

FRANCHISE DISCLOSURE DOCUMENT



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 ® ("Restaurant"). The total investment necessary to begin operation of a franchised Restaurant is \$633,900 to \$1,951,250. This includes \$35,000 Initial Franchise Fee that must be paid to the franchisor.

Area Developers are required to pay the franchisor a nonrefundable Development Fee equal to the Initial Franchise Fee for the first Required Restaurant plus \$10,000 for each additional Required Restaurant. The total investment necessary to begin operation of the first franchised Restaurant is \$643,900 to \$1,991,250. This includes the \$70,000 to \$90,000 that must be paid to the franchisor.

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: September 10, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20, Exhibit D and Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Sharky's business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Sharky's franchisee?	Item 20, Exhibit D and Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Ventura County, California. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Ventura County, California than your own state.
2. **Personal Liability.** If you are a legal entity, all of your owner(s) must personally guarantee the franchise agreement, thereby placing his/her personal assets at risk.

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

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EXHIBITS:

- A. Area Development Agreement
- B. Franchise Agreement with Personal Guaranty and State Addendum
- C. State Agents and State Administrators
- D. List of Current Franchisees
- E. List of Former Franchisees
- F. Financial Statements
- G. Confidentiality Agreement
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- I. Receipt

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 Restaurants ("**Restaurants**"). SFG offered and sold franchises from 1999 through 2009. SFG's parent, Fresh Opportunities, Inc., a California corporation ("**FOI**"), operated Restaurants since it was formed in 1997 until 2023 and authorized SFG to offer and sell these Franchises in 1999.

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 on 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, 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 offered and sold Franchises from 1999 through 2009. We began offering franchises in March 2010.

Restaurants serve the general public under SHARKY'S®, SHARKY'S WOODFIRED MEXICAN GRILL®, SHARKY'S MODERN MEXICAN KITCHEN®, SHARKY'S MODERN MEX™ and other designated trademarks, trade names, service marks and logos ("**Marks**").

The Franchises Being Offered

The first Restaurant was opened during 1992 in Sherman Oaks, California under the name SHARKY'S FRESH MEXICAN GRILL. The name was changed to SHARKY'S WOODFIRED MEXICAN GRILL in 2001, and some Restaurants may also operate as SHARKY'S MODERN MEXICAN KITCHEN or SHARKY'S MODERN MEX™. 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 \$4.25 to \$26.00.

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**"). Each Restaurant will use Our System and operate according to Our standards, specifications, operating procedures and rules (the "**System Standards**"). Restaurants typically range in size from 1,200 to 2,100 square feet, with at least 20 feet of store frontage and 150 square feet of outside dining space. They seat from 10 to 30 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. All Restaurants offer counter or kiosk ordering with limited table service, take-out, online ordering and third-party delivery 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 18-20 employees, and the operating hours are generally 10:30 a.m. to 9:00 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. You will execute Our then-current form of the Franchise Agreement for each Required Restaurant. 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 submit a Franchise Application and Questionnaire. If You are approved as a Developer, You and We will sign an ADA which will contain Our commitment to issue 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. You will offer products and services to the general public and individual consumers, for on-site consumption, carry out and online delivery.

Industry Regulation

Laws exist in every state that govern the food-service industry including health, sanitation, and safety regulations regarding food storage, preparation and safety and the sale of alcoholic beverages. You must comply with all local, state, and federal laws that apply to your Store's operation, including health, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act requires readily accessible accommodation for disabled persons and therefore may affect your building construction. You must obtain real estate permits (such as zoning permits), real estate licenses and operational licenses. You also must comply with all PCI Data Security Standards. There are also regulations that pertain to sanitation, labeling, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations during the operation of Your Store. You should investigate with your state and local agencies, the applicability of these and possibly other regulations in the area in which you are interested in locating Your Store. 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. 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. He was SFG's CEO and Managing Member from 1999 to 2017. 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. 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.

Director of Marketing: Becky Larsen Marquez

Ms. Marquez has been Our Director of Marketing since April 2008 and is employed by our affiliate, Feel Good About Eating, LLC.

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ITEM 3. LITIGATION

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

Shark FX, LLC, Rodney Coats, and Kevin Betts v. Passion Foods, Inc., Steven Paperno, and David Goldstein (AAA, Ventura County, California Case No. 01-20-000-0420, Filed January 6, 2020).

Claimants executed an Area Development Agreement for three franchised restaurants in Rogers, Arkansas and a Franchise Agreement for a restaurant in Rogers, Arkansas. Claimants filed a Demand for Arbitration alleging common law fraud under Arkansas Law and violation of the Arkansas Deceptive Trade Practices Act and the California Franchise Investment Law claiming Respondents provided an Item 19 financial performance representation that was unreasonable for an Arkansas restaurant, sold a "Shark's Woodfired Mexican Grill" franchise and then introduced a new trademark "Shark's Modern Mexican Kitchen", and were unable to negotiate favorable pricing terms with suppliers for Claimants' Arkansas restaurant. On April 21, 2021, the parties settled this matter with dismissal of the Arbitration and mutual general releases. Respondents agreed to pay off Claimants' equipment loan for \$380,000 and to remove the equipment and assets from Claimants' restaurant.

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.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Area Development Agreement

Our Initial Franchise Fee is \$35,000.

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 full Initial Franchise Fee for the first Required Restaurant plus \$10,000 for each additional Required Restaurant (as specified in the development schedule).

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 Required Restaurant, You will pay Us an Initial Franchise Fee for that Required Restaurant, less a credit from the Development Fee. The credit is \$35,000 for the first Required Restaurant (the full amount of the Initial Franchise Fee) and \$10,000 for each additional Required Restaurant. The \$10,000 credit will apply only to Required Restaurants. There is no refund of any portion of the Development Fee.

Initial Franchise Fee

The Initial Franchise Fee for each new franchise Restaurant is \$35,000. 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	6% of Gross Revenue (2)(3)	Weekly
Marketing Fund Fee (4)	Up to 3% of Gross Revenue. (2)(3) (Currently the Fund Fee is 1.5%)	Weekly
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
Microsoft 365 Software License	\$300.00	Software License
Supplier Approval Fee (7)	\$1,000	With application
Initial Training Fee for additional attendees (8)	Currently, \$2,000 per person.	Upon Invoice
On-Site Training (9)	Our per diem fee (currently \$500) + expenses, per person.	Upon Invoice
Continuing Training (10)	Currently, \$500 per day, per person	Upon Invoice
Management Fee	Currently, \$1,000. Any increases in this fee will not exceed \$2,000.	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	\$15,000	Before actual transfer
Renewal Fee	\$1,000	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
Relocation Fee (13)	Currently, \$5,000. Any increases in this fee will not exceed \$6,000.	Upon relocation request

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 these fees no later than the third (3rd) day following the end of each week 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.

(4) The current Marketing Fund Fee is 1.5% of Gross Revenues but may be increased up to 3%. 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 at least this amount monthly to conduct approved 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.

FOOTNOTES:

(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.

(8) Your majority owner, Designated Operator, general manager and kitchen manager must attend and successfully complete Our Initial Training. We will provide such training without charge for six people. You are responsible for the cost of travel, hotel, and meals expenses for Your attendees.

If You want Us to provide Initial Training to additional people or replacement personnel, You must pay Us the then-current charge (presently \$2,000 per person) for the training described in Item 11 below. Any increases in this fee will not exceed \$3,000 during Your Initial Term. Additional Initial Training is currently conducted in Southern California, partially at Our headquarters and at a designated Restaurant.

(9) As We deem necessary, We may provide employees (currently up to 6) for such a period of time (currently 7 days before and 10 days after opening) 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. The employee fee will not exceed \$800 per day/per person during the initial franchise term.

(10) 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, per person. The training fee will not exceed \$800 per day/person during the initial franchise term.

You must pay for all travel, lodging and food costs for You and Your personnel if such training is not conducted at Your Restaurant. 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.

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 \$7,500 and \$10,000.

(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.

(13) If You lose Your lease or want to move Your location. Approval of relocation is at Our discretion.

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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	\$1,250	Lump Sum	Upon submitting Application	3rd Party
Initial Franchise Fee ¹	\$35,000	\$35,000	Lump Sum	Execution of Franchise Agreement	Us
Training Travel & Living Expenses ²	\$5,000	\$50,000	As Incurred	During Training	Airlines, Hotels, Salaries and Restaurants
Lease ³	\$10,000	\$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	\$325,000	\$ 495,000	As Incurred	Prior to Opening Restaurant	Suppliers
Initial Inventory ⁶	\$36,500	\$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	\$20,000	\$20,000	As Incurred	Post Opening	PR Company, Local Marketing Company
Miscellaneous ⁹	\$12,000	\$45,000	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	\$633,900	\$1,951,250			

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 \$25,000 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 three (3) persons for a minimum of six (6) 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 2,100 square feet of indoor space plus approximately 150 square feet of patio space. Lease costs will vary based upon square footage, cost per square foot, and required maintenance costs. 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.

(4) Includes architectural and engineering fees, building and related permit cost, and the actual cost of construction. 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 will pay all construction expenses, including the cost of all required site work, leasehold improvements, and permitting expenses. 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 location, there will also be site work fees which We included in the higher end of the improvement costs. We do not require You to purchase real estate, and the total estimated initial investment does not include the acquisition of real estate.

FOOTNOTES:

- (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. You have the option to purchase self-ordering kiosk(s) for Your Restaurant. This is not a requirement and at Your election. The above estimate does not include the self-ordering kiosk which must be purchased from Bite Kiosk and currently costs \$4,000 for two kiosks, which includes the credit card hardware. Currently, there is a monthly subscription fee of \$175.00 per kiosk which is paid directly to Bite Kiosk.
- (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. Various items must be purchased from Our Approved Suppliers.
- (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 \$20,000 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. There may also be a requirement to pay utility and/or other deposits and to prepay certain expenses.
- (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. Your costs will depend on factors such as the local market for Restaurant products, the prevailing wage rate, competition, and the sales level reached during the initial period. You should review these figures carefully with a business advisor or accountant.

