADE NO WARRANTY OR GUARANTEE TO YOU THAT THE FRANCHISED RESTAURANTS WILL BE SUCCESSFUL OR PROFITABLE.

YOUR INITIALS:______

(c) YOU HAVE NOT RECEIVED AND ARE NOT RELYING UPON ANY FINANCIAL PROJECTIONS OR SIMILAR INFORMATION OR EARNINGS CLAIMS MADE BY US OR ANYONE ON ITS BEHALF EXCEPT AS CONTAINED IN OUR FRANCHISE DISCLOSURE DOCUMENT.

YOUR INITIALS:______

(d) A COMPLETE COPY OF THIS AGREEMENT AS SIGNED BY YOU WAS RECEIVED BY YOU AT LEAST 7 CALENDAR DAYS PRIOR TO ITS EXECUTION BY YOU, AND A COMPLETE COPY OF OUR FRANCHISE DISCLOSURE DOCUMENT WAS RECEIVED AT LEAST 14 CALENDAR DAYS PRIOR TO YOUR EXECUTION OF THIS AGREEMENT.

YOUR INITIALS:______

* * * * * * * * * * *

IN WITNESS WHEREOF, the parties have executed the Agreement as of the day, month and year first above written.

____
(a ______________________________)

By:______________________________

Printed Name: ____________________

Title: ________________________

PRINCIPALS:

______________________________ Printed Name: ____________________

______________________________ Printed Name: ____________________

______________________________ Printed Name: ____________________

______________________________ Printed Name: ____________________

PASSION FOODS, INC.

By:______________________________
Its President

EXHIBIT A

TERRITORY

Your Name:

Description of Territory:

Existing Restaurants (if any):

APPROVED:

YOU ________________________ Printed Name: __________________

US: _________________________ Printed Name: __________________

EXHIBIT B

DEVELOPMENT SCHEDULE

1. SHARKY'S WOODFIRED MEXICAN GRILL Restaurants Development. We have granted to you the right to develop and operate and you agree to develop and operate a minimum number of ________ (__) SHARKY'S WOODFIRED MEXICAN GRILL franchise Restaurants in accordance with the terms of the Agreement.

2. Development Obligations. You agree to have the minimum number of SHARKY'S WOODFIRED MEXICAN GRILL Restaurants ("**Restaurants**") open in the Development Area during the Development Periods and in operation at the end of each of the Development Periods listed below:

DEVELOPMENT PERIOD	**RESTAURANTS OPEN AND IN OPERATION DURING AND AT THE END OF THE DEVELOPMENT PERIOD**	
ENDING ON:	DURING DEVELOPMENT PERIOD	CUMULATIVE

APPROVED:

YOU: ______________________________ Printed Name: ___________________

US: _______________________________ Printed Name: ___________________

EXHIBIT C

CONFIDENTIALITY AGREEMENT

In consideration of receiving information regarding the operation of SHARKY'S WOODFIRED MEXICAN GRILL Restaurants (the "**Restaurants**") the undersigned ("**Recipient**") agrees that:

1. Recipient will not (a) make unauthorized copies of, (b) disclose to any unauthorized person or (c) use for Recipient's benefit or a SHARKY'S WOODFIRED MEXICAN GRILL competitor's benefit any trade secrets or confidential information, knowledge or know-how about the methods of operating the Restaurants ("**Confidential Information**") except only for information which Recipient can show was known by him or her before receiving such information from Passion Foods, Inc. or information which has become a part of the public domain through publication or communication by others.

2. Recipient agrees that any breach of this Confidentiality Agreement will cause SHARKY'S WOODFIRED MEXICAN GRILL operators irreparable injury, and agrees that in addition to any other right or remedy provided for by law or equity, Passion Foods, Inc. shall be entitled to specific performance of, or an injunction against violation of, this Confidentiality Agreement.

3. Recipient agrees that upon request he or she will return immediately all copies of any SHARKY'S WOODFIRED MEXICAN GRILL Manuals and other documents containing Confidential Information to Passion Foods, Inc.

IN WITNESS WHEREOF, the undersigned has executed this document as of the date set forth below.

DATED: ____________________

Print Name:_______________________________

Signature: ________________________________

Exhibit B

SHARKY'S WOODFIRED MEXICAN GRILL®

FRANCHISE AGREEMENT

SHARKY'S WOODFIRED MEXICAN GRILL®
FRANCHISE AGREEMENT
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SHARKY'S WOODFIRED MEXICAN GRILL®
FRANCHISE AGREEMENT

THIS AGREEMENT dated as of _____________ 201__ is between Passion Foods, Inc., a California corporation ("**We**", "**Us**", "**Our or PFS**"), and __________________________, a ________________ organized under the laws of the State of _____________ ("**You**" or "**Your**"), and the Principals identified on the signature page of this Agreement ("**Principals**"). Terms in bold face in this Agreement are for ease of reference only.

RECITALS:

A. We own the exclusive rights to offer and sell franchises for the operation of retail restaurants using the name and trademark SHARKY'S WOODFIRED MEXICAN GRILL® and other trademarks (the "**Marks**") and following a system of operation ("**System**") to operate a chain of these Restaurants ("**Restaurants**") which was developed and used by Us and Our commonly owned companies which operate Restaurants (collectively, the "**Company**").

B. You either desire (i) to purchase a SHARKY'S WOODFIRED MEXICAN GRILL franchise (**"Franchise**") and own and operate a Restaurant and We have approved You for a Franchise or (ii) to renew an existing Franchise, in which case the attached Renewal Addendum will become part of this Agreement.

THEREFORE, in consideration of the mutual promises contained in this Agreement, the parties hereby agree as follows:

ARTICLE 1: GRANT OF FRANCHISE

1.1 Grant

Subject to the following terms and conditions, We grant to You a franchise to use the System and the Marks solely in direct connection with the sale of beverage, food and other products from a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant to be operated by You at the following location (referred to in this Agreement as **"Your Restaurant"**):

Address: ____

SHARKY'S WOODFIRED MEXICAN GRILL Restaurant No.__________

1.2 Territorial Rights

(a) We agree that We will not operate and will not authorize any other person to operate a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant within the geographical area described in **Attachment 1** to this Agreement (the "**Territory**") except one or more "Non-traditional Venue" restaurants defined in subsection (iii) below. Your Territory may be smaller than otherwise if We determine that Your Restaurant is located within a "high density area", as defined below in subsection (b). Except for the foregoing, You and We agree that this franchise is non-exclusive and We reserve all other rights, including the right, directly or indirectly:

(i) To operate, and authorize others to operate, SHARKY'S WOODFIRED MEXICAN GRILL Restaurants or other Restaurants operating under any name other than SHARKY'S WOODFIRED MEXICAN GRILL, at any location and of any type or category whatsoever that is not within the Territory;

(ii) To produce, license, distribute and market products using the Marks or other marks (such as pre-packaged sauces, spices and spice blends, soup broths, snacks and beverages; books; clothing, souvenirs and novelty items) through any outlet anywhere using the name SHARKY'S WOODFIRED MEXICAN GRILL or other Mark (which outlets may for example include grocery stores, supermarkets and convenience stores) and through any distribution channel, at wholesale or retail, including by means of the Internet, mail order catalogs, direct mail advertising and other distribution methods;

(iii) To operate, and to authorize others to operate, a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant at a Non-Traditional Venue near Your Restaurant. "**Non-Traditional Venue"** means a site or location for which the lessor, owner or operator thereof shall have indicated its intent to limit the operation of its food service facilities to itself or a master concessionaire or contract food service provider and which site or location is either (i) within another primary business or (ii) at an institutional setting such as a school, college and university, military and other governmental facility, hospital, hotel, limited access highway, shopping mall, airport, toll road, office or in-plant food facility, sports arena and stadium, supermarket, grocery store or convenience store.

(b) A "**high density area**", to be determined by Us in Our full discretion, is typically an area with a high degree of pedestrian traffic such as a downtown portion of an urban area with high-rise commercial buildings or a densely populated residential area with primarily multi-family or apartment units.

1.3 Site Selection and Relocation

(a) You agree (i) that although We may have been involved in the site selection process for Your Restaurant and approved its location, You have sole responsibility for selecting the above location for Your Restaurant and (ii) that We make no warranty, representation or guaranty of any kind with respect to Your Restaurant's location, success or profitability.

(b) You agree to obtain Our approval on the site within three (3) months of signing this Agreement. We will grant additional thirty-day extensions so long as We are satisfied that You are proceeding in good faith and with due diligence. You must use Our approved form to request each thirty-day extension. We may terminate this Agreement with no refunds if You have not obtained an approved site.

(c) After approval of the site, You agree to develop and open the Restaurant pursuant to **Attachment 2** and the Manual referred to below. Except as may be expressly provided for in the Manual, no changes of any kind in design, equipment or decor will be made in, on or about Your Restaurant premises without Our prior written approval in each instance. In any event, You must obtain Our prior approval of the final plans and specifications for Your Restaurant before submitting them to any landlord, property owner, or governmental agency and/or before beginning the construction or remodel.

(d) You will not relocate Your Restaurant without Our prior written consent. We will consent to a relocation to an alternative, pre-approved location under limited circumstances only, such as loss of the location due to condemnation, eminent domain destruction, loss of Your right of possession for reasons not caused by You, or a very substantial and detrimental change in the business potential and character of the location. You will be solely responsible for the expense of any such relocation and will pay Us a reasonable fee for Our services in connection with such relocation. You will be fully responsible for closing the existing location and must comply with Section 15.3 below regarding de-identification.

ARTICLE 2: FEES

2.1 Fees

You agree to pay Us:

(a) A non-refundable "**Initial Franchise Fee"** of $40,000.00, which must have been paid in full upon execution of this Agreement;

(b) A "**Royalty Fee**" equal to five percent (5%) of Your Restaurant's Gross Revenues as payment for the continuing right to use the System and Marks; and

(c) An “**Maketing Fund Fee"** of up to three percent (currently 2.0%) of Your Restaurant’s Gross Revenues, to be applied as described in Section 7.3 below.

2.2 No Fees Refundable

You agree that these Fees are not refundable in whole or part under any circumstances and have been fully earned by Us by the grant of this franchise.

2.3 Payment of Fees

(a) You agree to pay Us the Royalty Fee and Marketing Fund Fee, no later than the Tuesday following each four-week period that We use as Our operating year or such other time as may be designated in the Manual, such as without limitation weekly or daily transfers. If such Tuesday is a legal holiday where Your Restaurant is located, payment must be made on the next business day. You must make payments in strict accordance with Our requirements, including EFT payments as described below. TIME IS OF THE ESSENCE regarding payment of such Fees.

(b) You agree to pay all such Fees to Us by direct transfer of funds (“**EFT**”) or other method of payment designated by Us. Such method of payment will be determined by Us in Our sole discretion, and may be changed from time to time.

(c) You agree at Our request to furnish the information, execute forms, make arrangements and complete procedures as are reasonably necessary to establish direct EFT payments automatically from Your account(s) to the account(s) We may designate in order to pay directly such Fees within each payment period. Without limiting the foregoing, You specifically agree to obtain the necessary equipment used by the System to transmit sales and other polling information which will allow Us to cause such transfers to be made. You further agree to maintain sufficient funds in Your account(s) to allow timely honoring of each payment to Us by Your bank or other financial institution. You hereby specifically authorize Us to make such direct transfers of the Fees so long as such transfers are limited to amounts computed with reference to sales information furnished by You, or if You fail to furnish such information, with reference to good faith estimates by Us.

(d) Royalty and Maketing Fund Fees which are not paid when due will bear interest from and after their respective due dates at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less. Any late payment of such Fees will be subject to a late payment administrative charge of $250.00.

2.4 Gross Revenues

The term "**Gross Revenues”** as used in this Agreement will mean the total of all cash or other form of payment received for the sale of food, drinks, clothing and other tangible property of every kind, or for catering services or entertainment charges, made or sold at, in, upon or from Your Restaurant and from any vending, game or other type of machine or similar device located at Your Restaurant, and any and all other amounts which are received as compensation for any services rendered from Your Restaurant. All amounts collected and paid out for sales taxes levied on the sale of such food, drinks, property, services and receipts and the proceeds from the sale of any furniture, fixtures or equipment previously used at Your Restaurant are excluded from Gross Revenues.

ARTICLE 3: TERM; RENEWAL

3.1 Initial Term

Subject to earlier termination, this Agreement has an Initial Term of ten (10) years ("**Initial Term"**) or the length of Your Lease for Your Restaurant, whichever is less. The Initial Term will commence on the date on which You first operate Your Restaurant as a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant. You agree to send Us written notice of Your Restaurant's opening date.

3.2 Renewal

You may renew this Agreement for two additional consecutive five (5) year terms, so long as all of the following conditions have been met before the end of the then current term:

(a) You must give Us written notice of renewal not less than six (6) months or more than twelve (12) months before the end of the current term;

(b) You must not default in any material provision of this Agreement, Area Development Agreement, or any other agreement with Us at any time during the last twelve months of the prior term and must have complied with all material terms and conditions of this Agreement during the current Term;

(c) You must be in good standing as a SHARKY'S WOODFIRED MEXICAN GRILL Franchisee and be approved by Us operationally and financially;

(d) You must have paid all amounts owed to Us, Our affiliated companies ("**Affiliates**"), and Our approved suppliers (as defined in Section 4.8) and have timely paid all such amounts throughout the current term;

(e) We may send You a written notice of required changes to be made at Your Restaurant, such as (i) additional training requirements, (ii) personnel changes and (iii) modernization of Your Restaurant and its equipment, and/or redecorating Your Restaurant and installing new equipment to reflect the then current SHARKY'S WOODFIRED MEXICAN GRILL standards and image, in which case You must make all of such changes as and when requested by Us;

(f) You must have obtained an extension or renewal of Your Lease for the Restaurant to cover the renewal term and delivered to Us a fully executed of such Lease.

(g) You must execute and deliver to Us Our then-current form of Franchise Agreement to apply to the renewal term, but in no event shall the term be longer than Your right to occupy the Restaurant, which Franchise Agreement will contain the then-current Royalty Fee rate and Marketing Fund Fee amounts required of new Franchisees. A copy of the Renewal Addemdum is attached hereto as **Attachment 5;**

(h) You understand and agree that the form You execute may contain, as mutually agreed upon, different financial terms and a revised description of Your Territory from the prior Franchise Agreement(s);

(i) You must pay Us no less than thirty days prior to expiration of the existing agreement, a "**Renewal Fee**" equal to twenty-five percent (25%) of the amount of Our Initial Franchise Fee in effect at the time renewal begins; and

(j) You must execute Our form of a general release of any and all claims against Us, the Company and other Affiliates, and Our and their officers, directors, agents and employees.

ARTICLE 4: OPERATING SYSTEM AND PROCEDURES

4.1 Operating Assistance

We will advise and assist You in operating Your Restaurant, including periodic visits by Our representative(s), onsite pre-opening and opening assistance to the extent We deem necessary. In Our sole discretion, We may provide employees (up to two (2)) for such period of time as We deem appropriate to conduct on-site training before and during the opening of Your Restaurant. We may charge Our then current per diem per employee (currently, $500 per day), plus reasonable travel-related expenses, for on-site training and assistance.

4.2 Designated Operator

The individual named in this Section must be an experienced food professional with multi-unit restaurant supervisory experience, who will devote his or her full time, best efforts and constant personal attention to the day to day operation of Your Restaurant, with full authority to act on Your behalf and on behalf of the Principals with regard to the operation of Your Restaurant: ________________________________ (the "**Designated Operator**"), who must be at all times approved by Us and certified by Us as fully trained for operations. Certification and approval of the Designated Operator includes both satisfactory completion of our Restaurant Manager, Kitchen Manager and Designated Operator Training Programs, and also working sufficient additional time in a Company-operated restaurant, as we deem necessary in our sole discretion, to successfully develop and operate a SHARKY'S WOODFIRED MEXICAN GRILL restaurant. Any change in the identity of Your Designated Operator must be approved by Us in writing.

4.3 Operation of Your Restaurant

Unless You have received Our prior written approval to the contrary, You will:

(a) Develop and Open Your Restaurant within twelve months of executing this Agreement as set forth in Attachment 2 unless You have received Our prior written consent to any exception;

(b) Keep Your Restaurant open for business during the hours We specify;

(c) Operate Your Restaurant in a clean, safe and orderly manner, providing courteous, first-class service;

(d) Construct, equip, and operate Your Restaurant in accordance with all SHARKY'S WOODFIRED MEXICAN GRILL standards, policies, and procedures as may be established from time by Us, as stated in the Manual or other written communications from Us.

(e) Keep current in all monetary obligations owed Us, Our affiliated companies and Approved Suppliers;

(f) Comply with all health, safety and other laws applicable to the operation of Your Restaurant, maintain at least a 90%, "A" or better health inspection score, cure any deficiencies immediately after a governmental inspection and request another inspection as soon as possible thereafter;

(g) Diligently promote and make every reasonable effort to increase the business of Your Restaurant;

(h) Advertise Your Restaurant by the use of the Marks and any other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by Us as stated in the Manual or other written communication from Us;

(i) Prevent the use of Your Restaurant for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized by this Agreement or in the Manual;

(j) Obtain and use only the equipment required by the Manual, such as without limitation, a computerized point of sale cash collection system ("**POS System**") which among other things will allow us to poll information about Your Restaurant, credit card and/or debit card system, computer equipment and related software and communications systems;

(k) Never manipulate or tamper with the POS System software without Our prior written approval;

(l) Not establish or use any Internet or website for Your Restaurant or otherwise using the Marks without Our prior written consent; and

(m) Diligently comply with Our standards, protocols and restrictions regarding social media outlets, including without limitation Facebook, Twitter, Instagram, Pinterest or other similar outlets, that may exist in the future.

4.4 Confidential Manual

(a) We will authorize You to access the on-line version of Our Confidential Manual (the "**Manual**"). You agree to comply strictly with and perform all things required by the Manual, such as those dealing with the selection, purchase, storage, preparation, packaging, service and sale (including menu content and presentation) of all food and beverage products, maintenance and repair of Your Restaurant's buildings, grounds, furnishings, fixtures and equipment, operating hours and days, employee uniforms and dress, accounting, bookkeeping, record retention and other business systems, procedures and operations.

(b) The Manual, as presently written and as We may in the future amend and supplement them from time to time, is incorporated into and made part of this Agreement by reference. All references to the Manual in this Agreement are to the on-line Manual or other format then in use by Us, as most recently revised as of the relevant date.