FOOTNOTES:

(11) The above are all estimates based on Our experience with franchisee and company Restaurants. 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. You should review these figures carefully with a business advisor, accountant, or attorney before making any decision to purchase a franchise.

**Area Development Agreement (1)
Your Estimated Initial Investment**

	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	Low	High			
Development Fee (2)	\$45,000	\$75,000	Lump Sum	Execution of ADA	Us
Estimated Initial Investment (3)	\$598,900	\$1,916,250	See Item 7 chart above.		
Total	\$643,900	\$1,991,250			

FOOTNOTES:

(1) 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**”). The Development Fee is contingent on the number of Restaurants You intend to open under the terms of the ADA.

Upon execution of the ADA, You must pay Us a nonrefundable Development Fee equal to the Initial Franchise Fee for the first Required Restaurant (\$35,000), plus \$10,000 for each additional Required Restaurant to be developed under the ADA. There are no refunds of these fees.

As You develop each Required Restaurant, You will execute Our then current Franchise Agreement. The Initial Franchise Fee for all Required Restaurants is \$35,000. For the second and subsequent Required Restaurants, You will pay Us an Initial Franchise Fee less \$10,000 credit from the Development Fee for that Restaurant.

FOOTNOTES:

(2) The low estimated cost is the Development Fee for a three (3) Restaurant ADA and the high estimated cost is the Development Fee for a five (5) Restaurant ADA.

(3) You will incur total initial expenses for each Required Restaurant developed as set forth in the first table of this Item 7. The initial expenses set forth in the first table may increase over the term of the ADA based on inflation and other economic factors.

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 design, construct, remodel, 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 and in accordance to Our specifications, both in establishing and while operating Your Restaurant. To ensure 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.

Currently, We require You to use Sysco as Our broadline distributor and Food Buy as Our approved produce supplier. Additionally, there are Approved Suppliers who are the only source for Your Franchised Business' POS System and back-office software (see Item 11). We may update Our list of Approved Suppliers as We deem necessary or appropriate.

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 \$5,000. All leases must be approved by Us and meet Our then current criteria as specified in the Manual.

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 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 two percent of Your operating expenses.

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, camera system, promotional materials, website maintenance, marketing platforms, 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 a source that We have not approved, and the item is not one for which We have designed a specific source, You may request Our "Supplier Approval Form" and pay Our Supplier Approval Fee (currently \$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 are not required to make available to You or any supplier Our criteria for product or supplier approval. Our review promptly, generally within 90 days.

None of Our officers own an interest in an Approved Supplier. 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. During the last fiscal year, We received \$24,254.60 from Coca Cola Company based on the gallons of syrup purchased by company-owned and franchised Restaurants and this revenue is deposited into Our Marketing Fund. Neither We nor Our Affiliates received any other revenues or rebates as a result of franchisee purchases.

The Franchise Agreement requires You to obtain insurance from Qualified Insurance Carriers satisfactory to Us. Each insurance company must be rated no less than A VII by A.M. Best and Company. The insurance You must obtain includes coverage during the construction of Your Restaurant and its operation. We must be named as an additional insured on each policy except workers compensation insurance. The required insurance policies must have at least the minimum coverage specified in the Section 11.2 of the Franchise Agreement. The cost of insurance coverage will vary depending on the insurance carrier's charges, the terms of payment and your insurance history. You must also carry the insurance required by Your landlord and applicable law.

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	FA: §§4, 8.1	Items 7, 8, 11, 16
c. Site development and other pre-opening requirements	FA: §1, 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: §1.4,7.8 ADA: §2	Items 5, 7, 11
f. Fees	FA: §2, 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	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 ADA: §9	Item 17

ITEM 10. FINANCING

Neither We nor Our Affiliates offer direct or indirect financing. We do not guarantee Your note, lease or other obligation.

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 initial training program for up to six people. Your majority owner, Designated Operator, general manager and kitchen manager must each attend and complete the applicable Training Program to Our reasonable satisfaction. (Franchise Agreement, Section 5).

2) Provide digital access to Our confidential Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules, (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. You are responsible for conforming the premises to building codes and local ordinances. (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).

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

8) Include information about your Restaurant on Our website and provide social media policies and guidelines (Franchise Agreement, Section 7.9).

9) Provide You with ongoing digital access to the Manual, which We may update from time to time (Franchise Agreement, Section 4).

C. Site Selection.

You must select a site that meets Our approval. We will provide assistance in locating a site for Your Restaurant. Within 90 days after execution of the Franchise 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, liquor license delays, or delays caused by zoning or local ordinances, weather conditions, labor strikes, shortages of products and installation of equipment, fixtures and signs. You must open Your Restaurant within twelve months of signing the Franchise Agreement, unless

We extend the time in writing. Failure to open within the specified time period is a breach of the Franchise Agreement and Your Franchise Agreement can be terminated. (Franchise Agreement Section 1.4)

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 as designated in the Manual. You must obtain Our prior written approval of site-specific drawings/plans before beginning construction. You may not open Your Restaurant without Our prior written consent and satisfaction of all pre-opening obligations stated in the Manual and the installation of all equipment, fixtures, furnishings, and signs included in the plans and specifications approved by Us. We will inspect Your Restaurant, and if approved, provide a Certificate of Opening.

You will be solely responsible for all hiring and employment decisions and functions relating to Your Restaurant.

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 You with access to advertising and marketing materials and services. 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 up to 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 internet using Our Marks or outside Your territory, and Your advertising must be approved by Us, as stated above. You may not register any domain name or establish or maintain any website, social media site or other digital presence in any media or on any platform in any manner whatsoever that uses the Marks without Our

prior written approval. If such approval is granted by Us, You shall establish and operate such Internet site in accordance with Our standards and policies as set forth in Our Brand Guide which is included within the Manual or otherwise in writing from time to time. 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.

Grand Opening.

You must conduct a pre-approved grand opening promotion for Your Restaurant following the procedures and timing requirements designated in the Manual. At a minimum You must spend \$20,000 on grand opening marketing. We will assist You in planning Your grand opening.

Marketing Fund.

You must pay Us Marketing Fund ("**Marketing Fund**") Fees of up to 3% (currently 1.5%) 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 design and execute Our brand standards 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. The purpose of the Marketing Fund is to develop advertising and marketing programs that will benefit all Stores wherever located. We cannot ensure that Marketing Fund expenditures will be equally beneficial or proportionate to each Restaurant's contributions.

The Marketing Fund 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. Advertising may be in the form of print ads, radio, television, or electronic media and may be conducted on a regional and/or national basis. 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))

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. 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, including without limitation maintaining and updating Our website, 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.

The monies in the Marketing Fund will generally be spent in the same fiscal year as they are accrued. 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. Any unused funds will be spent in the next year. We agree to cause an annual accounting of the Marketing Fund and to make the results of such accounting available to You upon written request.

During Our most recent fiscal year ending December 31, 2024, We spent approximately 24.6% on brand positioning, 4.5% on graphic design, 3.6% on photography & video, 3.1% on gift card promotion, 6.3% on loyalty programs, 5.4% on management fee, 16.5% on payroll, 1.2% on advertising, 3.4% on reputation analytics, 1.8% on research & development and 2.5% miscellaneous.

Local Marketing.

You must conduct local advertising and sales promotion programs for Your Restaurant as designated by Us in the Manual or otherwise in writing. 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. Our sole discretion, We may designate Ourselves, an Affiliate, or select a third-party vendor to manage local marketing for franchised Outlets. We will notify You prior to such requirement.

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; Technology.

Prior to opening Your Restaurant, You must purchase the required computer hardware, software, internet connections and service, required dedicated telephone and power lines and other related accessories, peripherals, consoles, menu boards and equipment required to operate Our then-current mandatory point of sale system, customer order system and other system requirements. Additionally, You must subscribe to any third-party on-line ordering or delivery services that We have approved.

Currently, Our approved POS system is Micros 3700 which is integrated with Restaurant365 and Thanx. We use California Retail Systems to provide the POS system for Our Restaurants. You must use Your POS system to complete all sale transactions, and provide sales, accounting, and inventory reports. The initial hardware staging, delivery and testing is currently \$1,200.00. This is a one-time set up fee. The current fee for the first year of help desk service is \$1,800.00. After the first year, You may elect not to continue such help desk service.

The current monthly license fee for the Paytronix software subscription is \$375 and for Restaurant365 subscription is \$235.00. Our gift cards are administered by Paytronix and their monthly license fee is \$90.00. Currently, We use Olo as Our online ordering platform and this program integrates with the POS system. Olo's monthly license fee is \$160.00 plus transaction fees.

These amounts may be adjusted up to 10% annually to account for inflation and product enhancements. You will be responsible for all ongoing computer maintenance, repairs and upgrades. You must purchase a Meraki Dual WIFI router. The current cost is \$2,000 and the annual license fee is \$600.00.

You have the option to purchase self-ordering kiosk(s) for Your Restaurant. This is not a requirement and at Your election. The above estimate does not include the self-ordering kiosk which must be purchased from Bite Kiosk and currently costs \$4,000 for two kiosks including the credit card hardware. Currently, there is a monthly subscription fee of \$175.00 per kiosk which is paid directly to Bite Kiosk.

We may require you update or modify the software, hardware and other required systems for Your Restaurant, with reasonable limitation on the frequency or cost of this requirement. At such time as We designate the change or enhancement You may be required to make certain payments to Us or Our designated suppliers. You will have specified period of time to install and commence using the changed or enhanced technology or system. You must acquire the right to use hardware, software, peripheral equipment, and accessories, and arrange for installation, maintenance, and support services of the initial, changed, or enhanced technology or system all at Your cost. There are no contractual limitations on the frequency and cost of this obligation.

Neither We, nor any Affiliate is obligated to provide ongoing maintenance, repairs, upgrades, or updates for the POS System or other required technology. We will have independent access to the information that will be generated or stored in Your Restaurant's 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. All of the designated equipment and software is available generally at competitive prices. The purchase cost of these items is estimated at \$30,000. Your annual maintenance costs are estimated to be near \$5,000. 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 at a designated location. 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 before Your review. See Exhibit G. You must treat Our Manual, and other written materials created for or approved for use in the operation of Your Restaurant, and the information contained in them, as confidential. The Manual will remain Our sole property. We may, from time to time, revise the contents of the Manual and You must comply with each new or changed standard.

H. Training.

We provide mandatory initial training course for three levels: Executive (majority owner), Management (Designated Operator 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

RESTAURANT MANAGEMENT
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

NOTES:

(1) The above description reflects the typical content and schedule of Our Initial Training Programs.

(2) 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. We may increase, decrease and/or adjust the above training program to the extent that We deem appropriate to meet Your and Our requirements.

(3) 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.

(3) Your majority owner, Designated Operator, restaurant manager and kitchen manager must attend and successfully complete Our Initial Training. We may terminate the Franchise Agreement for failure to successfully complete this training course. Failure of the Designated Operator identified in the Area Development Agreement may terminate the Area Development Agreement. You must pay all travel and living expenses for your

trainees. We provide this initial training at no additional charge for up to six people. If You want Us to provide Initial Training to additional people, You must pay Us the then-current charge (presently \$2,000 per person) for the training described in Item 11 below.

(4) As We deem necessary, We may provide employees (currently up to 6) for such a period of time (currently 7 days before and 10 days after opening) 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.

(5) 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, per person. 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.

(6) If You replace the majority owner, Designated Operator, general manager, or kitchen manager, they must successfully complete the applicable Initial Training Program. You must pay Us the then-current fee (presently \$2,000 per person) and pay for all travel, lodging and food costs for Your personnel.

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. 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.

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 or Merger/Acquisition Activity (Your **"Protected Area"**).

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. If Your Restaurant is located within a high-density area, then You and We will agree on the area, if any, in which You will have territorial protection (Franchise Agreement, Attachment 1).

“Non-Traditional Venue” means a site or location for which the lessor, owner or operator has 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.

“Merger/Acquisition Activity” means to merge with, acquire or become associated with any businesses or restaurants of any kind under other systems and/or other marks, which businesses and restaurants may convert to or operate under the Marks and may offer or sell menu items, products and services that are the same as or similar to a SHARKY’S Restaurants (**“Converted Restaurants”**), and such Converted Restaurant may be located anywhere, including within the Protected Area or Development Area.

We reserve all rights not expressly granted in the Franchise Agreement. We have the sole and exclusive right to produce, license, distribute and market products and services using the Marks or other marks through any distribution channel, at wholesale or retail, including but not limited to, by means of the Internet (or any other existing or future form of electronic commerce), product and catalog sales, direct mail advertising and other distribution methods. Other distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, military installations, online subscription service, or industry locations (e.g. manufacturing site, office building). We are not required to pay You for soliciting or accepting orders from inside the Protected Area or Development Area.

The Franchise Agreement will not grant You any options, rights of first refusal or similar rights to acquire additional franchises within Your Protected Area or contiguous areas. There is no minimum sales quota. You maintain rights to Your Protected Area 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.

We reserve all rights not expressly granted in the Franchise Agreement. The Franchise Agreement does not restrict Us or Our affiliates from operating or authorizing others to operate 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.

You may not advertise independently on the internet, or outside Your Protected Area, and You may not maintain any Website or any presence on the Internet without Our prior written consent. Your advertising must be approved by Us, as stated in Item 11 above.

You must receive Our prior written approval before relocating the Restaurant and pay Us a \$5,000 Relocation Fee. 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.

If You want to offer catering or delivery service from Your Restaurant, You must obtain Our prior written approval. Any catering or delivery services must meet Our written standards and shall only be conducted in Your Protected Area. You also must charge the same price for products offered by Your Restaurant for any catering or delivery services. All catering or delivery services income must be included in Gross Revenues for purposes of the applicable fees.

Area Development Agreement.

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

Under the Area Development Agreement (“**ADA**”), You are assigned a geographic area (“**Territory**”) within which You are required to develop three or more Restaurants under a prescribed development schedule. The size of the Territory will be described in the ADA by reference to a description, an area marked on a map, streets or highways, political jurisdiction boundaries, by an area encompassed within a radius of a specific distance (or a range of distances) or of a distance sufficient to encompass a specified population (or range of populations) or by such other method of delineation as We may prescribe.

During the term of the ADA and so long as You are in full compliance with the ADA, We will not license or allow any other party to open a SHARKY’S Restaurant within Your Territory (except for one or more “Non-traditional Venue” restaurants (defined above), Converted Restaurants (defined above), or pursuant to the first refusal rights contained in Your Franchise Agreement.

If You materially breach the Area Development Agreement 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 Area Development Agreement and We decide that one or more additional Restaurants should be developed within Your development 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 development Territory.

We will evaluate and approve or disapprove the proposed site for each new Restaurant You plan to open under the Area Development Agreement using Our then current site criteria. Each Restaurant developed under the Area Development Agreement will have the same territory rights and protections as defined above in this Item 12 and pursuant to the Restaurant's Franchise Agreement.

ITEM 13. TRADEMARKS

Our founder, Steven Paperno ("TM Owner") owns 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 . 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	Reg. Number
Sharky's	07/22/97	2080706
	08/13/13	4383823
	03/20/18	5428939
	03/30/18	5428940
Sharky's Modern Mexican Kitchen	02/22/22	6650198
Sharky's Fit	10/04/22	6867250
Power Plates	02/28/12	4104219
Feel Good About Eating	08/25/15	4798025

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. All required affidavits have been filed. 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, and timely informed Us of the proceeding. 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 electronic emails and confidential information. 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.

The Manual will remain Our sole property. You must keep access to the Manual secure. 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. You agree to keep and respect all confidential information received from Us, to obtain from the Designated Operator, 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 as Attachment 2 in the Franchise Agreement. You agree to timely provide Us with copies of Your employee's executed confidentiality agreements

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

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 have 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, **'Authorized Agent'**, who will have full authority to act on Your behalf in performing, administering or amending the ADA or Franchise Agreement. 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.

You must attend any annual meeting, convention or conference of franchisees and all meetings related to new products or product preparation procedures, new operational procedures or programs, training, management, sales or sales promotion or similar topics that we offer, at your own expense. You are responsible for all related travel and living expenses associated with attending any additional meetings, conventions, or conferences. As of the date of this Disclosure Document, the location, duration, frequency, and content of any additional meetings, conventions, or conferences We require you to attend is unknown and will depend on the frequency with which new products or services are introduced to the System.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those products and services that We have approved for sale in the Restaurants. 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.

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
a. Initial Term	FA: §3.1	Initial term of Franchise is 10 years.
b. 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.
c. 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.
d. Termination by You without cause.	None	
e. Termination by Us without cause	None	
f. Termination by Us with cause.	FA: §15.1	We can terminate only if You default.

g. "Cause" defined as defaults which can be cured.	FA: §15.1	You have thirty (30) days after notice to cure defaults (except defaults in payment to Us, in which case You only have five (5) 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.
h. "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.
i. 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.
j. Assignment of contract by Us.	FA: §13.8	No restriction on Our right to assign.
k. "Transfer" by You-definition	FA: §13.5	Includes transfer of rights under Franchise Agreement and ownership change.
l. 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.
m. 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.
n. Our right of first refusal to acquire your business.	FA: §13.7	We can match any offer for the franchised business.
o. Our option to purchase your business	None	
p. Your death or disability.	FA: §13.6	Approval by Us of heir or sale within six months to an approved buyer.

q. 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 ").
r. 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. These provisions may be subject to applicable state law.
s. Modification of the agreement.	FA: §16.14	Only written and signed modifications, but Manual subject to change.
t. Integration/ merger clause.	FA: §16.13	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.
u. 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.
v. Choice of forum	FA: §16.5	Except for certain claims, any arbitration or litigation must be in Home County.
w. Choice of Law.	FA: §16.7	Law of state where Your Restaurant is located applies.

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
a. Initial Term	ADA: §6	Initial term is mutually agreed between You and Us.
b. Renewal or extension of the term.	ADA: §6	

c. Requirements for renewal or extension.	ADA: §6	None
d. Termination by You without cause.	None	
e. Termination by Us without cause	None	
f. 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.
g. "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.
h. "Cause" defined as defaults which cannot be cured.	ADA: §7	Non-curable defaults: Failure to meet deadlines in Development Schedule.
i. Obligations on termination.	ADA: §1.4	No further rights or obligations.
j. Assignment of contract by Us.	None	
k. "Transfer" by You-definition	None	
l. Our approval of transfer by franchisee.	ADA: §1.7	No transfers allowed.
m. Conditions for Our approval of transfer.	None	
n. Our right of first refusal to acquire your business.	None	
o. Our option to purchase your business	None	
p. Your death or disability.	None	
q. 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.
r. Non-competition covenants after the franchise is terminated, transferred or expires.	None	

s. Modification of the agreement.	ADA: §9.1	Only written and signed modifications.
t. 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.
u. 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").
v. Choice of forum	ADA: §9.1	Except for certain claims, any arbitration/ or litigation must be in Home County.
w. 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.

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.