(c) You agree that the purpose of the Manual is to provide a means of communicating to all Franchisees specific details of Our System which will enhance uniformity and conformity among all Restaurants. You specifically agree that the Manual is an integral, necessary and material element of the System and that it will be necessary for Us, in order to maintain the high quality of the System and maximize its competitive position, to revise and update the Manual from time to time. We have the right at any time and from time to time, in the good faith exercise of Our reasonable business judgment, to revise, delete from and add to the materials contained in the Manual. You expressly agree to comply promptly with all changes to the Manual.

4.5 Confidentiality; Our Property

(a) You agree that We own all rights in and to the System, including the information and materials described or contained in the Manual, and that the System and Manual contain trade secrets and themselves constitute Our trade secrets which have been or will be revealed to You in confidence. You agree not to disclose, duplicate, license, sell or reveal any portion thereof to any other person, except an employee of Yours required by his or her work to be familiar with such information. You agree to promptly disclose to Us all innovations whether or not protectable and whether created by or for You or Your owners or employees. All such innovations will be deemed our sole and exclusive property. We have the right to incorporate such innovations into the System. You agree to keep and respect all confidential information received from Us, to obtain from each of Your Restaurant's managers and other employees an agreement to keep and respect all such confidences and to be responsible for Your employees' keeping this information confidential. A copy of the employee confidentiality agreement is attached hereto as **Attachment 3.**

(b) The Manual and all other confidential materials furnished to You are on loan only, will remain Our property, and You will return all copies of such documents to Us immediately upon the expiration or termination of this Agreement. The Manual may be in hard copy or electronic form and may include more than one volume.

4.6 Uniformity and Conformity

You agree that strict conformity by You with this Agreement, the System and the Manual, is vitally important to the collective success of all SHARKY'S WOODFIRED MEXICAN GRILL Restaurants, including Your Restaurant, because of the benefits You and other SHARKY'S WOODFIRED MEXICAN GRILL operators will derive from uniformity in menu items, identity, quality, appearance, facilities and service among all SHARKY'S WOODFIRED MEXICAN GRILL Restaurants. Any material failure to adhere to the requirements contained in this Agreement or in the Manual will be considered a material breach of this Agreement.

4.7 Products and Services

You agree to offer for sale from Your Restaurant, at all times when Your Restaurant is open for business, all of the food, beverages and other products expressly described in the Manual, unless You have received Our prior written consent to any exception. No other product, brand or service other than those identified in the Manual will be offered or sold at or from Your Restaurant without Our prior written consent in each case. You agree to submit to Us in writing any additional product, brand or service proposed by You for Us for Our consideration and final determination before You implement any such change. We may approve it initially for testing only. You understand and agree that at Our discretion any such proposal may be utilized on a test basis basis only, subject to the terms of a written test agreement.All proposals approved by Us will become Our property upon submission.

4.8 Approved Suppliers: Proprietary Ingredients

In order to assure uniformity and conformity among Restaurants in the System, You agree to purchase all products for sale at Your Restaurant only from suppliers who are at that time approved in writing by Us as an approved supplier ("**Approved Supplier**"). If You want to purchase any products from a supplier who is not an Approved Supplier, You will notify Us of such supplier, pay an approval fee and instruct the proposed supplier to contact Us and follow Our procedures for becoming an Approved Supplier. We may charge a reasonable fee for the costs involved in these approval procedures. You agree to buy to the extent required by the Manual any designated proprietary products or ingredients from Us or a designated supplier (which may be an Affiliate). You agree that such ingredients are prepared pursuant to secret, proprietary recipes and/or procedures belonging to Us.

4.9 Your Covenants

(a) You agree that SHARKY'S WOODFIRED MEXICAN GRILL Restaurants, including Your Restaurant, must compete against similar businesses (as defined below) which may have far greater financial resources and may be better established in the food service industry. For purposes hereof, a "**Similar Business**" is any Restaurant or similar business primarily featuring Mexican food, healthy life style foods or menu items that equate to more than 20% of its estimated sales.

(b) Therefore, You agree on behalf of Yourself and each and every person with an ownership interest in Your Restaurant ("**Owner**") to take all necessary action to assure compliance throughout the term of this Agreement with the requirements of this Section 4.9 and the other Sections in this ARTICLE 4, which unless We agree in writing to the the contrary,will include obtaining and delivering to Us a written agreement from each such person that he or she agrees to each of the covenants set forth in this Section 4.9.

(c) Neither You nor any Owner will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business without Our prior express written consent.

(d) Neither You nor any Owner will perform any services for or become a landlord of any Similar Business without Our prior express written consent.

(e) Neither You nor any Owner will divert or attempt to divert any business or customer of Your Restaurant, or of any other SHARKY'S WOODFIRED MEXICAN GRILL Restaurant, to any Similar Business by direct or indirect inducement, advertising or otherwise do or perform, directly or indirectly, any other act which is injurious or prejudicial to the goodwill associated with the System or the value of the Marks.

(f) For a period of two (2) years following the expiration or termination of this Agreement, neither You nor any Owner will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business which is located within ten (10) miles of any SHARKY'S WOODFIRED MEXICAN GRILL Restaurant without Our prior express written consent.

(g) You agree that any violation of this Section 4.9 would result in irreparable injury to Us and the System, and that We would be without an adequate remedy at law. You agree that in the event of a breach or threatened breach of any such covenant, We will not be required to prove actual or threatened damage from such breach in order to obtain a temporary and/or permanent injunction and a decree for specific performance of the terms of this Section 4.9. In addition to injunctive relief, We shall be entitled to any other remedies which We may have under this Agreement, at law or in equity.

(h) The parties agree that each of these covenants will be construed as independent of each other and of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 4.9 is held unenforceable by a court having valid jurisdiction in a final decision between the parties hereto and from which no appeal has or may be taken, You expressly agree to be bound by the remaining portion of such covenant.

4.10 Employees

(a) You will not hire or make arrangements to hire any person employed by Us, the Company or by another SHARKY'S WOODFIRED MEXICAN GRILL franchisee without first obtaining Our or such other franchisee's written consent. The parties agree that in the event of Your breach of this covenant, actual damages would be extremely difficult to compute, and accordingly, in the event of such a breach, You agree to pay the prior employer of such person liquidated damages equal to the greater of such person's prior annual salary or one-half of the annual salary and of any bonus paid or to be paid by You to such person during the first year of employment.

(b) You and You alone will be solely responsible for all hiring and employment decisions and functions relating to Your Restaurant, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from Us on these subjects or not. Any guidance We may give You regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

4.11 Software

You agree to use in Your Restaurant the software designated by Us in the Manual for Franchisees to use in making estimates, preparing invoices, keeping accounting records and other aspects of the Business. The software will be available to You on the same terms available to other Franchisees and as specified in the Manual.

4.12 Online Management and Communication System

We may establish an online management and communication system for SHARKY'S WOODFIRED MEXICAN GRILL Restaurant Operations and You agree to participate and perform all things necessary to set up and connect to the online communication system and comply strictly with its requirements.

ARTICLE 5: TRAINING

5.1 Initial Training

We will provide without charge at a place or places designated by Us Our SHARKY'S WOODFIRED MEXICAN GRILL Certified Management Training Program for Your Designated Operator (as identified in this Agreement), Your General Manager and Kitchen Manager and up to two Assistant Managers and Assistant Kitchen Managers.

5.2 Training Required

Your Designated Operator, General Manager, Kitchen Manager, Assistant Managers and Assistant Kitchen Managers must each attend and complete Our Certified Management Training Program to Our reasonable satisfaction. All of the Managers of Your Restaurant must either attend and successfully complete Our training and become certified as required by the Manual. You must always have a properly certified Manager on duty at Your Restaurant whenever it is open to the public.

5.3 Training Employees

You will be responsible for full compliance at Your Restaurant with the requirements taught at Our Initial Training and will cause Your Restaurant's employees to be trained in those requirements which are relevant to the performance of their respective duties. We may require Your employees to be trained and certified in the performance of their duties, and with Our consent You may have employees approved as certified trainers for the other employees. You agree that there will be at least one certified supervisor on each Restaurant shift (as provided for in the Manual).

5.4 Mock Service-Pre-Opening; Supervision

(a) Prior to opening Your Restaurant Premises for business, You agree at your own expense to conduct a minimum of six mock service shifts and pre-opening operations following the requirements of the Manual ("**Mock Service**""). If this is Your first Restaurant, We will provide a minimum of three Front of the House and three Back of the House Trainers to teach and support Your Restaurant team. Our "**Training Team**" should arrive approximately one week prior to Mock Service and remain a minimum of two weeks after You are open for business depending on sales volume. For Area Developers, We will reduce the number of Trainers for each opening as Your development grows based on your employees' experience with training.

(b) If this is Your fourth or later Restaurant, We may elect to provide a representative for at least five days beginning with the Pre-Opening training and Mock Service (the "**Pre-Opening Supervision**") and for such longer consecutive or intermittent period or periods as We deem necessary or appropriate. If We deem it necessary to provide more than five days Pre-Opening Supervision and Post Opening

Supervision, You agree to pay Us for the additional Pre-Opening Supervision fees and charges at the then current amounts set by Us.

5.5 Continuing Training

You and such employees as We may designate will, from time to time, personally attend and complete refresher courses in Restaurant operations and food and drink preparation and any training sessions held for the purpose of introducing new products or procedures.

5.6 Fees; Expenses

You agree to pay a reasonable fee for any continuing and other training courses offered by Us.

ARTICLE 6: MAINTENANCE; LEASE PROVISIONS

6.1 Repairs and Maintenance

(a) You agree to maintain Your Restaurant and its parking area in a “like new” condition and in conformity with the requirements set forth in the Manual or other writings issued by Us. You agree to replace Restaurant equipment as necessary or desirable and to obtain any new or additional equipment as may be reasonably required by Us for new products or procedures. You agree to take all such action as requested by Us promptly within a reasonable time period after receipt of such request. If You have failed to take any action within fifteen (15) days after Our notice, We may, in addition to all other remedies, enter Your Restaurant and effect the corrective action contained in the notice, and You shall immediately pay the costs incurred by Us in taking such action, plus Our then current management fee (as provided for in the Manual).

(b) Except as may be expressly provided in the Manual, no changes of any kind in design, equipment or decor will be made in, on or about Your Restaurant premises without prior written approval of in each instance. You will obtain, repair, maintain and replace all equipment, signs and other Restaurant items at Your sole cost.

6.2 Modernization

In order to compete effectively and to assure the continued success of Your Restaurant, You agree, from time to time, as reasonably required by Us (taking into consideration the cost and then remaining term of this Agreement), to modernize Your Restaurant premises, parking area and equipment to Our then current standards and specifications. You understand and agree that this obligation is in addition to other obligations under this Agreement, such as repair, maintenance and purchase of new equipment. No such modernization will be required by Us unless and until the Company has at that time implemented such standards and specifications in at least twenty-five percent (25%) of its Restaurants located in the continental United States.

6.3 Lease Provisions

(a) If You are or become a lessee of Your Restaurant premises, You must provide Us for Our review and comment with a copy of the proposed lease at least 15 days prior to its being finalized and executed. You must after execution furnish with a true, correct, complete and executed copy of the lease.

(b) Such lease must contain the option required by Section 15.5 below and a provision which precludes any other food or beverage service vendor selling predominantly products similar to SHARKY'S WOODFIRED MEXICAN GRILL Restaurants from operating in the same business center or five (5) miles from Your Restaurant for any property under landlord control, and the alteration and de-identification rights required by this Agreement where the premises will no longer be operated as a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant. Such lease will also require the lessor (a) to give Us reasonable notice of any lease termination and a reasonable time in which to take and make the above actions and alterations and (b) provide that You have the unrestricted right to assign such lease to Us. These lease provisions may be subject to the reasonable consent of the lessor.

(c) Upon request, We will provide You with a form of Addendum to Lease which incorporates Our then current requirements.

ARTICLE 7: MARKETING AND ADVERTISING

7.1 Marketing, Promotion and Advertising Programs

The parties recognize the value of marketing, advertising and promotions to enhance the goodwill and public image of the System. We agree that We will develop marketing, promotion and advertising programs designed to promote and enhance the collective success of all SHARKY'S WOODFIRED MEXICAN GRILL Restaurants. It is expressly agreed that in all respects of such marketing, promotion and advertising (such as type, quantity, timing, placement and choice of media, market areas and advertising agencies), Our decisions made in good faith will be final and binding. Your participation in all such advertising and sales promotion programs must be in full and complete accordance with any terms and conditions as We may have established.

7.2 Local Advertising

(a) You agree that during the term of this Agreement, you will spend up to two percent (2%) of Gross Revenues for conducting advertising and sales promotion programs for Your Restaurant. We may require You to provide proof of all such marketing, promotion and advertising expenditures. You acknowledge and agree that You must obtain Our prior written approval for all of Your local programs in order for them to qualify for required spending. This obligation is in addition to Your obligation for grand opening promotion. Payments to an approved Advertising Cooperative (“**Ad Co-op**”) will be applied to this Local Advertising obligation. Payments to an approved Advertising Cooperative (“**Ad Co-op**”) will be applied to this Local Advertising obligation.

(b) You will not make any contributions or donations of items, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any such organization) in the name of Your Restaurant or otherwise associate with the Marks, without our prior express written consent.

(c) You will not establish Your own “eclub” or online marketing campaigns, Gift Card programs, Loyal Customer programs, any social media, or other such programs as designated in the Manual without Our prior written approval.

(d) You agree to diligently participate in all promotional campaigns, customer loyalty programs, special offers, and other programs, which are prescribed from time to time by Us.

(e) You will not issue any press release without Our prior express written approval.

7.3 Marketing Fund

(a) In order to maximize the general public recognition and acceptance of SHARKY’S WOODFIRED MEXICAN GRILL Restaurants, We have established an Advertising Fund (“**Marketing Fund**”) and require You as a Franchisee to contribute to such Marketing Fund.

(b) We will use monies from the Marketing Fund for advertising, marketing and promotion of SHARKY’S WOODFIRED MEXICAN GRILL Restaurants generally. Towards this purpose, We will use monies in the Marketing Fund as We deem appropriate to create and develop creative product, and social media projects in support of local, regional, and national advertising and public relations and promotional campaigns using print, radio, television, electronic, or other media to promote and enhance the value of SHARKY’S WOODFIRED MEXICAN GRILL Restaurants in general.

(c) The Marketing Fund will not be used to defray any of Our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead, including rent and utilities, as we may incur in activities related to the administration of the Marketing Fund and its programs, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing Fund. We will develop a Marketing Fund Policy regarding the administration of the Marketing Fund.

(d) The Company will also contribute to the Marketing Fund the same percentages of the Gross Revenues from its operation of SHARKY'S WOODFIRED MEXICAN GRILL Restaurants in the continental United States.

(e) We will deposit the Maketing Fund Fees in separate accounts, which will not be considered one of Our assets. You agree that We shall not be a "trustee" of the Marketing Fund or such Fees.

(f) We agree to cause an annual accounting of the Marketing Fund and to make the results of such accounting available to You upon request. If such accounting is made by an independent accounting firm, the expenses thereof shall be paid from the Marketing Fund.

(g) We and Our Affiliates reserve the right to receive advertising promotional allowances and/or advertising rebates from suppliers or distributors which relate directly to purchases by SHARKY's Restaurants operated by franchisees. We will use such monies to benifit the system, with the understanding that You and We may retain all such payments paid directly to You or Us, respectively.

(h) You agree that We have no obligation in administering the Marketing Fund to make expenditures for You or others which are equivalent or proportionate to the contribution(s) made or to ensure that any particular franchisee benefits directly or pro rata from any marketing program or advertising.

(i) You agree that We may reimburse Ourselves from the Marketing Fund for (i) the direct costs and expenses incurred by Us or our Affiliates in administering the Marketing Fund and (ii) up to fifteen (15%) of Marketing Fund contributions for each of Our fiscal years to cover (A) Our administrative costs and overhead incurred by Us in connection with activities related to the administration of the Marketing Fund and its programs and (B) a pro rata portion of the compensation paid by Us or Our Affiliates to persons for their work on Marketing Fund related matters.

7.4 Marketing Fund Policy

(a) We will develop and modify from time to time as necessary an Marketing Fund Policy which will include procedures and guidelines for disbursements and expenditures from the Marketing Fund.

(b) All monies in the Marketing Fund, including any interest or other income earned from the investment of such monies, must be spent and disbursed only in accordance with this Agreement and the Marketing Fund Policy, which may be modified from time to time at Our discretion so long as all monies are used to pay for marketing, promotion and advertising programs for SHARKY'S WOODFIRED MEXICAN GRILL Restaurants in the continental United States of America.

7.5 Temporary Investment

We may temporarily invest any or all of the monies held in the Marketing Fund from time to time at Our sole discretion in accordance with the Marketing Fund Policies. We will use any interest or other income received from such investments to pay for the expenses of administering the Marketing Fund pursuant to the Marketing Fund Policy. Interest or income received from temporary investments that exceed the reasonable expenses of administering the fund will be considered part of the Marketing Fund.

7.6 Ad Co-ops

(a) We may at Our discretion designate any geographical area as a basis for an Ad Co-op for the purpose of marketing, advertising and promoting SHARKY'S WOODFIRED MEXICAN GRILL Restaurants in that area, including the Company Restaurants. The Ad Co-op will also serve as means of exchanging ideas, sharing information and problem solving.

(b) You agree to become a member of an Ad Co-op at any time the Restaurant is located within the designated area for such Ad Co-op.

(c) You agree to execute and deliver any such Ad Co-op agreements or undertakings required by such Ad Co-op, to make contributions as required of its members, and to maintain Your status as a member in good standing of such Ad Co-op at all times.

(d) We may establish and revise the requirements for approval of Ad Co-ops, the amount of contribution by members to each such Ad Co-op, and exemptions from membership or temporary suspensions of contributions.

(e) The mandatory contribution to an Ad Co-op may exceed two percent of Gross Revenues if the Ad Co-op members agree to additional funding in accordance with established Bylaws.

7.7 Approval of Advertising

(a) You must use only advertising copy and other materials which are in strict compliance with Our requirements, as set forth in the Manual or otherwise. All of Your advertising, promotion and marketing must be completely clear and factual, not misleading, and conform to the highest standards of ethical marketing and the promotion policies.

(b) If You wish to use other or modified materials, You must submit to Us, in each instance and at least thirty (30) days prior to first use, the proposed advertising copy and materials for approval in advance of publication. You may use only advertising materials which have been approved in writing by Us.

(c) In no event will Your advertising contain any statement or material which may be considered (i) in bad taste or offensive to the public or to any group of persons or (ii) defamatory of any person or an attack on any competitor, (iii) will not be misleading, and (iv) will conform to the highest standards of ethical marketing and the promotion policies that We prescribe from time to time.