ITEM 20: RESTAURANTS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEM WIDE RESTAURANTS SUMMARY
For Fiscal Years – 2022 to 2024

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	2022	22	22	0
	2023	22	21	-1
	2024	21	21	0
Company - Owned	2022	1	1	0
	2023	1	1	0
	2024	0	0	0
Total Restaurants	2022	23	23	0
	2023	23	21	-2
	2024	21	21	0

Note: Our Fiscal Year ends December 31. Any “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 – 2022 to 2024

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2022	1
	2023	0
	2024	1
Totals	2022	1
	2023	0
	2024	1

Table No. 3

**STATUS OF FRANCHISED RESTAURANTS
For Fiscal Years – 2022 to 20243**

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	2022	21	0	0	0	0	0	21
	2023	21	0	0	0	0	1	20
	2024	20	0	0	0	0	0	20
Nevada	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Total	2022	22	0	0	0	0	0	22
	2023	22	0	0	0	0	1	21
	2024	21	0	0	0	0	0	21

Table No. 4

**STATUS OF COMPANY RESTAURANTS
For Fiscal Years – 2022 to 2024**

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	2022	1	0	0	0	0	0	1
	2023	1	0	0	1	0	0	0
	2024	0	0	0	0	0	0	0

Table No. 5

**PROJECTED OPENINGS
AS OF DECEMBER 31, 2024**

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
California	0	1	0
Totals	0	1	0

The names, addresses and telephone numbers of Our franchisees as of December 31, 2024 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, 2024, December 31, 2023, and December 31, 2022 are attached as **Exhibit F**.

ITEM 22. CONTRACTS

Copies of the following agreements are attached:

- Exhibit A. Area Development Agreement
- Exhibit B. Franchise Agreement with Exhibits
- 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®

**AREA DEVELOPMENT
AGREEMENT**

SHARKY'S®
AREA DEVELOPMENT AGREEMENT
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SHARKY'S® AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT dated as of _____, 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 “**PRINCIPALS**” (the “**Principals**”), on the other hand.

RECITALS:

A. We own the exclusive rights to offer and sell development franchises for the operation of retail restaurants using the name and trademark SHARKY'S® and other trademarks associated with SHARKY'S restaurants (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. As used in this Agreement “SHARKY'S Restaurant” includes Restaurants operating as SHARKY'S®, SHARKY'S FRESH MEXICAN GRILL, SHARKY'S WOODFIRED GRILL®, SHARKY'S MODERN KITCHEN®, AND SHARKY'S MODERN MEX.

C. You desire to develop SHARKY'S Restaurants in specified geographic area. under the terms of this Agreement.

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

ARTICLE 1. GRANT OF DEVELOPMENT RIGHTS

1.1 Development of Territory. We hereby grant to You the right to develop, open and operate SHARKY'S 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 (i) 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 (ii) 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) in Your former Territory. 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 Restaurants within the Territory. Such termination will not affect Your then existing Franchise Agreements with Us.

1.4 Other Products and Outlets. You agree that We retain the unrestricted right within the Territory and elsewhere to produce, license, distribute and market products and services using the Marks or other marks through any established distribution channel, at wholesale or retail, including by means of the Internet (or any other existing or future form of electronic commerce), mail order catalogs, direct mail advertising and other distribution methods. Other distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, military installations, or industry locations (e.g. manufacturing site, office building). We are not required to pay You for soliciting or accepting orders from inside Your Territory.

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.

1.6 Assumption. This Agreement and Our rights, interests and obligations hereunder may be transferred to the benefit of any entity in whole or part which succeeds to Our business and assumes Our obligations hereunder.

ARTICLE 2. DEVELOPMENT OF TERRITORY

2.1 Development Schedule.

(a) You agree to develop at least a total of ____ (__) SHARKY'S 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.

ARTICLE 3. DEVELOPMENT FEE

3.1 Development Fee. In consideration of Our grant to You of the right to develop SHARKY’S 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 \$ ____.

ARTICLE 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 using architects, contractors, and vendors previously approved by Us. 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 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 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; Our Property. 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 Your Principals and representatives. You agree to obtain from each of the Principals and Your representatives a Confidentiality Agreement in the form attached hereto as **Exhibit C** and incorporated herein by reference. You agree 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 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 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.

ARTICLE 5. EXISTING RESTAURANTS; ACQUISITIONS

5.1 Company Restaurants.

(a) If We or another entity under common control with Us ("**Affiliate**") currently operate SHARKY'S Restaurants within the Territory, such Restaurants are specified in **Exhibit A** attached hereto and incorporated herein by reference ("**Company Restaurants**") and any present or proposed franchised Restaurants in the Territory will also be specified in **Exhibit A** as ("**Franchised Restaurants**").

(b) Unless You are purchasing the Company Restaurants or Franchised Restaurants pursuant to separate agreement, You agree that Company Restaurants and Franchise Restaurants may continue to be operated as SHARKY'S 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 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.

ARTICLE 6. TERM; RENEWAL

6.1 Term. (a) The initial term of this Agreement expires five (5) years from the date set forth above, **or if signed by You and Us**, on the date set forth below:

_____ **202** _____

YOU: _____ Print Name: _____

US: _____ Print Name: _____

(b) Notwithstanding the foregoing, the term of this Agreement immediately expires when all Required Restaurants under the Development Schedule are open and operating in compliance with this Agreement.

6.2 No Right to Renew. You do not have the right to renew this Agreement. However, at least six (6) months and not more than twelve (12) months before the term of this Agreement expires, You may apply for a new Area Development Agreement for the same Territory or another development area. After the term of this Agreement, if We do not decide, in Our sole discretion, to sign a new area development agreement with You, then We, a new area developer, or any franchisee franchised by Us may develop and operate additional Restaurants in the Territory, subject to the territorial rights in Your existing Franchise Agreements. If granted, the new area development agreement, which may vary substantially from this Agreement, will include a new development schedule.

ARTICLE 7. DEFAULT

7.1 No Opportunity to Cure. (a) **TIME IS OF THE ESSENCE** of 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 7.2 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.

(b) You shall be deemed in default under this Agreement, and all rights granted herein shall automatically terminate, without notice to You, if You become insolvent or makes a general assignment for the benefit of creditors; if You file a petition in bankruptcy or such a petition is filed against and consented by You; if You are adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of You or other custodian for Your business or assets is filed and consented to by You; if a receiver or other custodian (permanent or temporary) of Your business or assets or any part thereof is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against You; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Your business or assets; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against You and not dismissed within thirty (30) days; or if the real or personal property of any of Your (or an affiliate's) Restaurant(s) shall be sold after levy thereupon by any sheriff, marshal or constable.

7.2 Curable Defaults. 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 non-payment material obligations contained in this Agreement and fail to cure such failure within thirty (30) days of Your receipt of such notice. We will have the right to terminate this Agreement upon five (5) days written notice to You if You fail to perform any payment obligation contained in this Agreement and fail to cure such failure within five (5) days of Your receipt of such notice.

7.3 Defaults in Franchise Agreements. A default by You under any SHARKY'S Franchise 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.

7.4 Requirements Upon Termination. Upon termination or expiration of this Agreement, You shall have no right to establish or operate any Restaurant for which a Franchise Agreement has not been executed by Us at the time of termination or expiration. We shall have the right to establish and operate, and to license others to establish and operate, one or more Restaurants in the Territory, except as may be otherwise provided under any executed Franchise Agreement. You shall comply with the confidentiality covenants set forth in Article 4 and all Franchise Agreements entered into under this Agreement and upon request immediately deliver to Us all copies of the Manual and any items bearing the Marks or which are confidential. Termination or expiration of this Agreement will not affect Your then existing Franchise Agreements with Us so long as the agreements are not in default.

ARTICLE 8. LEGAL ENTITY; RESTRICTIONS; 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 an 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 Your obligations under this Agreement and under each and every Franchise Agreement to be entered into pursuant hereto.

8.3 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 Principal.

YOUR INITIALS: _____

8.4 Form of Legal Entity. (a) If You are organized under applicable law as a legal entity such as a corporation, partnership or limited liability company (hereinafter referred to as a "**Legal Entity**"), the Principals must notify Us of the form of such Legal Entity and have received Our written approval and You must comply with this Subsection 8.5 and any other condition which We may require. We have an unrestricted right to approve all equity owners and any future owners. The organization documents must be promptly submitted for Our review.

(b) Unless We provide 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 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) Each person designated as the Development Principal and Authorized Agent must own at least ten percent (10%) of the ownership interests of the Legal Entity.
- (vi) 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.
- (v) There will be no public offerings of debt or equity ownership by or in the Legal Entity without Our prior written consent and approval.
- (vi) 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.

- (vii) 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.
- (viii) There will not be more than five (5) owners of the Legal Entity in addition to the Principals without Our prior written consent and approval.
- (ix) All persons with a 10% or greater interest in You must execute the Personal Guaranty in the form attached hereto as **Exhibit D**.
- (x) You have provided Us with such documentation as We have requested to evidence the foregoing.

(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 must 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 Restaurants or having a known history, reputation or character which is adverse to the interests of SHARKY'S Restaurants. 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 8.4, 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 8.4 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 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 8.4. 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 SHARKY'S 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."

(g) You agree at Our request to furnish information, execute forms, and take all such action as requested by Us, to provide Us with such documentation to support this ARTICLE 8. You agree to provide Us with such documentation within fifteen (15) days after receipt of such request

8.5 Financial Statements. You and the Principals agree that each will furnish Us every year during the term hereof a certified copy of annual financial statements in the form set forth in Our Manual. 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.

8.6 Security Interest. You may not grant a security interest in this Agreement or in any SHARKY'S Franchise Agreement to any third party.

8.7 Best Efforts. You covenant that during the term of this Agreement that You and Your Principals shall devote full time, energy, and best efforts to fulfilling the obligations under this Agreement, including the development of the Required Restaurants pursuant to the Development Schedule.

8.8 In-Term Covenants. You and Your Principals specifically acknowledge that, pursuant to this Agreement, You and Your Principals will receive valuable, specialized training and confidential information, including, without limitation, information regarding Our operational, sales, promotional, and marketing methods and techniques and the System. You and Your Principals covenant that during the term of this Agreement, except as otherwise approved in writing by Us, shall not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

- (i) Divert or attempt to divert any present or prospective business or customer of any Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Our Proprietary Marks and the System; or
- (ii) Directly or indirectly, own, maintain, operate, engage in, be employed by, provide any services or assistance to, finance, or have any interest in (as owner or otherwise) any Restaurant which is similar to or competitive with the business of SHARKY'S Restaurants ("**Similar Business**") anywhere.
- (ii) The prohibitions of this Section 8.8 shall not apply to Your interests in or operation of a SHARKY'S Restaurant under an effective Franchise Agreement.

8.9 Post-Term Covenants. You and Your Principals covenant that, except as otherwise approved in writing by Us, You and Your Principals shall not, for a continuous uninterrupted period of two (2) years commencing upon the later of (a) expiration of this Development Agreement, (b) termination of this Development Agreement (regardless of the cause for termination), or (c) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.9, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide services or assistance to, finance, or have any interest in (as owner or otherwise) any Similar Business which is, or is intended to be, located within (i) the Territory, (ii) within 10 miles of the Territory, or (iii) within 10 miles of any business operating under the Marks. The prohibitions of this Section 8.9 shall not apply to Your interests in or operation of a SHARKY'S Restaurant under an effective Franchise Agreement.

8.10 No Defense. You and Your Principals expressly acknowledge that the existence of any claims which You or Your Principals may have against Us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Us of the covenants in Section 8.8 or 8.9.

8.11 Irreparable Injury. You and Your Principals acknowledge that any violation of the terms of Section 8.8 or 8.9 would result in irreparable injury to Us for which no adequate remedy at law may be available; and You and Your Principals accordingly consent to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Us in obtaining, an injunction prohibiting any conduct by You and Your Principals in violation of the terms of Section 8.8 or 8.9.

ARTICLE 9. MISCELLANEOUS

9.1 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 developer 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 developer.

9.2 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.

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

9.4 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.

9.5 Arbitration; Jurisdiction

(a) Except as set forth in Section 9.5(d), 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. The parties may agree to arbitration before another body, but the decision must be mutually agreed upon or arbitration must remain before AAA. Any arbitration must be conducted by a single arbitrator with at least five (5) years of significant experience in franchise law. Such arbitration shall be held within the county in which Our corporate headquarters are located (the "**Home County**") (currently Ventura County, California).

(b) 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 Territory is located (without giving effect to any conflict of law principles) as set forth in Section 9.7 below.

(c) Any arbitration must be on an individual basis and the parties, and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts.

(d) 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.

9.6 Attorney 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.

9.7 Governing Law. 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 with the following exceptions: (a) the arbitration clause will be exclusively governed by and construed according to the Federal Arbitration Act; and (b) trademark rights will be governed by and construed according to the Lanham Act.

9.8 Notices. All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, 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 (3) days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

Us: Passion Foods, Inc.
780 Lakefield Road, Suite C
Westlake Village, CA 91361
Attn: CEO

You: _____ (PO BOX address is not accepted)

Attn: LLC Manager

9.9 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. 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 boldface are done so for ease of reference only.

9.10 Entire Agreement. 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.

9.11 Force Majeure. Neither Us, Our Affiliates, nor You shall be responsible or liable for any delays in the performance of any duties under this Agreement to the extent such are not the fault or within the reasonable control of that party including, but not limited to, the inability of Us or Our Affiliates to manufacture or distribute equipment or products, fire, flood, natural disasters, acts of God, delays in deliveries, governmental acts or orders, late deliveries of products or furnishing of services by third party vendors, civil disorders, or strikes and any other labor-related disruption, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay or impossibility. Provided, however, this clause shall not apply to and not result in an extension of: (1) the time for payments to be made hereunder; or (2) the term of this Development Agreement.

9.12 Relationship. You acknowledge that You are an independent business and solely responsible for the development of Your Territory and management of the Required Restaurants. 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 regard to You. You will not use the name SHARKY'S or any similar word 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.

9.13 Indemnification. You shall indemnify, defend, and hold harmless Us, Our Affiliates, and their respective partners, shareholders, officers, directors, agents, attorneys, accountants and employees harmless, against any and all claims, losses, lawsuits, liens, demands, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with Your operations hereunder. You shall reimburse Us, Our Affiliates, and their respective partners, shareholders, officers, directors, agents, attorneys, accountants and employees for any expenses or costs any such party incurs as the result of a claim covered by the Your indemnification obligation.

9.14 Restricted Knowledge; Benefit

(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.

9.15 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.

YOUR INITIALS: _____

(b) THE SUCCESS OF THE FRANCHISED BUSINESSES 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 BUSINESSES WILL BE SUCCESSFUL OR PROFITABLE.

YOUR INITIALS: _____

(c) 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:

Signatures on Next Page

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

“You”

By: _____

Name: _____

Title: _____

Principals:

Printed Name: _____

Ownership: ____%

Signature: _____

Printed Name: _____

Ownership: ____%

Signature: _____

Printed Name: _____

Ownership: ____%

Signature: _____

“Us”

PASSION FOODS, INC.

By: _____
_____, its _____

TERRITORY

Your Name:

Description of Territory:

Existing Restaurants (if any):

The Required Restaurants will operate primarily under the trademark: _____

APPROVED:

YOU:

By: _____

Name: _____

Title: _____

US:

PASSION FOODS, INC.

By: _____
_____, its _____

DEVELOPMENT SCHEDULE

1. SHARKY'S 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 franchise Restaurants in accordance with the terms of the Agreement.

2. Development Obligations. You agree to have the minimum number of SHARKY'S 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	DEVELOPMENT REQUIREMENTS	
ENDING ON:	TO BE OPENED DURING DEVELOPMENT PERIOD	CUMULATIVE NUMBER OF RESTAURANTS OPEN AND IN OPERATION AT END OF DEVELOPMENT PERIOD

APPROVED:

YOU:

By: _____

Name: _____

Title: _____

US:

PASSION FOODS, INC.

By: _____
_____, its _____

CONFIDENTIALITY AGREEMENT

In consideration of receiving information regarding the operation of SHARKY'S 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 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 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 Manuals and other documents containing Confidential Information to Passion Foods, Inc.

4. Recipient agrees that the covenants included herein survive the expiration or termination of the Area Development Agreement.

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

DATED: _____

By: _____

Name: _____

DATED: _____

By: _____

Name: _____

PERSONAL GUARANTY

This Personal Guaranty is given to induce Passion Foods, Inc. (the "**Franchisor**") to enter into that certain SHARKY'S Area Development Agreement, dated _____, 202__ with _____ ("**Area Developer**").

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 Area Developer, including, without limitation, all obligations arising out of the Area Development Agreement and any other agreement; including, without limitation, all SHARKY'S Franchise Agreements entered into under the Area Development Agreement, and hereby individually undertakes to be bound by all of the terms of such agreements.

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 Area Developer 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. The Franchisor may assign its rights hereunder without reducing or modifying the liability of any Guarantor hereunder.

In connection with any litigation or arbitration to determine Guarantors' liability under this Personal Guaranty, Guarantors expressly waive Guarantors' right to trial by jury, if any, and agree to pay costs and reasonable attorney's fees as fixed by the court or arbitrator.

* * * * *

IN WITNESS WHEREOF, each of the Guarantors has executed this Personal Guaranty on _____ [date].

“Guarantors”

Print Name: _____

Print Name: _____

Signature: _____

Signature: _____

Dated: _____

Dated: _____

Exhibit

B

SHARKY'S®
FRANCHISE AGREEMENT

SHARKY'S ®
FRANCHISE AGREEMENT
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SHARKY'S® FRANCHISE AGREEMENT

THIS AGREEMENT dated as of _____ 202__ 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® and other trademarks associated with SHARKY'S restaurants (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. As used in this Agreement "SHARKY'S Restaurant" includes Restaurants operating as SHARKY'S®, SHARKY'S FRESH MEXICAN GRILL, SHARKY'S WOODFIRED GRILL®, SHARKY'S MODERN KITCHEN®, AND SHARKY'S MODERN MEX.

C. You desire to purchase a SHARKY'S franchise ("**Franchise**") and own and operate a Restaurant and We have approved You for a Franchise under the terms 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

(a) Subject to the following terms and conditions, We grant to You a non-exclusive Franchise to use the System and the Marks solely in direct connection with the sale of products and services from a Restaurant by You at the location below ("**Your Restaurant**"). Unless noted in Attachment 1 to this Agreement, Your Restaurant will operate primarily as a SHARKY'S ® Restaurant.

Address: _____

SHARKY'S 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 Restaurant within the geographical area described in **Attachment 1** to this Agreement (the "**Protected Area**") except for one or more "Non-traditional Venue" restaurants as defined in subsection (iv) below or any "Merger/Acquisition Activity" defined in subsection (v) below. Your Protected Area may be smaller than otherwise if We determine that Your Restaurant is located within a "high density area", as defined below in subsection (c).

(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 Restaurants at any location and of any type or category whatsoever outside the Protected Area;

(ii) To operate, and authorize others to operate a business under any name *other than* the Marks, at any location and of any type or category whatsoever;

(iii) To produce, license, distribute and market products and services using the Marks or other marks through any business anywhere and through any established distribution channel, at wholesale or retail, including by means of the Internet (or any other existing or future form of electronic commerce), mail order catalogs, direct mail advertising and other distribution methods. Other distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, military installations, or industry locations (e.g. manufacturing site, office building). We are not required to pay You for soliciting or accepting orders from inside Your Protected Area;

(iv) To operate, and to authorize others to operate, a SHARKY'S Restaurant at a Non-Traditional Venue near or within the Protected Area. "**Non-Traditional Venue**" means a site or location for which the lessor, owner or operator thereof has 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 (A) within another primary business or (B) 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; and

(v) To merge with, acquire or become associated with ("**Merger/Acquisition Activity**") any businesses or restaurants of any kind under other systems and/or other marks, which businesses and restaurants may convert to or operate under the Marks and may offer or sell menu items, products and services that are the same as or similar to a SHARKY'S Restaurant ("**Converted**

Outlets”), and such Converted Outlets may be located anywhere inside or outside of Your Protected Area.