7.8 Grand Opening

You agree to conduct an approved grand opening promotion for the Restaurant shortly after its opening, and to spend at least $10,000 in approved expenditures in regard to such promotion. We will assist You in planning for Your grand opening.

7.9 Websites and Internet Advertising

You shall not, indirectly or directly, establish or use any Internet web page, web site address, Internet directory listing, or any other social networking site as defined in the Manual, relating in any way to Your Restaurant, or which uses the Marks without Our prior written consent. You will adhere to any social media policies that We establish from time to time and will require all of Your employees to do so as well. Except email communications, You may not conduct any aspect of Your Restaurant business through the Internet without Our prior consent. We will include information about Your Restaurant on Our Web site.

7.10 Social Media

We have sole discretion and control over any profiles using or relating to the Marks, or that display the Marks, that are maintained on social media outlets, including without limitation Facebook, Twitter, Instagram, Pinterest or other similar outlets that may exist in the future. We may use part of the Marketing Fund monies We collect under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such profiles. We may (but need not) establish a social media policy and guidelines pursuant to which You may establish profiles or otherwise establish a presence on such social media outlets. In that event, You shall comply with the standards, protocols and restrictions that We impose from time to time on such use.

ARTICLE 8: ACCOUNTING AND RECORD KEEPING

8.1 Point of Sales System

(a) Before the opening of Your Restaurant and at Your own expense, You agree to procure and install the computer hardware, software, Internet connections and service, required dedicated telephone and other computer-related accessories, peripherals and equipment that are required in the Manual (the **"POS System"**).

(b) You agree to accurately, consistently and completely record and provide through the POS System all information concerning the operation of Your Restaurant that We require, in the form and at the intervals that We require, as set forth in the Manual.

(c) We will have independent access to Your POS System, and We may retrieve from Your POS System all information that We consider necessary, desirable or appropriate.

8.2 Accounting Information

You understand and agree that We may under Section 8.1 require You to use software which will generate accounting information which will be accessible to Us electronically. You also agree that We may require You, following written notice or as part of the Manual, to send to Us in the form and within the time schedules set forth in the Manual, hard copy or other form of reports and information. These may include Profit and Loss Statements, Balance Sheets and Statements of Cash Flow, sales tax returns, and income tax returns.

8.3 Accounting Records

You agree to maintain and preserve for the time specified in the Manual full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by the Manual.

8.4 Sales Tax Returns; Other Reports.

You agree to deliver to Us on or before the dates specified in the Manual a copy of all sales tax returns, occupation tax reports, and other similar returns or reports prepared by or on behalf of the Restaurant for that month.

ARTICLE 9: AUDITS AND INSPECTIONS

9.1 Audit Rights

You agree that We will at all times have the following audit rights:

(a) As specified in the Manual, Our representatives may on a reasonable basis review, inspect and copy any and all accounting records, income and sales tax records and other such documents, as they determine, in their sole discretion as being necessary to audit Your compliance with this Agreement.

(b) If any inspection or audit reveals that the Gross Revenues reported in any report or statement are less then the actual Gross Revenues calculated during such inspection, and/or fees owing are otherwise miscalculated, then You will immediately pay Us the additional amount of fees owing by reason of the understatement of Gross

Revenues previously reported and/or other miscalculation, together with interest as provided in Section 2.3.

(c) In the event that any report or statement by You understated Gross Revenues and/or fees owing by more than two percent (2%) as calculated during Our inspection, You will, in addition to paying for the additional fees and interest, pay and reimburse Us for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees, plus Our then current management fee (as provided for in the Manual). Such payments will be without prejudice to any other rights or remedies We may have under this Agreement or otherwise. In addition, We may at Our sole discretion require a complete and full audit in accordance with generally accepted accounting principals and by a certified public accountant acceptable to Us, at Your expense.

9.2 Inspection

(a) You agree to, at Your expense, participate in Our approved inspections and surveys regarding guest satisfaction and Restaurant inspections as stated in the Manual. In addition, You will cause the reports of all such inspections or surveys be sent to Us.

(b) We will make periodic visits to Your Restaurant as We deem advisable. You agree that Our representatives will have the right at any time, and from time to time, without notice to enter Your Restaurant for the purpose of inspecting its condition and its operations for compliance with Our requirements contained in this Agreement and in the Manual, and for any other reasonable purpose connected with the operation of Your Restaurant. You agree to pay for Our reasonable costs if Our representative returns to Your Restaurant to confirm that previous problems have been corrected.

(c) You agree to incorporate into Your Restaurant any reasonable corrections and modifications We require to maintain Our standards of quality and uniformity, as quickly as is reasonably possible and using all resources at Your disposal.

9.3 Books and Records

Without limiting the generality of Section 9.2, Our representatives will have the right at all times during normal business hours to confer with Your Restaurant's employees and customers, and to inspect Your books, records and tax returns, or such portions thereof as pertain to the operation of Your Restaurant. All of Your books, records and tax returns will be kept and maintained at Your Restaurant, at Your primary office or such other place as may be agreed to from time to time in writing by the parties.

9.4 Ownership Records

You must maintain an accurate ownership register or other list of names, addresses and interests of all Your record and beneficial owners. Upon ten days written notice from Us, You will deliver to Us a copy of such register and/or list of owners, certified by Your chief executive officer to be correct. During any audit or other inspection under this Section 9, You will allow Our representatives to inspect and copy such register and/or list.

ARTICLE 10: RELATIONSHIP OF PARTIES AND INDEMNIFICATION

10.1 Relationship

You are not, and will not represent or hold Yourself out as being an agent, legal representative, joint venture, partner, employee or servant of Us for any purpose whatsoever and, where permitted by law to do so, will file a business certificate to such effect with the proper recording authorities. You are an independent contractor and are not authorized to make any statement or commitment on behalf of Us, or to create any obligation, express or implied, on behalf of Us. You agree that We are not in any way a "fiduciary" in regards to You. You will not use the name SHARKY'S WOODFIRED MEXICAN GRILL, SHARKY'S or any similar words as part of the name of a corporation or other business entity directly or indirectly associated with You, unless otherwise authorized by Us in writing.

10.2 Indemnification

(a) You will indemnify Us, the Company, Our Afiliates and their officers, directors, employees, agents, affiliates, successors and assigns from and against (i) any and all claims based upon, arising out of, or in any way related to the operation or condition of any part of Your Restaurant or Restaurant premises, the conduct of Your Restaurant's business, the ownership or possession of real or personal property, any negligent act, misfeasance or nonfeasance by You or any of Your agents, contractors, servants, employees or licensees, (ii) Your failure to perform any of Your obligations under this Agreement, and (iii) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by Us or on Our behalf in the investigation of or defense against any and all such claims.

(b) We will indemnify You and Your Owners and Your and their employees, agents, affiliates, successors and assigns from and against (i) any and all claims based upon, arising out of, or in any way related to the Marks, the System and the operation of Your Restaurant so long as You were properly operating the Restaurant according to the System and the Manual, or related to Our obligations incurred pursuant to any provisions of this Agreement, (ii) Our failure to perform any of Our obligations under this Agreement, and (iii) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by or on Your behalf in the investigation of or defense against any and all such claims.

ARTICLE 11: INSURANCE

11.1 Insurance

You will obtain before beginning construction or remodeling of Your Restaurant and will maintain in full force and effect during the entire term of this Agreement, at Your sole cost and expense, an insurance policy or policies protecting You and Us against any and all loss, liability or occurrence, arising out of or in connection with the construction, condition, operation, use or occupancy of Your Restaurant or Your Restaurant premises. We will be named as an additional insured in all such policies, workers' compensation excepted.

11.2 Policies

In all events, the insurance policy or policies will include at least the following:

(a) Comprehensive general liability insurance, including products liability coverage with minimum coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate.)
(b) Liquor liability coverage (if any alcoholic beverages are offered for sale from the Restaurant) with minimum coverage of $1,000,000 and $2,000,000 in the aggregate.
(c) Property insurance covering the perils of fire and extended coverage, vandalism and malicious mischief with coverage to be at replacement cost.
(d) Liability for owned, non-owned and hired vehicles with minimum coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate.
(e) Umbrella liability insurance policy providing a minimum of $5,000,000 coverage including the above limits.
(f) Course of construction insurance at replacement cost.
(g) Workers' compensation insurance as required by applicable state law.
(h) Business interruption insurance insuring that a royalty shall be paid to Us for a period of up to one year if the Restaurant is destroyed or rendered inaccessible by a risk insured by the special forms peril insurance;
(i) Employment practices liability insurance with a minimum coverage of $1,000,000 per occurrence and in aggregate. The minimum retention/deductible shall not exceed $50,000.

Your obligation to maintain this insurance will not be limited in any way by reason of any insurance maintained by Us.

11.3 Qualified Insurance Carrier

All insurance policies required by this Agreement must be written by a responsible insurance company or companies satisfactory to Us, and in accordance with the minimum limits set forth in Section 11.2 above, which may be changed from time to time by Us at Our discretion to reflect changed conditions. Each insurance company must be rated no less than A VII by A.M. Best and Company. You must maintain such additional insurance coverage and increased limits that We may reasonably consider advisable for an Restaurant business in the area where Your Restaurant is located.

11.4 Certificates

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, You will deliver to Us for Our approval certificates of insurance showing compliance with the requirements of Section 11.1, as set forth in the Manual. Such certificates must state that the policy or policies will not be canceled or altered without at least thirty (30) days' prior written notice to Us. Maintenance of such insurance and the performance by You of Your obligations under this Section 11 will not relieve You under the indemnity provisions of this Agreement or limit such liability.

11.5 Changes in Insurance Requirements

You agree that to meet then current needs and situations, that We may in the Manual revise and add to the above requirements.

11.6 Failure to Insure

If You, for any reason, fail to obtain and maintain the insurance coverage required by this Section, We will have the right and authority to obtain immediately such insurance coverage, and to charge the cost thereof plus a ten percent (20%) processing fee to You, which charges will be paid immediately upon notice and will be subject to charges for late payments in the manner set forth in Section 2.3 hereof.

ARTICLE 12: DEBTS AND TAXES

12.1 Debts and Taxes

You will pay promptly when due all debts and other obligations incurred directly or indirectly in connection with Your Restaurant and its operation; including, without limitation, all taxes and assessments that may be assessed against Your Restaurant land, building and other improvements, equipment, fixtures, signs, furnishings and other property, and all liens and encumbrances of every kind and character incurred by or on behalf of You in conducting Your Restaurant business. You may protest or contest any of such amounts so long as such protest or contest does not adversely affect the continued business of Your Restaurant or possession of Your Restaurant premises.

ARTICLE 13: PRINCIPALS, SALE AND ASSIGNMENT, RESTRICTIONS

13.1 Definition of Principals; Personal Guarantees

For purposes of this ARTICLE 13, the term "**Principals"** will include the persons signing this Agreement as Principals, any of Your future owners and the spouses, minor children or any trust for the benefit of any such Principal. Unless We have given Our written consent to the contrary, each of the Principals signing this Agreement hereby personally guarantees, jointly and severally, the full payment and performance of Your obligations under this Agreement. We have unrestricted right to approve all owners and any future owners. Future owners will be required to execute and deliver to Us a Personal Guaranty in the form attached hereto as **Attachment 4**.

13.2 Authorized Agent

You and the Principals appoint the following person with full authority (the **"Authorized Agent")** to act on behalf of You and the Principals in regard to performing, administering or amending this Agreement: ________________________________. We may deal completely with the Authorized Agent in such regard unless and until Our actual receipt of written notice from You and the Principals of the appointment of a successor to the Authorized Agent.

SIGN HERE: ____________________

13.3 Personal Contract; Consent Mandatory

You agree that a material part of the consideration for Our entering into this Agreement is the personal confidence We have in You and the Principals. No person will succeed to any of Your rights under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors, other legal process or transfer not expressly authorized and consented to by Us. Except as expressly provided for in this Agreement, any attempt by You to transfer any of Your rights or interest under this Agreement will constitute a material breach of this Agreement, and in such event We will have the right to terminate this Agreement upon written notice to You. We will not be bound by any attempted transfer in any manner whatsoever, by law or otherwise, of any of Your rights or interests under this Agreement except as permitted by this ARTICLE 13.

13.4 Form of Legal Entity

(a) If You are a legal entity such as a corporation, partnership or limited liability company (hereinafter referred to as a "**Legal Entity**") or if Your interests in this Agreement are to be transferred to another Legal Entity, such Legal Entity must be expressly approved in advance and in writing by Us and You must comply with this Section 13.4 and any other condition which We may require, including a limitation on the number of owners of the Legal Entity. We have unrestricted right to approve all equity owners and any future owners, and to require a Personal Guaranty. The organization documents must be promptly submitted for Our review. We will not charge a transfer fee for forming or transferring to ownership to such a Legal Entity.

(b) Unless We provide Our prior written consent to the contrary, each Legal Entity must satisfy the following conditions and such other conditions as We may require under the circumstances:

(i) The Legal Entity must be closely held with the single purpose of operating SHARKY'S WOODFIRED MEXICAN GRILL Restaurants.
(ii) The Principals will own and control not less than fifty and one-tenth percent (50.1%) of the voting rights of the Legal Entity or otherwise satisfy Us that the Principals have operational control of the Legal Entity.
(iii) There will not be more than ten (10) owners of the Legal Entity in addition to the Principals.

(c) You will notify Us of any proposed issuance or transfer of an ownership interest in the Legal Entity, and We will have thirty (30) days after its receipt of such notice to disapprove such intended issuance or transfer. Such disapproval must be reasonable and based on the transferee's being involved with other parties in competition with SHARKY'S WOODFIRED MEXICAN GRILL Restaurants or having a known history, reputation or character which is adverse to the interests of SHARKY'S WOODFIRED MEXICAN GRILL Restaurants. A failure by Us to respond timely to such notice will be deemed an approval of the proposed transfer. Each such notice from You must identify the proposed transferor and transferee and provide a complete and accurate description of the proposed transferee sufficiently detailed to allow Us to make a reasoned decision of approval or disapproval.

(d) Notwithstanding anything to the contrary contained in this Section 13.4, a transfer of ownership interest in the Legal Entity which involves only a transfer between or among the Principals, entities wholly owned and controlled by the Principals or any of them or entities controlled by any Principal for the benefit of members of his or her immediate family shall not require Our prior written approval so long as the other requirements of this Section 13.4 are satisfied and We receive prior written notice of such transfer together with complete details regarding the ownership and legal structure of the transferee(s). We will not unreasonably withhold Our approval of any transfer so long as the Principals maintain operational control over You.

(e) The organization documents of the Legal Entity will contain the restrictions set forth in Subsections 13.4(b) and (c) above and this Subsection 13.4(e). You will cause to be printed on each certificate or other document of ownership of the Legal Entity a legend referencing the restrictions contained herein, which will read substantially as follows:

"The transfer of ownership in this company is subject to the terms and conditions of a SHARKY'S WOODFIRED MEXICAN GRILL Franchise Agreement. Reference is made to such Franchise Agreement and to the restrictive provisions contained in the organization documents of this company."

13.5 Written Consent

(a) Except as otherwise expressly set forth in this ARTICLE 13, neither Your rights and interests under this Agreement nor any ownership interests in You (if You are a Legal Entity) may be sold, assigned, encumbered or otherwise transferred (all of which are hereinafter included within the term "**transfer**") in whole or in part in any manner whatsoever without Our prior express written consent.

(b) We will not unreasonably withhold Our consent to a transfer. In considering a request for transfer, We will consider, among other things, the qualifications, apparent ability and credit standing of the proposed transferee as if he or she were a prospective direct purchaser of a franchise from Us. In addition, but without limitation, We will require as conditions to the granting of Our consent all of the following:

(i) There must be no existing default in the performance or observance of any of Your obligations under this Agreement or any other agreement with Us, and Your Restaurant will be in condition and appearance satisfactory to Us and in accordance with Our System standards at that time;

(ii) You must settle all outstanding accounts with Us and our Affiliate(s);

(iii) You must pay Us Our then current Transfer Fee to compensate Us for Our expenses incurred in connection with investigating the qualifications of the proposed transferee, training the proposed transferee and the direct administrative costs of effectuating the transfer. The amount of the Transfer Fee will be twenty-five 25% of our then current Initial Franchise Fee;

(iv) The proposed transferee must appoint a Designated Operator acceptable to Us; Designated Operator and the proposed transferee (at its option, if different) must, prior to the transfer, personally attend and satisfactorily complete Our initial training program;

(v) The owners of the proposed transferee (with 10% or more of the outstanding voting interests) who have not attended Our initial training program, must attend and satisfactorily complete Our Franchise Principal Executive Training;

(vi) The proposed transferee must execute Our then current form of Franchise Agreement for the remaining term of this franchise.

(vii) The transfer documents must contain a non-competition agreement by You similar to that set forth in this Agreement at subsection 4.9(f);

(viii) If You and/or Your Principals finance any part of the sale price of the transferred interest, You and Your Principals must agree that all of the proposed transferee's obligations are subordinate to the transferee's obligations to pay amounts due to Us and Our Affiliate(s); and

(ix) Such other requirements as We may in Our discretion deem reasonably necessary, including a general release of any claims against Us.

(c) Neither this Agreement, any of the rights conferred on You hereunder nor any ownership interests in the purchasing franchisee may be retained by You as the transferring franchisee as security for the payment of any obligation that may arise by reason of any such transfer.

13.6 Death and Disability

(a) Except as provided for herein to the contrary, the death or disability of an owner of a Legal Entity shall have the legal results of applicable law. In the event of the death or legal incapacity of one of the Principals, the decedent's estate or You must immediately notify Us of such death, and within thirty (30) days after such notice further notify Us of a proposed successor to the decedent's interests (the "**Successor**"). If We approve the Successor, he or she will replace the decedent as a Principal hereunder.

(b) In the event We do not approve the Successor, We will so notify You, and You or the decedent's estate will use Your best efforts within the six (6) months from the date of such written notice from Us to sell the interests in this Agreement and Your Restaurant to a bona fide purchaser in accordance with and subject to all of the provisions of this ARTICLE 13. If by the end of such six-month period, You have not consummated a transfer of such interest or stock in a transaction which meets the requirements of this ARTICLE 13, We will have the option to purchase all of such interest in Your Restaurant and franchise or in the ownership of the Legal Entity at the fair market value thereof as determined in good faith by an independent appraiser selected as set forth in subsection (c) below.

(c) The procedure for determining the fair market value or other terms of purchase shall be that We and You shall each select one appraiser and such two appraisers shall select a third appraiser, and the third appraiser shall make the necessary determination, with the costs of appraisal to be borne equally by You and Us.

(d) If We in Our discretion decide that the death or disability of an individual, a Principal or a Successor will result in unsatisfactory operation of Your Restaurant, We may take over operation of Your Restaurant temporarily, and You will reimburse Us for all of Our costs and compensate Us for Our efforts at an amount equal to 5% of Gross Revenues during such time.

13.7 Right of First Refusal

(a) You must give written notice to Us of any planned, attempted transfer or offer to transfer by You in any manner whatsoever of any interest in or under this Agreement or of any transfer of the controlling ownership interest in You if You are a Legal Entity. You grant Us the right of first refusal in regard to any such offer or transfer to purchase such interest on the same terms and conditions (or on terms and conditions determined by Us which will result in the same net financial benefits to You as transferor). In exercising Our right of first refusal, We may pay the transferor cash at closing in the same amount as the principal amount of any promissory note(s) otherwise required by the transferee or in the amount of the fair market value of any other non-cash purchase price, and if stock is provided for, may substitute stock of Ours or an affiliated corporation in an equivalent value to the stock contained in the offer of first refusal. Any determination of fair market value, equivalent value or net financial benefits made by Us in good faith shall be deemed an acceptance of the offer. Until We have accepted or rejected the offer of first refusal from You, You will neither consider nor accept any other offer and will keep confidential all of the terms of such transfer.

(b) The first refusal offer to Us must be in writing and must include complete details of all of the terms, conditions and provisions of the proposed transfer, including copies of all agreements which may be assumed by or assigned to the transferee. After receipt of all of such information, We will have thirty (30) days after actual receipt of all of such documents within which to accept or reject it. Our failure to accept within such thirty (30) days will constitute a rejection. If rejected, You may consummate the transfer to a third party if all other provisions of this Agreement are satisfied, but the transfer must be consummated within six (6) months and only upon the terms, conditions and provisions previously offered to Us.

(c) After any rejection by Us, You must in all events submit a fully executed copy of all final transfer documents to Us at least three (3) days in advance of any proposed consummation or closing date for Our review and comparison with the first refusal offer previously submitted to it. Any variation will require an offer of first refusal to Us on the varying terms following the same procedures set forth above. Our right of first refusal will be unrestricted and absolute, and We will in all cases have at least thirty (30) days to consider and act on each offer or any change in the terms and conditions of offer.

(d) Nothing contained in this Section 13.7 will in any way be deemed to limit Our discretion in considering, approving or disapproving any request to transfer any interest under this Agreement.

13.8 Assumption

This Agreement and Our rights, interests and obligations hereunder may be transferred to the benefit of any entity which succeeds to Our business and assumes Our obligations hereunder.

ARTICLE 14: TRADEMARKS

14.1 Ownership

You agree that We have the sole and exclusive right (except for rights granted under existing and future franchise agreements) to use the Marks in connection with the products and services to which they are or may be applied by Us. You represent, warrant and agree that neither during the term of this Agreement nor after its expiration or other termination will You directly or indirectly contest or aid in contesting the validity, ownership or use of the Marks by Us or take any action whatsoever in derogation of the rights claimed therein by Us.

14.2 Nonexclusive License

The license granted under this Agreement to use the Marks is nonexclusive except to the extent otherwise specified herein, and We, in Our sole and absolute discretion, may grant other licenses in, to and under the Marks in addition to those licensees already granted, both within and outside Your Restaurant's trading area, and to develop and license other names and marks on any such terms and conditions as We deem appropriate.

14.3 Other Uses

You expressly agree that We have the exclusive, unrestricted right to engage directly and indirectly, at wholesale, retail, catering and otherwise, within Your Restaurant trading area and elsewhere, in (a) the production, distribution and sale of food products and beverages under the Marks licensed hereunder or other marks; and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Us. The license granted to You under this Agreement does not include any right or authority of any kind whatsoever to pre-package or sell prepackaged food or drink products under the Marks. We have the sole and exclusive right to such rights at all times and at all locations.

14.4 Goodwill

Nothing contained in this Agreement will be construed to vest in You any right, title or interest in or to the Marks, the goodwill now or hereafter associated therewith or any right in the design or any Restaurant building, other than the rights and license expressly granted herein of the term hereof. Any and all goodwill associated with or identified by the Marks will inure directly and exclusively to Our benefit, including without limitation any goodwill resulting from operation and promotion of Your Restaurant.

14.5 Use of Marks

You will not use the Marks in connection with any statement or material which may, in Our judgment, be in bad taste or inconsistent with the SHARKY'S WOODFIRED MEXICAN GRILL public image, or tend to bring disparagement, ridicule or scorn upon Us, the Marks or the goodwill associated therewith. You, whether doing business as a proprietorship or Legal Entity, will not adopt, use or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any trade name or business name, style or design which includes, or is similar to, any of SHARKY'S WOODFIRED MEXICAN GRILL identifying characteristics. We will defend You (using legal counsel chosen by Us) and indemnify You from any claims of infringement regarding use by You of the Marks so long as You were using the Marks properly and as authorized by this Agreement.

14.6 Changes in Marks; Protection

We will have the right at any time and from time to time upon notice to You to make additions to, deletions from, and changes in the Marks, or any of them, all of which additions, deletions and changes will be as effective as if they were incorporated in this Agreement. All such additions, deletions and changes will be made in good faith, on a reasonable basis and with a view toward the overall best interest of SHARKY'S WOODFIRED MEXICAN GRILL Restaurants generally. We will protect and preserve the integrity and validity of the Marks by taking the actions deemed by Us in Our discretion to be appropriate in the event of any apparent infringement of the Marks.

14.7 Infringements

You must notify Us promptly of any claims or charges of trademark infringement against Us or You, as well as any information You may have of any suspected infringement of the Marks. You will take no action with regard to any such matters without Our prior written approval, and will cooperate fully with Us in dealing with any infringement or claim of infringement.

ARTICLE 15: EXPIRATION AND TERMINATION

15.1 Events of Default

(a) We will have the right to terminate this Agreement immediately upon written notice to You if any of the following events occur:

(i) In the event of any breach or default under Sections 1.3(b) (site approval), 4.3(a) (development and opening), 4.3(c) (failure to comply with applicable laws), 5.2 (mandatory training), 9.2 (inspection), 13.3 and 13.5 (unauthorized transfer) or 13.7 (right of first refusal);
(ii) If a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization is filed by or against You, or if You make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for Your Restaurant, unless remedied to Our satisfaction within twenty (20) days;
(iii) If You for any reason lose Your right to possession of Your Restaurant premises;
(iv) If We discover that You have made any material misrepresentation or omitted any material fact in the information furnished by You in connection with the grant of this franchise;

(v) If You (or any Principal) are convicted of any felony or other criminal conduct which is relevant to operation of Your Restaurant or if You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the SHARKY'S WOODFIRED MEXICAN GRILL business or System.

(vi) If You abandon Your Restaurant by failing to operate it for five consecutive days or lesser period if the facts and circumstances indicate that You do not intend to continue to operate Your Restaurant (except as a result of fire, flood, earthquake or similar causes beyond Your control);

(vii) If You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice; or

(viii) If We make a reasonable determination that continued operation of Your Restaurant by You will result in an imminent danger to public health or safety.

(b) If You default in any other requirement of this Agreement, We will have the right to terminate this Agreement immediately following thirty (30) days written notice to You (except in the case of a default in payment to Us, in which case only ten (10) days written notice is required). If a non-monetary default cannot by its nature reasonably be cured within such thirty-day period, and so long as You are diligently taking all action reasonably necessary to effect such cure, the cure period will be extended to a reasonable amount of time to effect such cure. A default in any other SHARKY'S WOODFIRED MEXICAN GRILL franchise agreement in which You or anyone holding an interest in You also has an interest will be considered a default under this Agreement, which if not cured will result in termination of this Agreement.

(c) We may terminate this Agreement upon written notice to You without any curative period if a default is repeated within any 12-month time period.

(d) The provisions of this Section 15.1 are subject to the provisions of any local statutes or regulations which may prohibit Us from terminating this Agreement without good cause or without giving You additional prior written notice of termination and opportunity to cure any default.

15.2 <u>Termination by You; Liquidated Damages</u>

(a) You may terminate this Agreement following ninety (90) days written notice to Us if We materially breach this Agreement and fail to cure such breach within such ninety-day period.

(b) Upon termination of this Agreement due to Your action or failure to act according to its terms and conditions, You agree to pay Us within fifteen (15) days after termination, in addition to any amounts owed Us or Our Affiliates, liquidated damages equal to the average monthly Royalty Fees owed or paid during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is less.

(c) The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages We would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, We might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

15.3 Requirements Upon Termination

Upon the expiration or earlier termination of this Agreement for any reason, You must:

(a) immediately discontinue the use of the Marks and the System, including all SHARKY'S WOODFIRED MEXICAN GRILL recipes and proprietary procedures;

(b) unless We consent to the contrary, remove the Marks from Your Restaurant building and its signs, fixtures and furnishings, eliminate entirely SHARKY'S WOODFIRED MEXICAN GRILL trade dress and alter and paint Your Restaurant building and other improvements a design and color which is basically different from the SHARKY'S WOODFIRED MEXICAN GRILL image and design so that there will no longer be any indication to the public that Your Restaurant was a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant. If You fail to make or cause to be made any such change within thirty (30) days after written notice, We will have the right to enter upon Your Restaurant premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such changes and You will reimburse Us for all of Our reasonable expenses immediately following demand;

(c) not thereafter use any identifying characteristic that is in any way associated with Us or similar to those associated with Us, or operate or do business under any name or in any manner that might tend to give the public the impression that You are or were a franchisee or otherwise associated with Us;

(d) immediately deliver to Us all copies of all recipe books, training materials, menu cards, restaurant systems materials, back office computer files and any printed copies of information from the Manual and any items bearing the Marks or which are confidential; and

(e) pay all sums due Us or to become due to Us pursuant to this Agreement.

15.4 Trademark Infringement

If You refuse to comply with a written notice of termination sent by Us and a court later upholds such termination of this Agreement, any operation of Your Restaurant by

You from and after the date of termination stated in such notice will constitute trademark infringement by You and You will be liable to Us for damages resulting from such infringement in addition to any royalties paid or payable hereunder, including, without limitation, Your profits.

15.5 Option

If Your Restaurant premises are leased by You from a third party, You will have included in such lease and any subsequent lease of the premises the right by You to assign such lease to Us without further consent by the lessor. We may elect to have the lease automatically assigned to Us under such provision if this Agreement is terminated, whether it is terminated by Us or by You. If We so elect, You will immediately vacate the premises, and We will be entitled to take possession of said premises, including all fixtures and leasehold improvements, and We will pay to You the fair market value of the interests owned by You in Your Restaurant's furnishings and equipment. Fair market value will be determined by mutual agreement or an appraiser selected by Us or the American Arbitration Association if We cannot agree. Upon request, We will furnish You with an Addendum to Lease which includes these requirements.

ARTICLE 16: MISCELLANEOUS

16.1 No Effect

The waiver by Us of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein or of any same or similar term, covenant or condition in any other agreement between Us and any franchisee will not be deemed a waiver of any subsequent or continuing breach or default of the same or any other terms, covenants or conditions contained in this Agreement, or in any other agreement between Us and any franchisee.

16.2 Right and Remedies

All of Our rights and remedies will be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. Our rights and remedies will be continuing and not exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement will not discharge or release You from any liability or obligation then accrued or any liability or obligation continuing beyond or arising out of the expiration or earlier termination of this Agreement.

16.3 Consents

Whenever the consent of a party is sought or required hereunder, such consent will not be unreasonably withheld.

16.4 Partial Invalidity

If any part of this Agreement will for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions will not be affected thereby, and such remaining portions will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. It is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided, however, that in the event any part hereof relating to the payment of fees to Us, or the preservation of the Marks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then We will have the option of terminating this Agreement upon written notice to You.

16.5 Arbitration; Jurisdiction

(a) Except as set forth in Subsection 16.5(b), any unresolved dispute between the parties arising out of this Agreement shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association applicable to commercial arbitrations and the Federal Arbitration Act. Such arbitration shall be held within the county in which Our corporate headquarters are located (the "**Home County**") (currently Ventura County, California). At the conclusion of the arbitration, the arbitrator must deliver to the parties a written statement of conclusions of fact and conclusions of law supporting the final award of the arbitrator. Any party may move for judicial confirmation, modification or correction of the final award of the arbitrator within 60 days after receipt thereof. Alternatively, judgment upon such decision may be entered in any court having jurisdiction over the matter. Arbitrators shall apply the law of the state where Your Restaurant is located (without giving effect to any conflict of law principles) as set forth in section 16.7 below.

(b) Notwithstanding the foregoing, any action by Us which involves Your continued usage of any of the Marks or the System or an issue involving injunctive relief, may be submitted to a court in the Home County having jurisdiction over the issue involved. You and We expressly consent to personal jurisdiction in the Home County and agree that such court(s) shall have exclusive jurisdiction over any issues not subject to arbitration.

16.6 Attorneys Fees

If either party initiates any legal proceeding which involves issues arising out of this Agreement, the prevailing party in such action will be paid its reasonable attorneys' fees and costs by the other party.

16.7 Governing Law

The parties agree that the law of the State where the Restaurant is located (without giving effect to any conflict of laws principles) will apply to the construction and enforcement of this Agreement and govern all questions which arise with reference hereto.

16.8 Notices

All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by telefax to such person's telefax number with copy by regular mail, sent by an established overnight delivery service or mailed by certified mail addressed to the recipient at the address set forth below, unless that party will have given such written notice of change of address to the sending party, in which event the new address so specified will be used. If mailed, such notice shall be deemed to have been received three days after mailing, and if sent by overnight deliver, such notice shall be deemed to have been received the day following sending.

Us:	Passion Foods, Inc.	You:	______________________________
	780 Lakefield Road, Suite C		______________________________
	Westlake Village, CA 91361		______________________________
	Attn: The President		______________________________

16.9 Terms and Headings

All terms used in this Agreement regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The headings inserted in this Agreement are for reference purposes only and will not affect the construction of this Agreement or limit the generality of any of its provisions. Definitions are presented in bold face solely for ease of reference.

16.10 Compliance with Laws

You will at Your own cost and expense promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and offices thereof. Without limiting the generality of the foregoing, You will abide by all applicable rules and regulations of any Public Health Department.

16.11 Entire Agreement

This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancels any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Nothing in this Agreement or any related agreement is intended to disclaim the representations We have made in Our Franchise Disclosure Document.

16.12 Amendment or Modification

Except as expressly authorized herein, no amendment or modification of this Agreement will be binding unless executed in writing by both Us and You.

16.13 Acknowledgment

BY INITIALING WHERE INDICATED, YOU EXPRESSLY ACKNOWLEDGE THAT:

(a) YOU HAVE ENTERED INTO THIS AGREEMENT AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION, AND AFTER CONSULTATION WITH AN ATTORNEY OR OTHER ADVISOR(S) OF YOUR CHOICE, AND IN ANY EVENT NOT AS A RESULT OF ANY REPRESENTATIONS BY US, OUR AGENTS, OFFICERS OF EMPLOYEES EXCEPT AS CONTAINED HEREIN AND IN OUR FRANCHISE DISCLOSURE DOCUMENT PREVIOUSLY DELIVERED TO YOU.

YOUR INITIALS:______

(b) THE SUCCESS OF THE FRANCHISED BUSINESS WILL BE LARGELY DEPENDENT UPON YOUR ABILITIES AND EFFORTS, AND WE HAVE MADE NO WARRANTY OR GUARANTEE TO YOU THAT THE FRANCHISED BUSINESS WILL BE SUCCESSFUL OR PROFITABLE.

YOUR INITIALS:______

(c) YOU ARE NOT RELYING UPON ANY FINANCIAL PROJECTIONS OR SIMILAR INFORMATION OR EARNINGS CLAIMS MADE BY US OR ANYONE ON OUR BEHALF.

YOUR INITIALS:______

(d) A COMPLETE COPY OF THIS AGREEMENT AS SIGNED BY YOU WAS RECEIVED BY YOU AT LEAST SEVEN CALENDAR DAYS PRIOR TO ITS EXECUTION BY YOU AND A COMPLETE COPY OF OUR FRANCHISE DISCLOSURE DOCUMENT WAS RECEIVED AT LEAST 14 CALENDAR DAYS PRIOR TO YOUR EXECUTION OF THIS AGREEMENT.

YOUR INITIALS:______

* * * * * * * * * *

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

You:

____
(a ____________________________)

By:___________________________

Printed Name: __________________

Title: ________________________

By:___________________________

Printed Name: __________________

Title: ________________________

Principals:

Printed Name: _________________________ %Ownership: _____

Signature: ____________________________

Printed Name: _________________________ %Ownership: _____

Signature: ____________________________

Printed Name: _________________________ %Ownership: _____

Signature: ____________________________

Us:

PASSION FOODS, INC.

By: __________________________
Its President

Attachment 1

PROTECTED TERRITORY

The geographic area described below is the **Territory** referred to in Section 1.2(b) of the Franchise Agreement:

APPROVED:

YOU ______________________ Printed Name: _________________

US: _______________________ Printed Name: _________________

Attachment 2

DEVELOPMENT AND EQUIPPING OF RESTAURANT

All terms defined in the Franchise Agreement shall have the same meaning in this Attachement 2.

1. Location Selection.

(a) Franchisee must deliver two complete site approval request packages to PFS within 90 days after signing this Agreement. Each location shall meet PFS's basic site selection criteria except as stated by Franchisee in the package. If PFS determines that a proposed location for the Restaurant is unsatisfactory, Franchisee shall continue diligent efforts to propose other prospective locations for the Restaurant Premises until one is approved by PFS. Upon selection and approval of the Restaurant Premises, its address shall be set forth in Exhibit A, which shall then be signed and dated by PFS and Franchisee. If Franchisee has not received site approval by PFS six months after the execution of the Franchise Agreement and PFS has not granted at its discretion up to two 90 day extensions, PFS may terminate the Franchise Agreement upon notice to Franchisee.

(b) PFS shall visit up to two locations proposed by Franchisee that are within a 200 mile radius of PFS's principal place of business and that fit PFS's basic site criteria without charge to Franchisee. Franchisee shall pay PFS in advance the per diem charge provided in the Fee Schedule for each site in excess of two that PFS visits and/or for each site that is outside a radius of 200 miles from PFS's principal place of business. Franchisee shall pay PFS in advance for roundtrip coach airfare from Los Angeles or Burbank airport or for mileage at the rate then set forth in the Fee Schedule, whichever PFS selects, for each proposed site that is outside a radius of 200 miles from PFS's principal place of business. Should Franchisee cancel or change any site approval request after PFS has made travel arrangements, Franchisee shall reimburse PFS on demand for any flight cancellation or change charges incurred by PFS.