(c) 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.

(d) If You want to offer catering or delivery service from Your Restaurant, You must obtain Our prior written approval. Any catering or delivery services must meet Our written standards and shall only be conducted in Your Protected Area. You also must charge the same price for products offered by Your Restaurant for any catering or delivery services. All catering or delivery services income must be included in Gross Revenues for purposes of the Royalty Fee, Marketing Fund Fee or any other fee calculated from Gross Revenues.

1.3 Site Selection and Relocation

(a) You must select a site that meets Our approval and follow the procedures set forth in Our Manual. We will provide You with site selection guidelines and assistance that We consider necessary and appropriate. 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 must locate and obtain Our approval for the site of Your Restaurant within three (3) months of executing 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.

If We consent to the relocation of Your Restaurant, You must comply with such reasonable site selection and construction procedures as We may require. You must conduct a Grand Opening Promotion as required by Section 7.8 below. 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, currently \$5,000. You will be fully responsible for closing the existing location and must comply with Section 15.3 below regarding de-identification.

1.4 Opening Date

You must complete construction and open Your Restaurant for business within twelve (12) months following the Effective Date of this Agreement unless We grant You an extension in writing. You may not open Your Restaurant without Our prior written consent and satisfaction of all pre-opening obligations and the installation of all equipment, fixtures, furnishings and signs included in the plans and specifications approved by Us. Your failure to open the Restaurant in full compliance with these provisions will be a material event of default under this Agreement, and We may prevent You from opening Your Restaurant.

ARTICLE 2: FEES

2.1 Fees

You agree to pay Us:

(a) A non-refundable “**Initial Franchise Fee**” of \$35,000, which must have been paid in full upon execution of this Agreement;

(b) A “**Royalty Fee**” equal to six percent (6%) of Your Restaurant’s Gross Revenues as payment for the continuing right to use the System and Marks; and

(c) An “**Marketing Fund Fee**” of up to three percent (currently 1.5%) 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) All Fees are due to Us at the times and in the manner that We specify from time to time in the Manual or otherwise. We currently require payment of the Royalty Fee and Marketing Fund Fee, no later than the third (3rd) day following the end of each week or such other time as may be designated in the Manual. If this deadline is a federal 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 and You are required to give Us access to such equipment as set forth in Section 8. 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) All fees due under this Agreement 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 products and services in or from the Restaurant, including without limitation food, drinks, clothing and other tangible property of every kind, or for catering services, delivery 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 Restaurant. You agree to send Us written notice of Your Restaurant's opening date. You must during the Initial Term have the right to operate Your Restaurant at the location specified in Section 1.1 or at an alternative location approved in advance by Us in writing.

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 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 signs and equipment to reflect the then current SHARKY'S 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 copy 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 fees, including Royalty Fee rate and Marketing Fund Fee amounts required of new franchisees.

(h) You understand and agree that the form You execute may contain different financial terms and a revised description of Your Protected Area 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**” of \$1,000; and

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

3.3 Interim Period.

If You do not exercise Your right to renew this Agreement prior to the expiration of the Agreement, and continue to accept the benefits of this Agreement after the expiration of this Agreement, then at Our option, this Agreement may be treated either as (i) expired as of the date of expiration with You then operating a franchise without the right to do so and in violation of Our rights, or (ii) continued as a month-to-month basis (“Interim Period”) until one party provides the other with written notice of its intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate. In the latter case, all of Your obligations and restrictions shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on You upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

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 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 and Management

(a) The individual named in this Section must be an experienced food service operator 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**”). Unless You have received Our prior written consent, Your Designated Operator shall not engage in any other business.

(b) The Designated Operator must at all times be 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 Initial Training Program, 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 restaurant. Any change in the identity of Your Designated Operator must be approved by Us in writing and the new Designated Operator must complete to Our satisfaction the Initial Training Program.

(c) Any failure to comply with this Section 4.2 will be a material breach of this Agreement.

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) Consistently maintain and conduct Your Restaurant operations in compliance with all applicable laws, regulations, codes, insurance requirements and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to Your Restaurant;

(c) Operate Your Restaurant in a clean, safe and orderly manner, providing courteous, first-class service. Keep Your Restaurant open for business during the hours We specify;

(d) Construct, equip, and operate Your Restaurant in accordance with all SHARKY'S 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, and participate in all promotional campaigns, special offers, and other programs, which are prescribed from time to time by Us;

(h) Advertise and operate 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 or other written communication from Us;

(j) Obtain and use only the equipment and technology required by the Manual, including 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, online ordering platform, 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. Maintain Our full and complete independent access to Your Point of Sales System or other accounting or CRM systems designated by Us;

(l) Not establish or use the Internet or any website for Your Restaurant or otherwise use the Marks without Our prior written consent. Adhere to any social media policies that We establish and required all of Your employees to do so as well;

(m) Maintain a competent, conscientious, trained staff and take any and all steps necessary to ensure that Your employees preserve good customer relations and comply with any dress code as may be established from time by Us, as stated in the Manual or other written communications from Us;

(n) Never sell any food or beverage product at Your Restaurant that contains any ingredients which were not purchased from a supplier approved by Us or which does not meet Our specifications; and

(o) Never disclose the contents of Our Manual and other confidential information (including but not limited to, menu content, recipes and presentation) to any person, except Your employees for purposes related solely to the operation of Your Restaurant.

4.4 Confidential Manual

(a) We will authorize You to access the online 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 site selection, lease requirements, Restaurant design and construction, the selection, purchase, storage, preparation, packaging, service and sale (including menu content, recipes 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. You must at all times treat the Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential.

(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 online 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 obligations and 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.

(b) We will provide You with confidential and proprietary information and trade secrets, whether or not We designate such information as confidential, proprietary or a trade secret. Without Our prior written consent, You shall neither disclose the contents of such information to any person, except Your employees for purposes related solely to the operation of Your Restaurant, nor reprint or reproduce such confidential or proprietary information or trade secrets in whole or in part for any purposes. You shall obtain agreements from Your employees prohibiting disclosure of any trade secrets or confidential or proprietary information.

(c) 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 to be executed is attached hereto as **Attachment 3**.

(d) 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 Restaurants, including Your Restaurant, because of the benefits You and other SHARKY'S operators will derive from uniformity in menu items, identity, quality, appearance, facilities and service among all SHARKY'S 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 services and products expressly described in the Manual, unless You have received Our prior written consent to any exception. We have the right to make modifications from time to time, and You agree to comply with any modification. 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. You agree to buy to the extent required by the Manual any designated products, ingredients or equipment 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.

4.8 Approved Suppliers: Proprietary Ingredients

(a) 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**"), which may include Us or one of Our Affiliates. You acknowledge and agree that an Approved Supplier may be the only source for certain items. We and Our Affiliates have and reserve the right to retain 100% of all revenues received through license fees, promotional fees, advertising allowances, rebates or services paid by suppliers and to use them for whatever purposes elected.

(b) If You want to purchase any items 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. 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 only, subject to the terms of a written test

agreement. All proposals approved by Us will become Our property upon submission. You agree that such ingredients are prepared pursuant to secret, proprietary recipes and/or procedures belonging to Us. Nothing in the foregoing shall be construed to require Us to approve any particular supplier.

4.9 Your Covenants

You acknowledge that as a SHARKY'S Franchisee, You will receive proprietary and Confidential Information and materials, trade secrets, and the unique methods, procedures, and techniques which We and Company have developed. Therefore, to protect Us and all of Our Franchisees, You agree as follows:

(a) You agree that SHARKY'S 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 food service outlet or similar business primarily featuring Mexican food, healthy lifestyle 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, including 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 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, or after the expiration of any Interim Period, 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 Restaurant or the former Restaurant, or at the premises of the former Restaurant, without Our prior express written consent. You agree that this length of time will be tolled for any period during which You are in breach of this covenant or any other period during which We seek to enforce this Agreement.

(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

You acknowledge that You are an independent business and responsible for control and management of Your Restaurant, including but not limited to, employment decisions and related matters. 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 acknowledge that We have no power, responsibility, or liability in respect to the hiring, discharging employees, setting work schedules, maintaining all employment records, and setting and paying of wages or related matters. 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; Systems

(a) 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 operations of Your Restaurant. The computer software package developed for use in Your Restaurant may include proprietary software and other technology. You agree to use in Your Restaurant an approved online ordering system as designated by Us in the Manual. You may be required to license the proprietary software or application from Us or a third party and You also may be required to pay a software licensing or user fee in connection with Your use of the proprietary software.

(b) We may require you update or modify the software, hardware and other required systems for Your Restaurant, with reasonable limitation on the frequency or cost

of this requirement. At such time as We designate the change or enhancement You may be required to make certain payments to Us or Our designated suppliers. You will have specified period of time to install and commence using the changed or enhanced technology or system. You must acquire the right to use hardware, software, peripheral equipment, and accessories, and arrange for installation, maintenance, and support services of the initial, changed, or enhanced technology or system all at Your cost. There are no contractual limitations on the frequency and cost of this obligation.

4.12 Online Management and Communication System; Website

(a) We may establish an online management and communication system for SHARKY'S 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.

(b) We may require You, at Your expense, to participate in Our website, Our intranet system or extranet system or other online communications. We have the right to determine the content and use of Our website and intranet or extranet system and will establish the rules under which franchisees may or must participate.

(c) You may not separately register any domain name containing any of the Marks, participate in any website or social media platform that markets goods and services similar to a SHARKY'S Restaurant, or operate a website for Your Restaurant that does not link to Our website. We retain all rights relating to Our website and intranet system and may alter or terminate Our website, extranet system, or intranet system. You acknowledge that certain information related to your participation in our website or intranet system may be considered Confidential Information, including access codes and identification codes.