(c) Franchisee agrees that PFS's approval of the Franchise Location does not constitute a warranty of the suitability, condition, viability, success, or any other matter pertaining to the Franchise Location. Franchisee shall be solely and completely responsible for selecting an appropriate location for the Franchise Business, obtaining PFS's approval of it, and obtaining a right to occupy it within 90 days after the date PFS signs this Franchise Agreement.

Initials: _________

2. Lease Terms and Counterpart.

(a) Prior to entering into any rental agreement, lease or other agreement, written or oral, relating to the Restaurant Premises ("**Lease**"), Franchisee shall deliver to PFS one copy of every term sheet, offer, counteroffer, or letter of intent executed by Franchisee and/or the person representing the owner of such property (the "**Landlord")** and one counterpart original of the proposed form of Lease in its final form for the purpose of review and satisfaction by PFS that the Lease terms comply with its requirements.

(b) The Lease shall be for a period of not less than five years with at least two five year renewal options and shall contain provisions giving PFS the right to: (i) receive notice from the Landlord of any default by Franchisee under the Lease simultaneously with the delivery of notice to Franchisee, but in no event less than 30 days prior to the termination date; (ii) cure any default by Franchisee under the Lease; (iii) be assigned the Lease and/or substitute itself as tenant, succeed to the tenant's interest under the Lease, and cause landlord to evict Franchisee from the Franchise Location if Franchisee defaults under the Lease or this Franchise Agreement; (iv) enter the Franchise Location after the Lease has been terminated to remove any and all PFS Names or Marks; and (v) exercise any and all renewal or extension options. Upon execution of a Lease, Franchisee shall deliver to PFS one duly executed counterpart original of the Lease and all exhibits and addenda. Upon execution of any amendment to the Lease, Franchisee shall deliver one duly executed counterpart original to PFS.

3. Improvements; Opening.

(a) Franchisee may obtain from PFS standards and specifications for the layout, design, decoration, fixtures and equipping of the Restaurant Premises ("**Specifications**") as necessary. PFS shall at its discretion advise and consult with Franchisee with respect to the Specifications to the extent reasonably necessary to fulfillment of Franchisee's obligations pursuant to this Agreement.

(b) Within 30 days after its receipt of Specifications from PFS, Franchisee shall submit to PFS for its approval two copies of (i) all plans, diagrams, construction drawings, and similar documents necessary to construct, remodel, alter, improve, decorate, add fixtures and equip the Restaurant Premises so it will comply with the Specifications and all laws, ordinances, rules, and regulations applicable to the Restaurant Premises, prepared by an architect approved by PFS and engaged by Franchisee; and (ii) kitchen design plans prepared by a kitchen designer designated by PFS and engaged by Franchisee, all in form suitable for submission to the governmental agency that issues building permits (collectively "**Franchisee's Plans**"). Should PFS disapprove of Franchisee's Plans, within 10 days after Franchisee's receipt of notice of PFS's disapproval, Franchisee shall submit to PFS revised Franchisee's Plans modified to eliminate the cause for PFS's disapproval.

(c) Franchisee shall not commence any construction, remodeling, alteration, improvement, addition of fixtures, or equipping of the Franchise Location unless and until PFS has approved Franchisee's Plans, as evidenced by PFS's initialing one set of Franchisee's Plans and returning it to Franchisee together with written notice to commence the work called for by Franchisee's Plans (the "**Improvements**") within the time provided in paragraph D of this Section. PFS's approval of Franchisee's Plans shall not constitute any representation or warranty of regulatory approval, soundness of design, safety, construction feasibility, or any other matter pertaining to Franchisee's Plans.

(d) Franchisee shall commence work on the Improvements on the later of the date Franchisee takes possession of the Restaurant Premises or within 60 days after Franchisee and Landlord have signed the Lease and shall cause the Improvements to be completed in accordance with the Specifications and Franchisee's Plans as approved by PFS within 70 days after work commences. Franchisee shall cause all construction to be performed by duly licensed contractors. Franchisee shall obtain from each contractor a certificate evidencing no less than $1,000,000 liability insurance and worker's compensation insurance coverage as required by law, naming Franchisee and PFS as additional insureds. PFS may visit the Restaurant Premises and inspect the construction at any time. Franchisee shall cooperate and cause its contractors to cooperate with PFS in those inspections and shall cause its contractors to make any and all adjustments required to cause the construction to comply with Franchisee's Plans.

(e) Franchisee shall open the Restaurant Premises for business no later than the second Monday after construction of the Improvements is completed. Provided, however, that if Franchisee is unavoidably delayed in or prevented from completing any of its duties pursuant to this Section within the time provided because of delay in delivery of supplies or materials, labor action, power failure, government action, national emergency, act of Nature, or disaster not Franchisee's fault, the time in which Franchisee may fulfill its obligations pursuant to this Section shall be extended for a period equal to the period of that unavoidable delay or prevention.

(f) Franchisee shall not construct or cause to be constructed on the Restaurant Premises any improvements or structures other than the Improvements. Except as required by PFS, Franchisee shall not alter the building structure, size, floor plan, layout, decor, interior or exterior design, or any other facet of the appearance of the Restaurant Premises at any time during the term of this Agreement. The appearance of the Restaurant Premises shall at all times conform to the Specifications and the design, color, and decor criteria set forth in the Sharky's® Manual, as modified by PFS from time-to-time.

4. Décor, Fixtures, and Equipment.

(a) Prior to opening the Restaurant Premises for business and within 70 days after construction of the Improvements commences, Franchisee shall acquire from suppliers designated or approved by PFS and install in the Restaurant Premises in accordance with the Specifications all décor, fixtures, and equipment described in the Décor, Fixtures and Equipment List maintained and disseminated by PFS as part of the Manual, all of which equipment and fixtures shall be of brands designated or approved by PFS (respectively, the "**Fixtures**" and the "**Equipment**"). Provided, however, that if Franchisee is unavoidably delayed in or prevented from installing any or all of the Fixtures or Equipment by reason of any unavoidable delay in delivery of Fixtures or Equipment, unavoidable delay in completion of the Improvements, labor action, power failure, government action, national emergency, act of Nature, or disaster not Franchisee's fault, the time in which Franchisee may fulfill its obligation pursuant to this Section shall be extended for a period equal to the period of that unavoidable delay or prevention.

(b) Franchisee shall not at any time alter or modify the Fixtures or Equipment in any manner or install in or place on the Restaurant Premises any fixtures or equipment other than the Fixtures and Equipment without PFS's prior written consent. Franchisee shall not encumber or grant any lien against the Fixtures or Equipment without PFS's prior written consent.

(c) No less than seven days prior to the first of the pre-opening parties described in Section 5 of the Agreement (the "**Pre-Opening**"), Franchisee shall cause the Restaurant to be stocked with the small wares described in the Small Wares List stated in the Manual. Upon request, PFS shall assist Franchisee in making initial contact with any suppliers of the small wares included in the List of Designated or Approved Brands and Suggested Suppliers stated in the Manual.

(d) Prior to the Pre-Opening, Franchisee shall cause the Restaurant Premises to be stocked with the products, ingredients, and supplies described in the Opening Inventory List stated in the Manual. Upon request, PFS shall assist Franchisee in making initial contact with any suppliers of those materials included in the List of Designated or Approved Brands and Suggested Suppliers stated in the Manual.

(e) Franchisee shall obtain prior to the Pre-Opening and maintain throughout the term of this Agreement a subscription the broadcast music service designated by PFS in the Manual. Franchisee shall broadcast over the loudspeaker system in the Restaurant Premises during all operating hours the music from the channel of that service designated by PFS in the Manual.

Attachment 3

PERSONAL GUARANTY

For good and valuable consideration, the receipt of which is hereby acknowledged, each of the undersigned (the "**Guarantors**") hereby personally guarantees, jointly and severally, the due, punctual and full payment and performance of each and all of the obligations of the franchisee ("**Franchisee**") under the foregoing SHARKY'S WOODFIRED MEXICAN GRILL Franchise Agreement dated _____________, 201____ by and between the Franchisee and Passion Foods, Inc. , the franchisor ("**Franchisor**") and hereby individually undertakes to be bound by all of the terms of such Franchise Agreement.

It is the intention of the undersigned that this Personal Guaranty shall be full and absolute. Accordingly, each of the Guarantors hereby waives and agrees not to assert or take advantage of any right or defense based on the absence of any presentment, demand (including demands for performance), notice and protest of each and every kind and of any right to require Franchisor or its assignee to proceed against Franchisee or any other person or to pursue any other remedy before proceeding against a Guarantor.

This Personal Guaranty applies to, binds and inures to the benefit of the Guarantors and their heirs, devisees, legatees, executors, administrators, representatives, successors and assigns. Franchisor may assign its rights hereunder without reducing or modifying the liability of any Guarantor hereunder.

IN WITNESS WHEREOF, each of the Guarantors has executed this Personal Guaranty as of the date set forth below.

______________________________ Printed Name: ______________________

______________________________ Printed Name: ______________________

("**Guarantors**")

Dated:__________________________

Attachment 4

CONFIDENTIALITY AGREEMENT

The undersigned Employee of______________________ ("**Employer**"), which has applied for a SHARKY'S WOODFIRED MEXICAN GRILL franchise hereby agrees that he or she shall not, while employed by Employer or following such employment, communicate to, or use for the benefit of, any other person, persons, partnership, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of an SHARKY'S WOODFIRED MEXICAN GRILL Restaurant; provided, however, that the foregoing does not include information which the Employee can demonstrate came to his or her attention prior to being employed by Employer or which has become a part of the public domain through publication or communication by others.

The Employee agrees to promptly disclose to Employer, any and all ideas, improvements, processes, names, menu items, and enhancements to the franchised business which Employee alone or with others invents, discovers makes or conceives ("Innovations") at any time during, and for a period of one year after employment in a SHARKY'S WOODFIRED MEXICAN GRILL Restaurant. All such Innovations will be deemed the sole and exclusive property of Passioin Foods, Inc. (the "**Franchisor**"). The Franchisor has the right to incorporate such Innovations into the System without compensation to the Employee.

The Employee acknowledges that any failure to comply with the requirements of this Confidentiality Agreement will cause Employer and the Franchisor irreparable injury, and Employee agrees that in addition to any other right or remedy provided by law, Employer and/or the Franchisor shall be entitled to specific performance of, or an injunction against violation of, the requirements of this Confidentiality Agreement.

The Employee agrees that upon termination of his or her employment with Employer for any reason, he or she will return all copies of documents containing confidential information or trade secrets to Franchisee, including without limitation the SHARKY'S WOODFIRED MEXICAN GRILL Confidential Manual(s).

IN WITNESS WHEREOF, the undersigned has executed this document in consideration of his or her employment by the Franchisee.

DATED: ______________________

Print Name:_______________________________

Signature: _______________________________

("**Employee**")

Attachment 5

STATE LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT

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.

None of the persons identified in Item 2 of the franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

In connection with Item 17 of the franchise disclosure document, the following paragraphs are included pursuant to California law:

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.).

3. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

4. The franchise agreement contains a liquidated damage clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. The franchise requires a franchisee to execute a general release of claims upon renewal or transfer of the agreement. 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).

6. California Corporations Code Section 31125 requires the franchisor to give the franchisee a disclosure document approved by the Department of Business Oversight prior to a solicitation of a proposed material modification of an existing franchise.

7. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations We have made in Our Franchise Disclosure Document.

8. Re: Website: www.sharky's.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

Attachment 6

RENEWAL ADDENDUM
OF FRANCHISE AGREEMENT
SHARK'S WOODFIRED MEXICAN GRILL

THIS ADDENDUM applies to the Franchise Agreement dated as of__________, 201__ by and between Passion Foods, Inc., a California corporation, as franchisor ("**We**", "**Us**" or "**Our**") ______________________________________, as franchisee (**"You**" or "**Your**").

RECITALS:

A. We and You have agreed to a renewal of the SHARKY'S WOODFIRED MEXICAN GRILL franchise agreement described above (the "Franchise Agreement") and are executing a current franchise agreement as part of such renewal.
B. The purpose of this Addendum is to modify to the terms of the Franchise Agreement which either do not apply to or are inconsistent with such a renewal in order to avoid any misunderstandings.
C. A copy of this Addendum, as signed by the parties, is to be attached to each signed copy of such Franchise Agreement.

NOW THEREFORE, in consideration of the mutual promises set forth in the Franchise Agreement and herein, the parties agree as follows:

1. **Definitions; Controlling Document**. The parties agree that any defined terms in the Franchise Agreement shall have the same meaning in this Addendum. The parties further agree that in the event of any conflict between this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall control. In all other respects, the parties agree that the Franchise Agreement shall be in full force and effect as set forth therein, subject to the terms of this Addendum.

2. **Franchise Agreement**. The Franchise Agreement is hereby amended as follows:

Site Selection, Section 1.3. Subsection 1.3 (a) is deleted in its entirety.

Initial Fee, Section 2.1. Subsection 2.1(a) is amended in its entirety by deleting it in its entirety and replacing it with the following:

> "(a) a non-refundable "Renewal Fee" of $___________, which must have been paid in full upon execution of this Addendum"

Initial Term, Section 3.1 Section 3.1 is amended by deleting it in its entirety.

Renewal Term, Section 3.2 The first part of Section 3.2 is amended in its entirety by deleting the present first part of Section 3.2 and replacing it with the following:

> "The Renewal Term of the Franchise Agreement is five (5) years beginning immediately after the end of the prior Initial Term or Renewal term as the case may be. You may renew this Agreement for _____ additional consecutive five (5) year term, so long as the following conditions have been met before the end of this Renewal Term:"

Training, Initial Training. Section 5.1 is hereby deleted in its entirety.

Mock Service-Pre-Opening; Supervision. Section 5.4 is hereby deleted in its entirety.

Other Amendments or Changes. The parties agree that there are no other amendments of or changes to the Franchise Agreement except as specified below:

None, except ____

IN WITNESS WHEREOF, the parties have executed this Addendum as of the day and year first above written.

You:

____

(a ___________________________)

By:___________________________

Printed Name: __________________

Title: ________________________

By:___________________________

Printed Name: __________________

Title: ________________________

Principals:

Printed Name: ___________________________ %Ownership: _____

Signature: ______________________________

Printed Name: ___________________________ %Ownership: _____

Signature: ______________________________

Printed Name: ___________________________ %Ownership: _____

Signature: ______________________________

Us:

PASSION FOODS, INC.

By: ____________________________
Its President

Exhibit C

NAMES AND ADDRESSES OF AGENTS FOR SERVICE OF PROCESS AND STATE REGULATORY AUTHORITIES

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	Steven Paperno 780 Lakefield Road, Suite C, Westlake Village, CA 91361	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677
HAWAII	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Securities Compliance Branch Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices 201 State House Indianapolis, IN 46204	Securities Commissioner Securities Division, Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
MARYLAND	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottowa 670 Law Building Lansing, MI 48913	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 11231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities Suite 232 Providence, RI 02903	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Division of Securities South Dakota Department of Revenue and Regulation 445 E. Capitol Avenue Pierre, SD 57501	Franchise Administrator Division of Securities c/o 118 West Capitol Pierre, SD 57501-5070 (605) 773-4013
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, WA 98501	Administrator Dept. of Financial Institutions Securities Division P.O. Box 4102 Tumwater WA 98504--1200 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555

Exhibit D

SHARKY'S®
CURRENT FRANCHISEES
AS OF DECEMBER 31, 2017

FRANCHISEE	STORE Phone #	OWNERS/ PARTNERS
CALIFORNIA:		
Feel Good About Eating, LLC		
No. 1 - Sherman Oaks	(818) 785-2533	Steven Paperno
13238 Burbank Boulevard		David Goldstein
Sherman Oaks, CA 91401		
Proactive Management Group, Inc.		
No. 3 - Tarzana	(818) 881-8760	Tony & Marjaneh Hashemi
5511 Reseda Boulevard		
Tarzana, CA 91356		
T & M Finatic Enterprise, Inc.		
No. 5 - Woodland Hills	(818) 887-6963	Tony & Marjaneh Hashemi
6219 Topanga Canyon Boulevard		
Woodland Hills, CA 91367		
Tiburones, Inc.		
No. 6 - Westlake Village	(805) 370-3701	Tony & Marjaneh Hashemi
111 S. Westlake Boulevard		
Westlake Village, CA 91361		
Feel Good About Eating, LLC		
No. 8 - Palmdale	(661) 273-4713	Steven Paperno
39532 10th Street West "B"		David Goldstein
Palmdale, CA 93551		
TMH Enterprises, LLC		
No. 9 - Calabasas	(818) 880-0885	Tony & Marjaneh Hashemi
26527 Agoura Road		
Calabasas, CA 91302		
Ishtar Enterprises, Inc.		
No. 10 - Burbank	(818) 840-9080	Joseph Nahas
1791 North Victory Place		
Burbank, CA 91501-3401		

JBD Partners, Inc. **No. 11 - Ventura** 4960 Telephone Road, Unit 101 Ventura, CA 93003	(805) 339-9600	Robert Rasp
JBD Partners, Inc. **No. 12 - Simi Valley** 2410 Sycamore Dr Simi Valley, CA 93065	(805) 522-2270	Robert Rasp
Food With Purpose **No. 13 - Aliso Viejo** 26811 Aliso Creek Road Aliso Viejo, CA 92656	(949) 643-0900	Steve Paperno David Goldstein
Pacific Fin Kitchen, Inc.Food with Purpose **No. 14 - Newport Coast** 21119 Newport Coast Drive Newport Beach, CA 92657	(949) 729-1000	Steve Paperno David Goldstein
Food with Purpose **No. 15 - Irvine** 6725 Quail Hill Parkway Irvine, CA 92603	(949) 856-1300	Steve Paperno David Goldstein
Sharky's Beverly Hills, Inc. **No.16 - Beverly Hills** 435 N Beverly Drive Beverly Hills, CA 90210	(310) 858-0202	Steven Paperno David Goldstein
Zahle, Inc. **No. 17 - Pasadena** 841 Cordova St. Pasadena, CA 91101	(626) 568-3500	Joseph Nahas
JBD Partners Inc. **No. 19 - Newbury Park** 1930 Newbury Road # 300 Newbury Park, CA 91320	(805) 376-1404	Bob Rasp

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Phonecian Enterprises		
No. 22 - Toluca Lake	(818) 508-1900	Joseph Nahas
10119 Riverside Drive		
Toluca Lake, CA 91602		
JBD Partners, Inc.		
No. 25 - Camarillo	(805) 322-1441	Robert Rasp
191 W. Ventura Boulevard		
Camarillo, CA 322-1441		
ValShark, Inc.		
No. 26 - Valencia	(661) 255-6400	Scott Harries
24201 W. Valencia Blvd.		
Valencia, CA 91355		
Schwarz & Kern Home, Inc.		
No. 27 - Chatsworth	(818) 886-8446	Todd Schwarz
20419 Devonshire Street		Scott Bayliss
Chatsworth, CA 91311		
Northridge Shark, LLC.		
No. 28 - Northridge	(818) 772-2800	Steve Paperno
18426 Nordhoff Street		David Goldstein
Northridge, CA 91325		
Shark Twins NO. 1, LLC	(310) 301-4441	Tony Sher
No. 29 – Marina Del Rey		
4371 Glencoe Ave. – B5		
Marina del Rey, CA 90202		
JBD Partners, Inc.		
No. 30 – Thousand Oaks	(805) 371-7978	Robert Rasp
265-A N. Moorpark Road		
Thousand Oaks, CA 91360		
Sharky's Coldwater Ventura, Inc.		
No. 32 – Studio City	(818) 623-8000	Chris Nahas
12905 Ventura Blvd.		Shaun Baden
Studio City, CA 91604-2235		

JPD Partner, Inc.		
No. 34 – Oxnard	(805) 981-4360	Robert Rasp
1831 Rose Ave.		
Oxnard, CA 93030		
TSD, Inc.	(805) 770-7004	Todd Schwarz
No. 35 - Goleta		Scott Bayliss
7060 Hollister Ave. – Suite 106		

OREGON:

Jared, LLC		
No. 31 - Tualatin	(503) 691-8461	Matthew Van Steenwyk
7715 SW Nyberg St., Suite D		
Tualatin, OR 97062		

NEVADA:

Food With Purpose, LLC	(702) 255-5605	Steve Paperno
No. 33 - Summerlin		David Goldstein
8975 West Charleston Blvd.		
Las Vegas, NV 89117		

Area Development Agreements**:**

Morganic, LLC	(818) 992-9464	Aliyah Sallam
Signed ADA		Jaye Sallam
Western Los Angeles, CA		Tarquinn Curry
Shark FX, LLC	(479) 409-4474	Kevin Betts
Signed ADA		Rodney Coats
Nortwestern Arkansas		

Exhibit E

SHARKY'S®
FORMER FRANCHISEES

AS OF DECEMBER 31, 2017

Pacific Fin Kitchen, Inc.		
No. 13 - Aliso Viejo	(949) 643-0900	Mahmoud Malakafzali
26811 Aliso Creek Road		Jafar Mosleh
Aliso Viejo, CA 92656		
Pacific Fin Kitchen, Inc.		
No. 14 - Newport Coast	(949) 729-1000	Mahmoud Malakafzali
21119 Newport Coast Drive		Jafar Mosleh
Newport Beach, CA 92657		
Pacific Fin Kitchen, Inc.		
No. 15 - Irvine	(949) 856-1300	Mahmoud Malakafzali
6725 Quail Hill Parkway		Jafar Mosleh
Pacific Fin Kitchen, Inc.		
No. 21 - Tustin	(714) 258-2255	Mahmoud Malakafzali
2463 Park Avenue		Jafar Mosleh
Tustin, CA 92782		

Exhibit F

SALES TO COST ANALYSIS

The following table is based on the actual operating results of two (2) franchised restaurants ("the Restaurants"). The Restaurants are in Northridge and Palmdale, California, and were open throughout the twelve-month period. These Restaurants were selected because their respective sales are in the medium and low range for Sharky's Restaurants. During 2017, Our Affiliates owned and operated Palmdale and Northridge.

The table contains a percentage of Gross Sales for each expense item. This information should help you in preparing a Franchisee's pro forma analysis at different sales levels and projected rent costs.

The purpose of this Analysis is to reflect the costs and expenses that the Restaurants would incur if operated by a Franchisee under the current Franchise Agreement. Actual operating amounts from Affiliates' financial records were used, but certain costs have been adjusted to take out items associated with an Affiliate-operated Restaurant vs. a Franchise-owned and operated SHARKY'S Restaurant.

No representation is made as to what level of sales a Franchisee may actually expect to achieve in a franchised Restaurant. All management costs associated with a manager have been taken out to reflect an owner operated franchisee run business.

The analysis contains certain Bases and Assumptions as noted following each table and sets forth a breakeven point for each annual sales volume. We urge you to consult with financial, business and legal advisors in connection with the information contained in the Analysis.

This Analysis has been prepared in accordance with Generally Accepted Accounting Principles. Substantiation of the information contained within this Analysis will be made available to prospective franchisees upon reasonable request.

SALES TO COST ANALYSIS

2017	Palmdale		Northridge	
Gross Sales (A)	$1,634,653	100.0%	$2,133,957	100.0%
Cost of Goods sold (B)				
Food Cost	$ 362,285	22.2%	$ 491,795	23.0%
Beverage Cost	$ 33,198	2.0%	$ 49,015	2.3%
Paper Cost	$ 41,380	2.5%	$ 58,321	2.7%
Labor Costs (C)	$ 461,595	28.2%	$ 627,612	29.4%
Total COGS (B)	$ 898,498	55.0%	$1,226,743	57.4%
Gross Profit	$ 736,155	45.0%	$ 907,214	42.5%
Expenses				
Controllable Costs (D)	$ 187,222	11.5%	$ 260,601	12.2%
Non-Controllable Costs (E)(F)	$ 245,571	15.0%	$ 336,832	15.8%
Total Expenses	$ 432,793	26.5%	$ 597,433	28.0%
EBITDA (G)(H)	$ 303,362	18.5%	$ 309,781	14.5%

BASES AND ASSUMPTIONS CONTINUED ON NEXT PAGE

SALES TO COST ANALYSIS

BASES AND ASSUMPTIONS
FRANCHISE OPERATED RESTAURANT

(A) **Gross Sales** includes all food and beverage sales

(B) **Cost of Goods Sold** includes food, beverage, paper and labor costs.

(C) **Labor Costs** For calculation purposes, Manager's salary is removed along with the Manager's associated labor expenses such as Workers Compensation, taxes and payroll fees because it is assumed that the Franchisee owner will act as Manager. The labor costs include one Assistant Manager for each Restaurant plus its Team Members. Payroll taxes and Workers Compensation insurance are included as adjusted in accordance with the reduced labor cost. EPLI insurance is included in the labor cost as Sharky's makes it mandatory to carry EPLI insurance for all team members along with an endorsement to additionally insure Sharky's and its entities.

(D) **Controllable costs** include restaurant supplies, uniforms, repairs and maintenance, laundry, utilities. We have adjusted the above financials to reflect costs that You will not incur as a SHARKY'S franchisee. Repairs and maintenance have been adjusted to reflect 1.0% of Gross Sales per Restaurant. Consultants, Designers, Construction, have all been adjusted to reflect a Franchisee-operated SHARKY'S Restaurant. Repairs and Maintenance varies based on the age of the premises and equipment. All sales discounts are expensed in Controllable costs.

(E) **Non-controllable costs** include bank charges, credit card fees, local store marketing, occupancy costs and other administrative expenses. Also included is EPLI and liability insurance, both mandatory coverage along with identifying Passion Foods, Inc. and affiliates as Named Additional Insured.

This table includes a 5% royalty and 1.5% marketing fund cost applicable to Franchisees based on Net Sales. Local store marketing has also been adjusted to reflect the mandatory expenditure of 1% of Net Sales.

(F) **Actual Occupancy Costs (based on Gross Sales)** included in Non-controllable costs for these restaurants in 2017 were:

Palmdale	$ 86,171 (5.3%)
Northridge	$ 107,553 (5.1%)

Occupancy includes rent, property taxes and any common area charges. A Franchisee's occupancy costs will be based on the terms of the Lease negotiated by the Franchisee.

SALES TO COST ANALYSIS

BASES AND ASSUMPTIONS CONTINUED:

(G) **Debt Service** - The above table does not reflect costs for any debt service.

(H) **EBITDA**
Shows earnings before interest, taxes, depreciation and amortization with certain adjustments. The adjustments reflect expenses that pertain to a Franchise owned and operated restaurant.

(I) 2017 Gross Sales Per Square Foot
Palmdale – $743
Northridge – $821

(J) **2017 Gross Sales Results for First Quarter 2018**
System-wide same store sales are up 4.9% vs. the first quarter of 2017 for restaurants open more than twelve months

(K) **Same Store Sales Growth – 2009 through 2017**
Restaurants that have been open for more than one year increased sales from 2009 through 2017 by a cumulative average of 29.6%. This includes 23 restaurants that were open for at least 12 months in 2017.

(L) In 2017, Our Affiliates owned and operated the Northridge and Palmdale Restaurants. These Restaurants operate under a Franchise Agreement.

(M) As of December 31, 2017, there were 15 California franchisee owned and operated Restaurants and 1 Oregon Restaurant operating for the full fiscal year. These franchisees have reported the following gross sales for fiscal year 2017.

2017 GROSS SALES	
CALIFORNIA	
#3 Tarzana	$1,671,496
#5 Woodland Hills	$2,960,941
#6 Westlake Village	$3,283,983
#9 Calabasas	$2,130,933
#10 Burbank	$3,113,801

SALES TO COST ANALYSIS

#11 Ventura	$2,428,332
#12 Simi Valley	$2,381,828
#17 Pasadena	$1,215,989
#19 Newbury Park	$1,868,671
#22 Toluca Lake	$1,813,722
#25 Camarillo	$2,922,779
#26 Valencia	$2,032,706
#27 Chatsworth	$2,053,292
#29 Thousand Oaks	$1,735,644
#32 Studio City	$2,279,716
OREGON	
#31 Tualatin	$1,276,856

* * * * * * * * * * * *

Some Outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Exhibit G

PASSION FOODS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

PASSION FOODS, INC.

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DECEMBER 31, 2017

Farber Hass Hurley LLP

Certified Public Accountants

888 West Ventura Blvd., #A
Camarillo, CA 93010
www.fhhcpas.com

Telephone: (805) 504-8410
Facsimile: (805) 388-1300

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Passion Foods, Inc.

We have audited the accompanying financial statements of Passion Foods, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2017 and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 Passion Foods, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Farber Hass Hurley LLP

Camarillo, California
March 27, 2018

PASSION FOODS, INC.
BALANCE SHEET
DECEMBER 31, 2017

ASSETS		
CURRENT ASSETS		
Cash	$	774,392
Restricted cash, advertising and promotion funds held		17,676
Accounts receivable, net		225,175
Prepaid expenses and other		33,825
Due from related parties		300,670
Total current assets		1,351,738
OTHER ASSETS		
Goodwill, net of accumulated amortization		144,878
Related party notes receivable		908,027
Deferred tax assets, net		45,655
Total other assets		1,098,560
TOTAL ASSETS	$	2,450,298
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$	211,278
Accrued expenses		26,718
Advertising and promotion funds held		17,676
Due to related parties		25,924
Deferred revenue		250,000
Total current liabilities		531,596
STOCKHOLDERS' EQUITY		
Common stock, no par; 1,000,000 shares authorized; 116.8 shares issued and outstanding		1,935,414
Accumulated deficit		(16,712)
Total stockholders' equity		1,918,702
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	2,450,298

See accompanying notes to financial statements.

PASSION FOODS, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED
DECEMBER 31, 2017

REVENUE		
Continuing franchise fees	$	2,262,579
Initial franchise fees and development fees		110,000
Franchise fees – renewals		40,000
Vendor incentives/other		49,970
Total revenue		2,462,549
OPERATING EXPENSES		2,390,507
GROSS PROFIT		72,042
OTHER INCOME		
Interest income		27,440
Other income		25,000
INCOME BEFORE INCOME TAXES		124,482
Income tax expense		20,407
NET INCOME	$	104,075

See accompanying notes to financial statements.

PASSION FOODS, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Common stock			Total
	Shares	Amount	Accumulated deficit	Stockholders' equity
BALANCE AT JANUARY 1, 2016	111	$ 1,435,414	$ (120,787)	$ 1,314,627
Stock issuance	5.8	500,000		500,000
Net income			104,075	104,075
BALANCE AT DECEMBER 31, 2016	116.8	$ 1,935,414	$ (16,712)	$ 1,918,702

See accompanying notes to financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	104,075
Adjustments to reconcile net income to net cash		
provided (used) by operating activities:		
Amortization expense		28,976
Deferred taxes		19,607
Changes in operating assets and liabilities:		
Increase in accounts receivable		(225,175)
Increase in accrued interest from related party		(2,308)
Decrease in prepaid expense and other		24,705
Increase in accounts payable		202,705
Decrease in deferred revenue		(20,000)
Decrease in accrued expenses		(28,896)
Net cash provided by operating activities		103,689
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of common stock		500,000
Net cash provided by investing activities		500,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances to related parties		(244,811)
Repayments of advances from related parties		310,824
Net cash provided by financing activities		66,013
NET INCREASE IN CASH		669,702
CASH, BEGINNING OF YEAR		104,690
CASH, END OF YEAR	$	774,392
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$	800

See accompanying notes to financial statements.

Note 1 – Description of Business

Passion Foods, Inc. (“the Company”) was incorporated on January 1, 2014 in the state of California. The Company was converted from Passion Foods, LLC, which was organized on January 10, 2013 in the state of California. Passion Foods, LLC was converted from Passion Food Services, Inc., which was incorporated on December 17, 2008 in the state of California. The Company operates as the franchisor of Sharky’s Woodfired Mexican Grill restaurants (“Sharky’s”), which specialize in the premium fast casual Mexican dining segment. As of December 31, 2017, there were twenty-eight franchised restaurants in operation throughout California, Oregon and Nevada with nine of those restaurants being controlled by related parties.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Company’s financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Fair Value

Substantially all of the Company’s current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value based on the short-term nature of the financial instruments. The carrying amount of the long-term related party note receivable approximates fair value, based on borrowing rates currently available for debt of similar terms and maturities.

Cash

Cash primarily consists of bank deposits and cash on hand. For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash.

Restricted cash and marketing fund

The Company has a system-wide marketing fund whereby all Company-owned restaurants and franchise-operated restaurants are required to contribute a percentage of net sales to the fund that is used for public relations and marketing development efforts throughout the system. These restaurants were required to contribute 1.5% of net sales to this fund during 2017. The assets held by this fund are considered restricted and segregated in a separate bank account from the Company’s operating funds. The revenues, expenses and cash flows of the advertising fund are not included in the Statements of Operations or Cash Flows because the Company does not have complete discretion over the usage of the funds. Rather, under the franchise agreements, contributions to the advertising fund are restricted to advertising, public relations, merchandising, similar activities and administrative expenses to increase sales and further enhance the public reputation of the Sharky’s brand. Accordingly, cash related to this fund is reflected as restricted cash and the related liability is listed as advertising and promotion funds held in the balance sheet.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2017, there was $225,175

Note 2 – Summary of Significant Accounting Policies (continued)

in accounts receivable. During 2017, there were no bad debts incurred. At December 31, 2017, management provided a reserve for doubtful accounts of $0.

Impairment of Long-Lived Assets

The Company evaluates potential impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on undiscounted future cash flows. The Company has not identified any impairment as of December 31, 2017.

Goodwill

The Company has elected to adopt the accounting alternative for goodwill codified by the Financial Accounting Standards Board ("FASB") in Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*. This alternative accounting guidance permits the amortization of goodwill on a straight-line basis over a period not to exceed ten years. Goodwill is tested for impairment if an event occurs or circumstances change that indicate that the fair value of the entity may be below its carrying value. The Company has elected to test goodwill for impairment at the entity level. The Company has not identified an impairment as of December 31, 2017. Amortization expense for the year ended December 31, 2017 was $28,976. As of December 31, 2017, goodwill was as follows:

Goodwill	$	289,758
Accumulated amortization		(144,880)
Goodwill, net	$	144,878

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company recognizes deferred tax assets to the extent that management believes that these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax- planning strategies, and results of recent operations. A valuation allowance against deferred tax assets is provided for as needed. As of December 31, 2017, no valuation allowance was deemed necessary.

During 2017, deferred taxes related to the effects of differences in calculating amortization of goodwill and net operating loss carryforwards. As of December 31, 2017, the Company had federal and state net operating loss carryforwards of approximately $35,787 and $9,857, respectively available to offset future taxable income. The NOL carryforward expire various dates through 2035.

Note 2 – Summary of Significant Accounting Policies (continued)

The following components of the net deferred tax asset are comprised of:

Noncurrent deferred tax asset for NOL carryforwards	$	35,287
Noncurrent deferred tax asset for taxable temporary differences		10,287
	$	45,655

Income tax expense consists of the following:

Current tax provision	$	800
Deferred tax provision		19,607
	$	20,407

The significant reconciling item between the tax provision based on the statutory tax rates and the effective tax rates in the temporary timing differences for amortization expense.

The Company has adopted the provisions of FASB Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*, which prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. Based on the results of management's evaluation, adoption of FASB ASC 740 did not have a material effect on the Company's financial statements. The Company does not believe there are any material uncertain tax positions and, accordingly, did not recognize any liability for unrecognized tax benefits. Further, no material interest or penalties have been accrued or charged to expense as of December 31, 2017 or for the year then ended. Should any such penalties and interest be incurred, the Company's policy would be to recognize them as other expenses. The Company's income tax returns are subject to examination by federal and state taxing authorities, generally for a period of three years.

Revenue Recognition

The Company receives revenue primarily from the sale of franchises and area development agreements and from continuing franchise fees. Continuing franchise fees are collected from franchisees based on a percentage of reported restaurant sales. Continuing franchise fees are recognized as revenue in the period in which the fees are earned. The Company recognizes initial franchise fees and development fees in the period in which the contract with the new franchisee has been concluded and all significant initial services or conditions related to the sale have been substantially performed or satisfied.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through March 27, 2018, the date the financial statements were available to be issued. No subsequent events were noted.

Note 3 – Franchise Agreements and Initial Services

The Company's franchise agreements continue for an initial term of ten years. The franchisee has an option to renew the agreement for two additional five-year terms, provided certain conditions have been satisfied. The initial term for an area development agreement varies and is based on mutual agreement between the franchisee and the Company. Under the standard franchise agreement, the franchisee pays the Company an initial franchise fee of $40,000 and a continuing franchise fee of five percent of the franchisee's gross revenue every four weeks.