4.13 Data Security

You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. You agree that Your Restaurant will comply at all times, with all applicable security standards developed by the Payment Card Industry Data Security Standards ("**PCI DSS**") council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act ("**FACTA**") and all other successor or additional laws, and all other data security requirements We prescribe. You will be responsible for any costs and expenses related to compliance with such standards and/or related audits. You must provide Us with evidence of such compliance at Our request. You also must provide notice to Us of any potential or actual data security breach relating to cardholder data.

4.14 Pricing

To the fullest extent permitted by applicable law at such time, We reserve the right to establish maximum, minimum or other pricing requirements with respect to the prices You may charge for products or services, and You agree to comply with any such requirements.

4.15 Crisis Management.

(a) **“Crisis Management Event”** means any event that occurs at or about Your Restaurant premises or in connection with the operation of Your Restaurant that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the Marks.

(b) Upon the occurrence of a Crisis Management Event, You agree to immediately inform Us of such event and to cooperate fully with Us, Our designated representatives, and the appropriate authorities with respect to the investigation and resolution of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and System, You must cooperate fully with Us with respect to management statements and other responses to the Crisis Management Event.

ARTICLE 5: TRAINING

5.1 Initial Training

(a) We will provide, at a place or places designated by Us, Our SHARKY’S Certified Training Program for Your majority owner, Your Designated Operator, Your general manager and kitchen manager (“Initial Training”). Initial Training is free for up to six (6) attendees, but You must pay for the expenses of attendance, such as such as lodging, meals, transportation, and wages of attendees.

(b) Additional people may attend if You pay Our Initial Training fee for each additional person, currently \$2,000 per person, plus their expenses of attendance, such as such as lodging, meals, transportation, and wages of attendees. The Initial Training fee will not exceed \$3,000 during Your Initial Term.

5.2 Training Required

Your majority owner, Your Designated Operator, Your general manager and kitchen manager must each attend and complete Our Certified Training Program to Our reasonable satisfaction. All of the Managers of Your Restaurant must successfully complete Our training and become certified as required by the Manual (“Certified Manager”). You must

always have a properly Certified Manager on duty at Your Restaurant whenever it is open to the public. Failure by Your majority owner, Designated Operator and general manager and kitchen manager to complete Certified Management Training Program to Our satisfaction, is a cause for termination of this Agreement. In Our sole discretion, We may also provide Initial Training for successor and replacement personnel. You must pay for the current Initial Training fee plus expenses.

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). No employee of Yours will be deemed to be an employee of Ours for any purpose whatsoever.

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 up to ten (10) days 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 On-site Training

As We deem necessary, We may provide employees (currently up to 6) for such a period of time (currently 7 days before and 10 days after opening) 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.

5.6 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. Currently, Our training fee is \$500 per day, per person. You must pay for all travel, lodging and food costs for You and Your personnel if such training is not conducted at Your Restaurant.

5.7 Fees; Expenses

(a) We reserve the right to charge a reasonable fee for training successor or replacement personnel, and for any additional training programs and course materials, at Our discretion.

(b) Our on-site training fee (Section 5.5) is currently \$500 per employee per day, plus reasonable travel-related expenses for such on-site training and assistance. The on-site training fee is will not exceed \$800 per day/per person during Your initial franchise term.

(c) Our continuing training fee (Section 5.6) is currently \$500 per day, per person. The training fee will not exceed \$800 per day per person during Your initial franchise term. You must pay for all travel, lodging and food costs for You and Your personnel if such training is not conducted at Your Restaurant.

(d) Our successor or replacement personnel Initial Training fee is currently \$2,000 per person. The initial training charge will not exceed \$3,000 during Your initial franchise term. Current fees are designated in the Manual.

5.7 Attendance at Meetings

You and the Designated Operator (if different person) must attend, at Your expense, all annual franchise conventions We may hold or sponsor and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, restaurant management, sales or sales promotion, or similar topics. If You or the Designated Operator are not able to attend a meeting or convention, You must notify Us prior to the meeting and must have a substitute person acceptable to Us attend the meeting. We reserve the right to require that You and/or Your Designated Operator attend any additional meetings that We deem appropriate under special circumstances, provided however, that We will not require more than one additional meeting every year and We will use Our best efforts to give You written notice of any such meeting at least 10 days prior to the meeting.

ARTICLE 6: MAINTENANCE; LEASE PROVISIONS; MODERNIZATION

6.1 Repairs and Maintenance

(a) You agree to maintain Your Restaurant (interior and exterior), and its grounds and parking area in a “like new” condition and in conformity with the requirements set forth in the Manual or other writings issued by Us. Furthermore, You agree to replace Restaurant equipment fixtures, furnishings, trade dress and signage as necessary or required by Us and to obtain any new or additional equipment as may be reasonably required by Us for new products or procedures. You agree to promptly take all such action as requested by Us within the time period set forth in such written notice. If You fail to take any action within the time period set forth in Our written 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, signs, 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 in writing (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. We will not require You to spend more than \$25,000 every three years on Restaurant modernization during the initial term of this Agreement. You will have six months from the receipt of Our notice to complete the modernization.

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 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 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 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. You must use and honor only system-wide gift cards, certificates and checks that We designate, and You must obtain all certificates, cards or checks from an Approved Supplier.

7.2 Local Marketing

(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 in Your Restaurant's trade area ("Local Marketing"). This obligation is in addition to Your obligation for grand opening promotion.

(b) 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. 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.

(c) You agree that Our Local Marketing requirements, as presently written in the Manual and other writings, may in the future be amended and supplemented from time to time, and incorporated into and made part of this Agreement by reference. You agree that We may in Our sole discretion designate Ourselves, an Affiliate, or select a third-party vendor to manage local marketing for franchised Outlets.

(d) 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.

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

(f) 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.

(g) 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 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 to pay for the production and development costs of materials to be used in marketing all Restaurants, and for advertising, marketing and promotion of SHARKY’S 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 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 Restaurants in the continental United States.

(e) We will deposit the Marketing 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 written 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 benefit 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) 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. 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, including without limitation maintaining and updating Our website, 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 a 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 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 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 Your Local Marketing required spending obligation if the Ad Co-op members agree to additional funding in accordance with established Bylaws. All such contributions will be credited toward Your Local Advertising Spend.

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. All advertising, methods, and media You use in connection with such grand opening must have Our prior approval. At Our request, You must submit to Us expenditure reports accurately reflecting Your grand opening expenditures. Grand opening expenditures will not be credited toward any of Your other obligations under this Section 7.

7.9 Websites and Internet Advertising

You shall not, indirectly or directly, register, establish or use any Internet web page, website address, Internet directory listing, or any other domain name, social networking site, or other digital presence in any media or platform as defined in the Manual, relating in any way to Your Restaurant, or which uses the Marks without Our prior written consent. Except email communications, You may not conduct any aspect of Your Restaurant business through the Internet without Our prior 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. We will include information about Your Restaurant on Our website. Except email communications, You may not conduct any aspect of Your Restaurant business through the Internet without Our prior consent.

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, 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.

7.11 Promotional Programs

We or Our Affiliate may, from time to time, in Our sole discretion, develop and administer national or regional advertising and sales promotion programs, loyalty programs (including, without limitation, gift card, gift certificate and other customer loyalty

or retention programs) and test programs. You must participate in all such programs, at Your expense and sign the forms and take the actions that We require to participate in such programs. You acknowledge that such participation may require You to purchase reasonable point of sale advertising material, posters, flyers, product displays and other promotional materials.

ARTICLE 8: ACCOUNTING AND RECORD KEEPING

8.1 Point of Sales System; Accounting 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**”). You must record all transactions on a computer-base system that is fully compatible with Our computer system, or the computer system of Our designated POS supplier and/or other third-party vendors. The computer software package developed for use in the Restaurant may include proprietary software. You may be required to license the proprietary software from Us or a third party and You also may be required to pay a software licensing or user fee in connection with Your use of the proprietary software.

(b) You agree to accurately, consistently and completely record and provide through the POS System or other systems designated by Us, 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) You acknowledge and agree that We will have full and complete 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 according to the form and timing that We prescribe.

ARTICLE 9: AUDITS AND INSPECTIONS

9.1 Audit Rights

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

(a) 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 than 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 principles 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, Restaurant inspections, and other on-site or remote reviews of Your operations. In addition, You will cause the reports of all such inspections or surveys be sent to Us.

(b) We, or Our designee, will make periodic calls or 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. Our inspections and evaluations may include a "mystery shopper" program from time to time throughout the term of this Agreement. We may, in Our sole discretion, contract with a third party to conduct sanitation and food safety audits of Your Restaurant periodically throughout the Term of this Agreement.

(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. If You fail an inspection, or if We receive a specific customer complaint, You must pay the actual costs and expenses of a follow up inspection by Us or Our designee for each visit.

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 LLLC manager or 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 acknowledge that You are an independent business and solely responsible for control and management of Your Restaurant. 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 regard to You. You will not use Our Marks (such as SHARKY'S WOODFIRED MEXICAN GRILL, SHARKY'S WOODFIRED MEXICAN GRILL) or any similar word(s), 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 must immediately notify Us in writing of any claim; litigation or proceeding that arises from or affects the operation or financial condition of Your SHARKY'S business.

(b) You will indemnify Us, the Company, Our Affiliates 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. We reserve the right to select Our own legal counsel to represent Our interests.

(c) We indemnify and hold You harmless from all direct expenses and liabilities arising solely from any third-party claim that Your use of Our Marks or Our intellectual property in connection with Your operation of Your Restaurant, so long as You were operating the Restaurant in strict compliance with this Agreement, infringes upon the trademarks or intellectual property of such third-party claimant. We will not indemnify You against such third-party claims unless Your use of the Marks complies with the requirements of this Agreement and the System. If You are made a party to a legal proceeding solely pursuant to a claim of Your alleged infringement upon the trademarks or intellectual property of a third party, and provided You cooperate with Us fully and timely (which may include You signing a waiver of conflict of interest for any counsel representing both You and Us), We will hire counsel to protect Our interests and will defend You at Our own expense. Any settlement We negotiate will bind You, but We will reimburse You for Your direct cost of compliance with the settlement agreement. We reserve the right to control all aspects of any such legal proceeding.