The Company's pre-opening obligations are limited to conducting an operations training course, developing a marketing program designed for the restaurant's initial opening, providing assistance in locating a restaurant site and assisting with the coordination of pre- opening activities, as well as operations for the first month of business. Subsequent to the restaurant's opening, the Company continues to provide advice and assistance with general restaurant operations, training as deemed necessary, and the administration and maintenance of advertising programs designed to promote the collective success of all restaurants.

Note 4 – Related Party Transactions

The Company is affiliated by common ownership with Feel Good About Eating, LLC (a California limited liability company), Food with Purpose, LLC (a California limited liability company), Sharky's Franchise Group, LLC (a California limited liability company), Fresh Opportunities, Inc. (a California corporation), E Deneve, Inc. (a California corporation), Northridge Shark, LLC (a California limited liability company), Sharky's Beverly Hills (a California S-Corporation), and several franchised Sharky's restaurants. During 2017, the Company engaged in various transactions with these entities in the ordinary course of business.

Related Party Note Receivable

In June 2015, The Company transferred its investment in Northridge Shark, LLC ("Northridge"), a restaurant located in Northridge and opened in July 2015, to a related party. Pursuant to this transfer, the Company entered into a Promissory Note in exchange for the Company's investment in and advances to Northridge. The terms of this Note provides for monthly interest payments at 4% per annum and matures June 1, 2018. As of December 31, 2017, the balance outstanding under the Note was $654,298. It is anticipated that the maturity date of this note will be extended at least two more years.

Effective January 1, 2016, The Company transferred the majority of its assets and liabilities at historical cost to Feel Good About Eating, LLC in exchange for a Promissory Note. This Note provides for monthly interest payments of 0.2% per annum and matures December 31, 2020. As of December 31, 2017, the balance outstanding under the Note was $253,729.

Due from/to Related Parties

As of December 31, 2017, the Company was owed $350,384 from various related parties. As of December 31, 2017, the Company owed $233,973 to various related parties. Amounts owed from or to related parties arose from transactions in the ordinary course of business. Certain stockholders of the Company are also members or stockholders of these related parties.

Note 4 – Related Party Transactions (continued)

Advertising and Promotion Fund

Prior to January 1, 2016, the Company managed the Advertising and Promotion Fund to which its franchisees make contributions and collected 15% of the contributions paid into the advertising fund as a management fee. Effective January 1, 2016, Feel Good About Eating, LLC, took over the management of the Fund and received the related management fee. See discussion below under Services Agreement.

Services Agreement

On January 1, 2016, the Board of Directors approved a Services Agreement between the Company and Feel Good About Eating, LLC ("FGAE"), a related party with common control. The agreement establishes FGAE as the provider and obligor to perform all services required to operate the Company's business as franchisor in accordance with the franchise agreements.

As compensation for the services, the Company pays FGAE, 90% of all continuing franchise fees received and 100% of the advertising fund administrative fee. The agreement expires in five years and will be automatically renewed in one-year increments.

Certain stockholders of the Company have financial interests in two Sharky's restaurants.

Note 5 – Concentrations

Cash

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in excess of Federal Deposit Insurance Corporation ("FDIC") limits. The Company maintains its cash accounts at one FDIC-insured financial institution. At December 31, 2017, the FDIC insurance limit was $250,000 and the Company had $551,091 in cash balances in excess of this limit. Cash balances maintained by the Company may, at various times throughout the year, exceed FDIC limits. Management believes there is a low risk of loss from cash concentrations and that the Company is not subject to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Accounts Receivable

The Company does not require collateral for accounts receivable arising from the normal course of business. The Company is at risk to the extent such amounts become uncollectible. At December 31, 2017 and 2016, no customers account represented over 10% of accounts receivable.

Note 6 – Commitments and Contingencies

Lease Obligations

The Company leased its Westlake Village office under a non-cancelable operating lease. Effective January 1, 2016, Feel Good About Eating, LLC assumed all obligations under this lease and obtained a signed Landlord Consent approving this assignment

Note 6 – Commitments and Contingencies (continued)

Legal Matters

During October 2016, the Company entered into a settlement and mutual general release agreement with a franchisee. In connection with the settlement agreement, the franchisee and a related party entity of the Company entered into an asset purchase agreement to acquire the assets and assume all liabilities of the franchisee's three franchise locations. The escrow for this matter closed on September 5, 2017 and the Ventura County Superior Court dismissed the case as of January 26, 2018. Management has evaluated the claims that existed at December 31, 2017 and determined that no accrual for loss contingencies is required.

Passion Foods, Inc.

Financial Statements

For the Year Ended December 31, 2016

PASSION FOODS, INC.

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DECEMBER 31, 2016

Farber Hass Hurley LLP

Certified Public Accountants

888 West Ventura Blvd., #A
Camarillo, CA 93010
www.fhhcpas.com

Telephone: (805) 504-8410
Facsimile: (805) 388-1300

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Passion Foods, Inc.

We have audited the accompanying financial statements of Passion Foods, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2016 and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. 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 Passion Foods, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Farber Hass Hurley LLP

Camarillo, California
April 25, 2017

PASSION FOODS, INC.
BALANCE SHEET
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS		
Cash	$	104,690
Restricted cash, advertising and promotion funds held		243,095
Prepaid expenses and other		55,714
Due from related parties		341,266
Total current assets		744,765
OTHER ASSETS		
Goodwill, net of accumulated amortization		173,854
Related party notes receivable		908,028
Deferred tax assets, net		65,262
Total other assets		1,147,144
TOTAL ASSETS	$	1,891,909

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	$	8,573
Accrued expenses		55,614
Advertising and promotion funds held		243,095
Deferred revenue		270,000
Total current liabilities		577,282
STOCKHOLDERS' EQUITY		
Common stock, no par; 1,000,000 shares authorized; 111 shares issued and outstanding		1,435,414
Accumulated deficit		(120,787)
Total stockholders' equity		1,314,627
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	1,891,909

See accompanying notes to financial statements.

PASSION FOODS, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED
DECEMBER 31, 2016

REVENUE		
Continuing franchise fees	$	2,133,672
Initial franchise fees and development fees		50,000
Franchise fees – renewals		20,000
Vendor incentives/other		49,890
Total revenue		2,253,562
OPERATING EXPENSES		2,192,650
GROSS PROFIT		60,912
OTHER INCOME		
Interest income		26,353
INCOME BEFORE INCOME TAXES		87,265
Income tax expense		32,130
NET INCOME	$	55,135

See accompanying notes to financial statements.

PASSION FOODS, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Common stock			
	Shares	Amount	Accumulated deficit	Total Stockholders' equity
BALANCE AT JANUARY 1, 2016	111	$ 1,444,414	$ (175,922)	$ 1,268,492
Reimbursement of excess capital contribution		(9,000)		(9,000)
Net income			55,135	55,135
BALANCE AT DECEMBER 31, 2016	111	$ 1,435,414	$ (120,787)	$ 1,314,627

See accompanying notes to financial statements.

PASSION FOODS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	55,135
Adjustments to reconcile net income to net cash		
provided (used) by operating activities:		
Amortization expense		28,976
Deferred taxes		32,130
Changes in operating assets and liabilities:		
Decrease in accounts receivable		41,531
Increase in prepaid expense and other		(835)
Decrease in accounts payable		(38,490)
Increase in deferred revenue		130,000
Increase in accrued expenses		16,568
Net cash provided by operating activities		265,015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of capital contribution		(9,000)
Advances to related parties		(322,598)
Repayments from related parties		26,396
Net cash used by financing activities		(305,202)
NET DECREASE IN CASH		(40,187)
CASH, BEGINNING OF YEAR		144,877
CASH, END OF YEAR	$	104,690
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$	800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Promissory note received on sale of assets to Feel Good About Eating, LLC	$	253,729

See accompanying notes to financial statements.

Note 1 – Description of Business

Passion Foods, Inc. ("the Company") was incorporated on January 1, 2014 in the state of California. The Company was converted from Passion Foods, LLC, which was organized on January 10, 2013 in the state of California. Passion Foods, LLC was converted from Passion Food Services, Inc., which was incorporated on December 17, 2008 in the state of California. The Company operates as the franchisor of Sharky's Woodfired Mexican Grill restaurants ("Sharky's"), which specialize in the premium fast casual Mexican dining segment. As of December 31, 2016, there were twenty-five franchised restaurants in operation throughout California, with five of those restaurants being controlled by related parties.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Company's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Fair Value

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value based on the short-term nature of the financial instruments. The carrying amount of the long-term related party note receivable approximates fair value, based on borrowing rates currently available for debt of similar terms and maturities.

Cash

Cash primarily consists of bank deposits and cash on hand. For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash.

Restricted cash and marketing fund

The Company has a system-wide marketing fund whereby all Company-owned restaurants and franchise-operated restaurants are required to contribute a percentage of net sales to the fund that is used for public relations and marketing development efforts throughout the system. These restaurants were required to contribute 1.5% of net sales to this fund during 2016. The assets held by this fund are considered restricted and segregated in a separate bank account from the Company's operating funds. The revenues, expenses and cash flows of the advertising fund are not included in the Statements of Operations or Cash Flows because the Company does not have complete discretion over the usage of the funds. Rather, under the franchise agreements, contributions to the advertising fund are restricted to advertising, public relations, merchandising, similar activities and administrative expenses to increase sales and further enhance the public reputation of the Sharky's brand. Accordingly, cash related to this fund is reflected as restricted cash and the related liability is listed as advertising and promotion funds held in the balance sheet.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2016, there was $0 in accounts receivable. During 2016, there were no bad charges incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Company follows the policy of capitalizing expenditures that materially increase asset lives and charging ordinary repairs and maintenance to expense as incurred. Upon retirement or other disposition of assets, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is included in operations. On January 1, 2016, the Company transferred all property and equipment to Feel Good About Eating, LLC, a related entity, at their historical cost.

Impairment of Long-Lived Assets

The Company evaluates potential impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on undiscounted future cash flows. The Company has not identified any impairment as of December 31, 2016.

Goodwill

The Company has elected to adopt the accounting alternative for goodwill codified by the Financial Accounting Standards Board ("FASB") in Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*. This alternative accounting guidance permits the amortization of goodwill on a straight-line basis over a period not to exceed ten years. Goodwill is tested for impairment if an event occurs or circumstances change that indicate that the fair value of the entity may be below its carrying value. The Company has elected to test goodwill for impairment at the entity level. The Company has not identified an impairment as of December 31, 2016. Amortization expense for the year ended December 31, 2016 was $28,976. As of December 31, 2016, goodwill was as follows:

Goodwill	$	289,758
Accumulated amortization		(115,904)
Goodwill, net	$	173,854

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company recognizes deferred tax assets to the extent that management believes that these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax- planning strategies, and results of recent operations. A valuation allowance against deferred tax assets is provided for as needed. As of December 31, 2016, no valuation allowance was deemed necessary.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (Continued)

During 2016, deferred taxes related to the effects of differences in calculating amortization of goodwill and net operating loss carryforwards. As of December 31, 2016, the Company had federal and state net operating loss carryforwards of approximately $138,500 and $113,200, respectively available to offset future taxable income. The NOL carryforward expire various dates through 2035.

The following components of the net deferred tax asset are comprised of:

Noncurrent deferred tax asset for NOL carryforwards	$	53,719
Noncurrent deferred tax asset for taxable temporary differences		11,543
	$	65,262

Income tax expense consists of the following:

Current tax provision	$	800
Deferred tax provision		32,130
	$	32,930

The significant reconciling item between the tax provision based on the statutory tax rates and the effective tax rates in the temporary timing differences for amortization expense.

The Company has adopted the provisions of FASB Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*, which prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. Based on the results of management's evaluation, adoption of FASB ASC 740 did not have a material effect on the Company's financial statements. The Company does not believe there are any material uncertain tax positions and, accordingly, did not recognize any liability for unrecognized tax benefits. Further, no material interest or penalties have been accrued or charged to expense as of December 31, 2016 or for the year then ended. Should any such penalties and interest be incurred, the Company's policy would be to recognize them as other expenses. The Company's income tax returns are subject to examination by federal and state taxing authorities, generally for a period of three years.

Revenue Recognition

The Company receives revenue primarily from the sale of franchises and area development agreements and from continuing franchise fees. Continuing franchise fees are collected from franchisees based on a percentage of reported restaurant sales. Continuing franchise fees are recognized as revenue in the period in which the fees are earned. The Company recognizes initial franchise fees and development fees in the period in which the contract with the new franchisee has been concluded and all significant initial services or conditions related to the sale have been substantially performed or satisfied.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

During the year ended December 31, 2016, one initial franchise fee and one area development fee totaling $50,000 were earned.

As of December 31, 2016, eleven restaurant area development agreements and four initial franchise fee sold in 2016 and prior years are recorded as deferred revenue. The restaurants are scheduled to open through 2019 and the related revenue will be recognized as the restaurants commence operations and the fees are earned.

The Company also receives fees for franchise renewals and transfers. During the year ended December 31, 2016, two franchise agreements were renewed.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through April 25, 2017, the date the financial statements were available to be issued. No subsequent events were noted.

Note 3 – Franchise Agreements and Initial Services

The Company's franchise agreements continue for an initial term of ten years. The franchisee has an option to renew the agreement for two additional five-year terms, provided certain conditions have been satisfied. The initial term for an area development agreement varies and is based on mutual agreement between the franchisee and the Company. Under the standard franchise agreement, the franchisee pays the Company an initial franchise fee of $40,000 and a continuing franchise fee of five percent of the franchisee's gross revenue every four weeks.

The Company's pre-opening obligations are limited to conducting an operations training course, developing a marketing program designed for the restaurant's initial opening, providing assistance in locating a restaurant site and assisting with the coordination of pre- opening activities, as well as operations for the first month of business. Subsequent to the restaurant's opening, the Company continues to provide advice and assistance with general restaurant operations, training as deemed necessary, and the administration and maintenance of advertising programs designed to promote the collective success of all restaurants.

Note 4 – Related Party Transactions

The Company is affiliated by common ownership with Feel Good About Eating, LLC (a California limited liability company), Food with Purpose, LLC (a California limited liability company), Sharky's Franchise Group, LLC (a California limited liability company), Fresh Opportunities, Inc. (a California corporation), E Deneve, Inc. (a California corporation), Northridge Shark, LLC (a California limited liability company), Sharky's Beverly Hills (a California S-Corporation), and several franchised Sharky's restaurants. During 2016, the Company engaged in various transactions with these entities in the ordinary course of business.

Note 4 – Related Party Transactions (continued)

Related Party Note Receivable

In June 2015, The Company transferred its investment in Northridge Shark, LLC ("Northridge"), a restaurant located in Northridge and opened in July 2015, to a related party. Pursuant to this transfer, the Company entered into a Promissory Note in exchange for the Company's investment in and advances to Northridge. The terms of this Note provides for monthly interest payments at 4% per annum and matures June 1, 2018. As of December 31, 2016 the balance outstanding under the Note was $654,298.

Effective January 1, 2016, The Company transferred the majority of its assets and liabilities at historical cost to Feel Good About Eating, LLC in exchange for a Promissory Note. This Note provides for monthly interest payments of 0.2% per annum and matures December 31, 2020. As of December 31, 2016 the balance outstanding under the Note was $253,729.

Due from Related Parties

As of December 31, 2016, the Company was owed $341,267 from various related parties. Amounts owed from related parties arose from transactions in the ordinary course of business. Certain stockholders of the Company are also members or stockholders of these related parties.

Advertising and Promotion Fund

Prior to January 1, 2016, the Company managed the Advertising and Promotion Fund to which its franchisees make contributions and collected 15% of the contributions paid into the advertising fund as a management fee. Effective January 1, 2016, Feel Good About Eating, LLC, took over the management of the Fund and received the related management fee. See discussion below under Services Agreement.

Services Agreement

On January 1, 2016, the Board of Directors approved a Services Agreement between the Company and Feel Good About Eating, LLC ("FGAE"), a related party with common control. The agreement establishes FGAE as the provider and obligor to perform all services required to operate the Company's business as franchisor in accordance with the franchise agreements.

As compensation for the services, the Company pays FGAE, 90% of all continuing franchise fees received and 100% of the advertising fund administrative fee. The agreement expires in five years and will be automatically renewed in one year increments.

Certain stockholders of the Company have financial interests in two Sharky's restaurants.

Note 5 – Concentrations

Cash

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in excess of Federal Deposit Insurance Corporation ("FDIC") limits. The Company maintains its cash accounts at one FDIC-insured financial institution. At December 31, 2016, the FDIC insurance limit was $250,000 and the Company had $97,785 in cash balances in excess of this limit. Cash balances maintained by the Company may, at various times throughout the year, exceed FDIC limits. Management believes there is a low risk of loss from cash concentrations and that the Company is not subject to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Note 5 – Concentrations (continued)

Accounts Receivable

The Company does not require collateral for accounts receivable arising from the normal course of business. The Company is at risk to the extent such amounts become uncollectible.

Note 6 – Commitments and Contingencies

Lease Obligations

The Company leased its Westlake Village office under a non-cancelable operating lease. Effective January 1, 2016, Feel Good About Eating, LLC assumed all obligations under this lease and obtained a signed Landlord Consent approving this assignment

Legal Matters

During October 2016, the Company entered into a settlement and mutual general release agreement with a franchisee. In connection with the settlement agreement, the franchisee and a related party entity of the Company entered into an asset purchase agreement to acquire the assets and assume all liabilities of the franchisee's three franchise locations. As a result of the settlement agreement, the Company is liable for legal fees it incurred relating to the lawsuit. Management has evaluated the claims that existed at December 31, 2016 and determined that no accrual for loss contingencies is required.

PASSION FOODS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

PASSION FOODS, INC.

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DECEMBER 31, 2015

Farber Hass Hurley LLP
Certified Public Accountants
888 West Ventura Blvd., #A
Camarillo, CA 93010
www.fhhcpas.com
Telephone: (805) 504-8410
Facsimile: (805) 388-1300

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Passion Foods, Inc.

We have audited the accompanying financial statements of Passion Foods, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2015 and the related statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. 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 Passion Foods, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Farber Hass Hurley LLP

Camarillo, California
April 19, 2016

PASSION FOODS, INC.
BALANCE SHEET
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash	$ 144,877
Restricted cash, advertising and promotion funds	211,522
Accounts receivable	41,531
Prepaid expenses and other	70,224
Due from related parties	52,716
Total current assets	520,870
PROPERTY AND EQUIPMENT	
Vehicles	109,015
Computers and office equipment	93,860
Kitchen equipment and fixtures	46,468
Equipment in progress	145,314
Total property and equipment, at cost	394,657
Accumulated depreciation	(107,476)
Total property and equipment, net	287,181
OTHER ASSETS	
Goodwill, net of accumulated amortization	202,830
Related party note receivable	654,298
Deferred tax assets, net	97,392
Total other assets	954,520
TOTAL ASSETS	$ 1,762,571

See accompanying Notes to Financial Statements.

PASSION FOODS, INC.

BALANCE SHEET

DECEMBER 31, 2015

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	$	47,063
Accrued expenses		39,045
Due to related parties		22,997
Advertising and promotion funds held		211,522
Deferred revenue		140,000
Current portion of long-term debt		14,171
Total current liabilities		474,798
LONG-TERM DEBT, net of current portion		19,281
TOTAL LIABILITIES		494,079
STOCKHOLDERS' EQUITY		
Common stock, no par; 1,000,000 shares authorized; 111 shares issued and outstanding		1,444,414
Accumulated deficit		(175,922)
Total stockholders' equity		1,268,492
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	1,762,571

See accompanying Notes to Financial Statements.

PASSION FOODS, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2015

REVENUE	
Continuing franchise fees	$ 1,852,232
Initial franchise fees & development fees	70,000
Management fees – related party	85,201
Vendor incentives	76,159
Total revenue	2,083,592
OPERATING EXPENSES	2,172,409
LOSS FROM OPERATIONS	(88,817)
OTHER INCOME (EXPENSE)	
Interest income	15,438
Interest expense	(1,123)
Total other income	14,315
LOSS BEFORE INCOME TAXES	(74,502)
Benefit from income taxes	31,414
NET LOSS	$ (43,088)

See accompanying Notes to Financial Statements.

PASSION FOODS, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Common stock			Accumulated		Total	
	Shares	Amount		deficit		Stockholders' equity	
BALANCE AT JANUARY 1, 2015 as previously reported	111	$	1,354,414	$	(68,810)	$	1,285,604
Prior period adjustment (Note 3)			25,976				25,976
Reclassification			90,000		(90,000)		1,285,604
BALANCE AT JANUARY 1, 2015 as adjusted	111	$	1,444,414	$	(132,834)	$	1,311,580
Net loss					(43,088)		(43,088)
BALANCE AT DECEMBER 31, 2015	111	$	1,444,414	$	(175,922)	$	1,268,492

See accompanying Notes to Financial Statements.

PASSION FOODS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$	(43,088)
Adjustments to reconcile net income to net cash		
provided (used) by operating activities:		
Amortization expense		28,976
Depreciation expense		46,283
Bad debt expense		24,825
Deferred taxes		(32,214)
Changes in operating assets and liabilities:		
Decrease in accounts receivable		71,520
Increase in prepaid expenses and other		(35,355)
Decrease in accounts payable		7,108
Increase in accrued expenses		(6,217)
Net cash provided by operating activities		61,838
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment		(52,113)
Advances to Northridge Shark, LLC		(378,700)
Net cash used in investing activities		(430,813)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments received on advances to related parties		63,985
Advances from related parties		25,044
Payments on long-term note payable		(13,919)
Net cash provided by financing activities		75,110
NET DECREASE IN CASH		(293,865)
CASH, BEGINNING OF YEAR		438,743
CASH, END OF YEAR	$	144,877
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$	1,123
Cash paid for income taxes, net of refunds	$	800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Promissory note received on sale of investment in Northridge Shark, LLC	$	654,298

See accompanying Notes to Financial Statements.

Note 1 – Description of Business

Passion Foods, Inc. ("the Company") was incorporated on January 1, 2014 in the state of California. The Company was converted from Passion Foods, LLC, which was organized on January 10, 2013 in the state of California. Passion Foods, LLC was converted from Passion Food Services, Inc., which was incorporated on December 17, 2008 in the state of California. The Company operates as the franchisor of Sharky's Woodfired Mexican Grill restaurants ("Sharky's"), which specialize in the premium fast casual Mexican dining segment. As of December 31, 2015, there were twenty-four franchised restaurants in operation throughout California, with five of those restaurants being controlled by related parties.

Northridge Shark, LLC ("Northridge") is a limited liability company organized on October 26, 2012 in the state of California. Northridge was organized for the purpose of developing and operating one freestanding Sharky's restaurant in the city of Northridge, California. Construction on the restaurant commenced in 2014 and the restaurant opened for operations in July 2015. During 2014, the Company had a controlling financial interest in Northridge and served as its manager. In June 2015, Northridge was deconsolidated from the Company pursuant to the sale and transfer of the Company's units in Northridge to a related party.

Note 2 – Summary of Significant Accounting Policies

<u>Basis of Accounting and Presentation</u>

The Company's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

<u>Reclassification</u>

Certain amounts as previously presented in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation. Amounts totaling $90,000 improperly included in Accumulated Deficit in 2014 were reclassified to Common Stock in 2015.

<u>Fair Value</u>

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value based on the short-term nature of the financial instrument. Other financial instruments consist of long-term obligations. The carrying amount of the long-term related party note receivable and the long-term debt approximates fair value, based on borrowing rates currently available for debt of similar terms and maturities.

<u>Cash</u>

Cash primarily consists of bank deposits and cash on hand. For purposes of the statement of cash flows, the Company consider all highly liquid investments with original maturities of three months or less to be cash.

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted cash and marketing fund

The Company has a system-wide marketing fund whereby all Company-owned restaurants and franchise-operated restaurants are required to contribute a percentage of net sales to the fund that is used for public relations and marketing development efforts throughout the system. These restaurants were required to contribute 1.5% of net sales to this fund during 2015. The assets held by this fund are considered restricted and segregated in a separate bank account from the Company's operating funds. The revenues, expenses and cash flows of the advertising fund are not included in the Statements of Operations or Cash Flows because the Company does not have complete discretion over the usage of the funds. Rather, under the franchise agreements, contributions to the advertising fund are restricted to advertising, public relations, merchandising, similar activities and administrative expenses to increase sales and further enhance the public reputation of the Sharky's brand. Accordingly, cash related to this fund is reflected as restricted cash and the related liability is listed as advertising and promotion funds held in the balance sheet. As of December 31, 2015 the balance was $211,522.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2015, management believed all accounts receivable were collectible and no allowance for doubtful accounts was deemed necessary. During 2015, the Company charged against earnings $24,825 for accounts deemed uncollectible during the year.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Company follows the policy of capitalizing expenditures that materially increase asset lives and charging ordinary repairs and maintenance to expense as incurred. Upon retirement or other disposition of assets, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is included in operations. Depreciation expense for the year ended December 31, 2015 was $46,283.

Equipment in progress is stated at cost and includes the direct costs of labor, equipment, and furniture and fixtures related to equipment under construction and not yet placed in service. Equipment in progress is capitalized to the appropriate property and equipment asset when substantially all the activities necessary to prepare the assets for their intended use are completed. Depreciation commences after the asset has been placed in service.

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The estimated useful lives of property and equipment for purposes of computing depreciation are:

Asset	Useful Life (Years)
Vehicles	5
Computers & office equipment	5
Kitchen equipment & fixtures	5

Impairment of Long-Lived Assets

The Company evaluates potential impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on undiscounted future cash flows. The Company has not identified any impairment as of December 31, 2015.

Goodwill

The Company has elected to adopt the accounting alternative for goodwill codified by the Financial Accounting Standards Board ("FASB") in Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*. This alternative accounting guidance permits the amortization of goodwill on a straight-line basis over a period not to exceed ten years. Goodwill is tested for impairment if an event occurs or circumstances change that indicate that the fair value of the entity may be below its carrying value. The Company has elected to test goodwill for impairment at the entity level. The Company has not identified an impairment as of December 31, 2015. Amortization expense for the year ended December 31, 2015 was $28,976. As of December 31, 2015, goodwill was as follows:

Goodwill	$	289,758
Accumulated amortization		(86,928)
Goodwill, net	$	202,830

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company recognizes deferred tax assets to the extent that management believes that these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax- planning strategies, and results of recent operations. A valuation allowance against deferred tax assets is provided for as needed. As of December 31, 2015, no valuation allowance was deemed necessary.

During 2015, deferred taxes related to the effects of differences in calculating depreciation on property and equipment, amortization of goodwill and net operating loss carryforwards. As of December 31, 2015, the Company had a net operating loss carryforward of approximately $225,000 available to offset future taxable income. The NOL carryforward expires in 2035.

The following components of the net deferred tax asset have been recognized:

Noncurrent deferred tax asset for NOL carryforwards	$	88,285
Noncurrent deferred tax asset for deductible temporary differences		14,175
Noncurrent deferred tax liability for taxable temporary differences		(5,068)
	$	97,392

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The benefit from income taxes consists of the following:

Current tax provision	$	(800)
Deferred tax benefit		(32,214)
	$	31,414

The current tax provision differs from amounts that would be calculated by applying federal statutory rates to income before income taxes primarily because no tax benefits have been recorded for nondeductible expenses totaling $8,783.

The Company has adopted the provisions of FASB Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*, which prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. Based on the results of management's evaluation, adoption of FASB ASC 740 did not have a material effect on the Company's financial statements. The Company does not believe there are any material uncertain tax positions and, accordingly, did not recognize any liability for unrecognized tax benefits. Further, no material interest or penalties have been accrued or charged to expense as of December 31, 2015 or for the year then ended. Should any such penalties and interest be incurred, the Company's policy would be to recognize them as other expenses. The Company's income tax returns are subject to examination by federal and state taxing authorities, generally for a period of three years.

Revenue Recognition

The Company receives revenue primarily from the sale of franchises and area development agreements and from continuing franchise fees. Continuing franchise fees are collected from franchisees based on a percentage of reported restaurant sales. Continuing franchise fees are recognized as revenue in the period in which the fees are earned. The Company recognizes initial franchise fees and development fees in the period in which the contract with the new franchisee has been concluded and all significant initial services or conditions related to the sale have been substantially performed or satisfied.

During the year ended December 31, 2015, two initial franchise fees totaling $70,000 were earned.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

As of December 31, 2015, two restaurant area development agreements and one initial franchise fee sold in prior years are recorded as deferred revenue. The restaurants are scheduled to open through 2018 and the related revenue will be recognized as the restaurants commence operations and the fees are earned.

The Company also receives fees for franchise renewals and transfers. During the year ended December 31, 2015, no franchise agreements were renewed and or transferred.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through April 19, 2016, the date the financial statements were available to be issued. See Note 9 for discussion of subsequent events.

Note 3 – Prior Period Adjustment

In a prior year, there was an error in the accounting for the Company's investment in Northridge Shark, LLC. The misstatement had the effect of overstating beginning accumulated deficit by $25,976.

Note 4 – Note Payable

In 2013, the Company entered into a term note, payable in 60 monthly installments of $1,220, including interest at 1.74% per annum. The final installment is due on April 2, 2018. The balance outstanding at December 31, 2015 was $33,452. The note is secured by a specific vehicle owned by the Company with a carrying amount of approximately $48,206 as of December 31, 2015.

Note Payable	$	33,452
Less: current portion of long-term debt		(14,171)
Note Payable, net of current portion	$	19,281

Note 4 – Note Payable (continued)

Scheduled principal payments on long-term debt are as follows:

Year ending December 31,	Amount
2016	$ 14,171
2017	14,419
2018	4,862
	$ 33,452

Note 5 – Franchise Agreements and Initial Services

The Company’s franchise agreements continue for an initial term of ten years. The franchisee has an option to renew the agreement for two additional five-year terms, provided certain conditions have been satisfied. The initial term for an area development agreement varies and is based on mutual agreement between the franchisee and the Company. Under the standard franchise agreement, the franchisee pays the Company an initial franchise fee of $40,000 and a continuing franchise fee of five percent of the franchisee’s gross revenue every four weeks.

The Company’s pre-opening obligations are limited to conducting an operations training course, developing a marketing program designed for the restaurant’s initial opening, providing assistance in locating a restaurant site and assisting with the coordination of pre-opening activities, as well as operations for the first month of business. Subsequent to the restaurant’s opening, the Company continues to provide advice and assistance with general restaurant operations, training as deemed necessary, and the administration and maintenance of advertising programs designed to promote the collective success of all restaurants.

Note 6 – Related Party Transactions

The Company is affiliated by common ownership with Feel Good About Eating, LLC (a California limited liability company), Sharky’s Franchise Group, LLC (a California limited liability company), Fresh Opportunities, Inc. (a California corporation), E Deneve, Inc. (a California corporation), Northridge Shark, LLC (a California limited liability company), Sharky’s Beverly Hills (a California S-Corporation), and several franchised Sharky’s restaurants. During 2015, the Company engaged in various transactions with these entities in the ordinary course of business.

<u>Related Party Note Receivable</u>
In June 2015, The Company transferred its investment in Northridge Shark, LLC (“Northridge”), a restaurant located in Northridge and opened in July 2015, to a related party. Pursuant to this transfer, the Company entered into a Promissory Note in exchange for the Company’s investment in and advances to Northridge. The terms of this Note provide for annual interest payments at 4% and matures June 1, 2018. As of December 31, 2015, the balance outstanding under the Note was $654,298.

Note 6 – Related Party Transactions (continued)

Due from Related Parties

As of December 31, 2015, the Company was owed $52,716 from various related parties and owed $22,997 to various related parties. Amounts owed to and from related parties arose from transactions in the ordinary course of business. Certain stockholders of the Company are also members or stockholders of these related parties.

Advertising and Promotion Fund

The Company manages the advertising fund to which its franchisees make contributions. The Company collects 15% of the contributions paid into the advertising fund as a management fee. During the year ended December 31, 2015, the Company earned approximately $85,200 in management fees from the advertising fund. As of December 31, 2015, the Company was owed $0 by the advertising fund.

Certain stockholders of the Company have financial interests in six Sharky's restaurants.

Note 7 – Concentrations

Cash

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in excess of Federal Deposit Insurance Corporation ("FDIC") limits. The Company maintains its cash accounts at one FDIC-insured financial institution. At December 31, 2015, the FDIC insurance limit was $250,000 and the Company had $106,399 in cash balances in excess of this limit. Cash balances maintained by the Company may, at various times throughout the year, exceed FDIC limits. Management believes there is a low risk of loss from cash concentrations and that the Company is not subject to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Accounts Receivable

The Company does not require collateral for accounts receivable arising from the normal course of business. The Company is at risk to the extent such amounts become uncollectible.

Note 8 – Commitments and Contingencies

Lease Obligations

The Company leases its Westlake Village office under a non-cancelable operating lease. The Company has leased this facility since 2009. In September 2014, the Company entered into a lease amendment to extend the lease term for an additional five years through October 2019. The lease amendment includes a rent escalation clause with an annual base rent increase. The lease agreement also requires payment of common area maintenance expenses on the property. Rent and other common area maintenance expenses under this lease was $91,321 during 2015.

The future minimum rental payments required under the operating lease agreements are as follows:

Year ending December 31,	Amount
2016	$ 82,418
2017	84,820
2018	86,938
2019	72,690
Total payments under capital leases	$ 326,866

Legal Matters

The Company is involved as a defendant in litigation arising from its normal business operations. Management believes that the claims are without merit and intends to vigorously defend the Company. The outcomes of these matters may not be known for prolonged periods of time. Management has evaluated the claims that existed at December 31, 2015 and determined that no accrual for loss contingencies is appropriate.

Note 9 – Subsequent Event

On January 1, 2016, the Board of Directors approved a Services Agreement between the Company and Feel Good About Eating, LLC (“FGAE”), a related party with common control. The agreement establishes FGAE as the provider and obligor to perform all services required to operate the Company’s business as franchisor in accordance with the franchise agreements.

As compensation for the services, the Company will pay FGAE, 90% of all continuing franchise fees received and 100% of the advertising fund administrative fee. The agreement expires in five years and will be automatically renewed in one year increments.

Exhibit H

EXHIBIT H

CONFIDENTIALITY AGREEMENT (OPERATIONS MANUAL)

This Confidentiality Agreement dated as of ______________________, 201____ by and between the undersigned ("You" and "Your") and Passion Foods, Inc. ("Franchisor"), with respect to Your request to review its Operations Manual ("Manual") prior to purchasing a franchise.

1. Franchisor agrees to allow You to review the Manual in consideration of Your execution of this Agreement.

2. You agree that the Franchisor considers the Manual to be confidential and proprietary information which may not be disclosed to other parties. Accordingly, You agree that You will not disclose its contents in whole or part to any other person without the prior written consent of the Franchisor. You will not make retain any copies or reproductions of any nature of the Manual.

3. You acknowledge that the restrictions contained in this Agreement are reasonable and necessary to protect Franchisor's legitimate interests in the Manual and that any breach by You of this Agreement will result in irreparable injury to Franchisor for which a remedy at law would be inadequate. Accordingly, You agree that Franchisor shall be entitled to temporary, preliminary and permanent injunctive relief against You, without the necessity of posting bond, in the event of any breach or threatened breach by You of this Agreement, in addition to any other remedy that may be available to Franchisor whether at law or in equity.

AGREED:

____________________________ Printed Name:__________________________

PASSION FOODS, INC.

By: _______________________________

Title: _____________________________

Exhibit I

ITEM 23. 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 Passion Foods, Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first persona 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 we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Passion Foods, Inc. does not deliver this disclosure document on time or if it contains a false or misleading misstatement, 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 state agency listed on **Exhibit C**.

The franchisor is Passion Foods, Inc. located at 780 Lakefield Road, Suite C, Westlake Village, CA 91361; (805) 496-8489.

Issuance Date: March 27, 2018

The franchise sellers for this offering are Steven Paperno & David Goldstein at 780 Lakefield Road, Suite C, Westlake Village, CA 91361; (805) 496-8489. Any additional individuals franchise sellers involved in offering the franchise are:

Passion Foods, Inc. authorizes the respective state agencies identified on **Exhibit C** to receive service of process for it in the particular state.

I received a disclosure document dated March 27, 2018 that included the following Exhibits:

A. Area Development Agreement
B. Franchise Agreement and Related Materials including State Addenda
C. State Administrators and Agents for Service of Process
D. List of Franchisees
E. List of Former Franchisees
F. Sales to Cost Analysis
G. Financial Statements
H. Confidentiality Agreement
I. Receipt

___________ ____
Date Franchisee

Printed Name:__________________________

You may return the signed receipt either by signing, dating, and mailing it to Passion Foods, Inc. at 780 Lakefield Road, Suite C, Westlake Village, CA 91361; (805) 496-8489, or by faxing a copy of the signed and dated receipt to Passion Foods, Inc. at (805) 777-7235.

ITEM 23. RECEIPT – Franchisee Copy

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 Passion Foods, Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first persona 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 we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Passion Foods, Inc. does not deliver this disclosure document on time or if it contains a false or misleading misstatement, 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 state agency listed on **Exhibit C**.

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I. Receipt

___________ ______________________________________
Date Franchisee

Printed Name:__________________________

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