(d) Notwithstanding the foregoing provisions in Section 10.2(c), if We determine in Our sole discretion that it is necessary or appropriate to add, delete or modify any of Our Marks or other intellectual property, whether Our determination is made in connection with a dispute, or otherwise, You will be solely responsible for all expenses associated with adding, deleting, or modifying all signs and other materials that display Our Marks.

ARTICLE 11: INSURANCE

11.1 Insurance

You will obtain before beginning construction or remodeling of Your Restaurant or as provided in the Manual, 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 must 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.
- (j) Any other such insurance coverages or amounts as required by law or other agreement related to the Restaurant.

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. We require You to provide full and complete copies of all insurance policies. 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 a 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, 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 (10%) 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 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**") 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. We will not charge a transfer fee for forming or transferring ownership to such Legal Entity.

(b) 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.

(c) 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 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.
- (iv) True and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents and amendments thereto relating to Your ownership, organization, capitalization, management and control have been reviewed and have been found acceptable by Us.
- (v) You have provided Us with such documentation as We have requested to evidence the foregoing.

(d) You must 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 Restaurants or having a known history, reputation or character which is adverse to the interests of SHARKY'S Restaurants. 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 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.

(f) The organizational documents of the Legal Entity must contain the restrictions set forth in Subsections 13.4(b) and (c) above and in 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 Franchise Agreement.
Reference is made to such Franchise Agreement and to the restrictive provisions contained in the organization documents of this company."

(g) You agree at Our request to furnish information, execute forms, and take all such action as requested by Us and provide Us with such documentation to support this ARTICLE 13. You agree to provide Us with such documentation within fifteen (15) days after receipt of such request.

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 Transfer Fee of \$15,000 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;
- (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 and any other person(s) designated by Us 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.

(b) Excepting a transfer described in Section 13.4(e), 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.

(c) 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.

(d) 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.

(e) 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 in whole or part 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 may use the Marks only in association with products and services approved by Us and that meet Our standards and requirements. You may not use any Mark as part of any domain name, homepage, electronic address, or otherwise in connection with a website. You must follow Our rules when You use the Marks, including giving proper notices of trademark registration and obtaining fictitious or assumed name registrations required by law, and may not make any changes or substitutions to the Marks unless We direct in writing. 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 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 identifying characteristics.

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 Restaurants generally. 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. 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. 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.

ARTICLE 15: EXPIRATION AND TERMINATION

15.1 Events of Default; Liquidated Damages

(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), Section 1.4 (opening date), 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 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 five (5) 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 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.

(e) Liquidated Damages

- (i) 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 full 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.
- (ii) 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.

15.2 Termination by You

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.

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 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 trade dress and alter and paint Your Restaurant building and other improvements a design and color which is basically different from the SHARKY'S image and design so that there will no longer be any indication to the public that Your Restaurant was a SHARKY'S 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(d), 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. The arbitrator must have at least five (5) years of significant experience in franchise law. Such arbitration shall be held within the county in which Our corporate headquarters are located (the "**Home County**") (currently Ventura County, California).

(b) 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.

(c) Any arbitration must be on an individual basis and the parties, and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts.

(d) 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 Attorney 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

Subject to Our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 16.5, 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 Our Rights

Whenever this Agreement provides that We have a certain right, that right is absolute, and the parties intend that Our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

16.9 Adaptations and Variances

Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, We have the right to vary the Menu Items and other standards, specifications, and requirements for any franchised Restaurants or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that We deem to be of importance to the operation of such Restaurant, franchisee's business or the System. We are not required to grant to You a like or other variation as a result of any variation from standard menus, specifications or requirements granted to any other franchisee. You acknowledge that You are aware that Our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from Your rights and obligations under this Agreement.

16.10 Notices

All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, 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 (3) days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

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

You: _____

16.11 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.

16.12 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.

16.13 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.

16.14 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.

16.15 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.

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) 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:_____

[Signatures on Next Page]

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 _____

PROTECTED TERRITORY

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

Your Restaurant will operate primarily under the trademark: _____

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 Attachment 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.

PERSONAL GUARANTY AND ASSUMPTION

For good and valuable consideration, the receipt of which is hereby acknowledged, each of the undersigned (the "**Guarantors**") hereby personally and unconditionally guarantees, jointly and severally, the due, punctual and full payment and full performance of all of the obligations of the franchisee ("**Franchisee**") under the foregoing SHARKY'S Franchise Agreement dated _____, 202____ 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.

GUARANTOR(S)

By: _____

By: _____

Print Name: _____

Print Name: _____

By: _____

By: _____

Print Name: _____

Print Name: _____

Dated: _____

CONFIDENTIALITY AGREEMENT

The undersigned Employee of _____ ("**Employer**"), which has applied for a SHARKY'S franchise or is a SHARKY'S franchisee, hereby agrees that Employee 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 Restaurant, including but not limited to the SHARKY'S Manual ("**Confidential Information**"); 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. Nothing in this agreement prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful.

The Employee acknowledges and agrees that Employer alone will be solely responsible for all hiring and employment decisions and functions relating to Employer's SHARKY'S 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 Employer has received advice from Passion Foods, Inc. ("**Franchisor**") on these subjects or not. Employee is not employed by Franchisor.

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 Restaurant. All such Innovations will be deemed the sole and exclusive property of 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 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, Employee will return all copies of documents containing confidential information or trade secrets to Franchisee, including without limitation the SHARKY'S Confidential Manual(s).

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

DATED: _____, 202__

Print Name: _____

Signature: _____

("Employee")

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 (805) 496-8489	Department of Financial Protection & Innovation 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 & 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 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62706 (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 Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Maryland Attorney General Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa, P.O. Box 30213 Lansing, MI 48909 (517) 373-7117

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
MINNESOTA	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600
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	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903	Associate Director and Superintendent of Securities Division of Securities Bldg 69, 1 st Floor, 1511 Pontiac Ave. Cranston, RI 02920 (401) 462-9527
SOUTH DAKOTA	Division of Securities South Dakota Department of Revenue and Regulation 445 E. Capitol Avenue Pierre, SD 57501	Franchise Administrator Division of Securities 445 E. Capitol Avenue Pierre, SD 57501 (605) 773-4013
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9733	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 9033 Olympia, Washington 98501 (360) 902-8760

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
WISCONSIN	Wisconsin Commissioner of Securities 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) 266-3432

Exhibit

D

**SHARKY'S®
CURRENT FRANCHISEES
AS OF DECEMBER 31, 2024**

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

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

Sharky's Beverly Hills, Inc.

No.16 - Beverly Hills

435 N Beverly Drive
Beverly Hills, CA 90210

(310) 858-0202

Steven Paperno
David Goldstein

GDC Enterprises Sharky's, LLC (transferred January 2024)

No. 19 - Newbury Park

1930 Newbury Road # 300
Newbury Park, CA 91320

(805) 376-1404

Juan Carlos Chavez

Phonecian Enterprises

No. 22 - Toluca Lake

10119 Riverside Drive
Toluca Lake, CA 91602

(818) 508-1900

Joseph Nahas
John Nahas

JBD Partners, Inc.

No. 25 - Camarillo

191 W. Ventura Boulevard
Camarillo, CA 322-1441

(805) 322-1441

Robert Rasp

ValShark, Inc.

No. 26 - Valencia

24201 W. Valencia Blvd.
Valencia, CA 91355

(661) 255-6400

Noah Alvarez
Michael Alvarez III

Schwarz & Kern Home, Inc.

No. 27 - Chatsworth

20419 Devonshire Street
Chatsworth, CA 91311

(818) 886-8446

Todd Schwarz
Scott Bayliss

Northridge Shark, LLC.

No. 28 - Northridge

18426 Nordhoff Street
Northridge, CA 91325

(818) 772-2800

Steve Paperno
David Goldstein

Shark Twins NO. 1, LLC

No. 29 – Marina Del Rey

4371 Glencoe Ave. – B5
Marina del Rey, CA 90202

(310) 301-4441

Tony Sher

JBD Partners, Inc.

No. 30 – Thousand Oaks

265-A N. Moorpark Road
Thousand Oaks, CA 91360

(805) 371-7978

Robert Rasp

Sharky's Coldwater Ventura, Inc.

No. 32 – Studio City

12905 Ventura Blvd.
Studio City, CA 91604-2235

(818) 623-8000

Chris Nahas
Shaun Baden

GDC Enterprises Sharky's, LLC

No. 34 – Oxnard

1831 Rose Ave.
Oxnard, CA 93030

(805) 210-4877

Juan Carlos Chavez

NEVADA:

Food With Purpose, LLC

No. 36 – Blue Diamond

5070 Blue Diamond Road
Las Vegas, NV 89139

(702) 778-0811

Steve Paperno
David Goldstein

Exhibit

E

**SHARKY'S®
FORMER FRANCHISEES
AS OF DECEMBER 31, 2024**

Transfer:

***Newbury Park
Transferred in 2024***

(805) 322-1441

JBD Partners, Inc

Robert Rasp

Current Franchisee

Exhibit

F

Financial Statements

Passion Foods, Inc.

December 31, 2024 and 2023

PASSION FOODS, INC.

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Haynie & Company

(a professional corporation)

Certified Public Accountants and Management Consultants

4910 Campus Drive Newport Beach, California 92660-2119 (949) 724-1880 FAX (949) 724-1889

INDEPENDENT AUDITOR'S REPORT

To the Stockholders

Passion Foods, Inc.

Westlake Village, California

Opinion

We have audited the accompanying financial statements of Passion Foods, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Passion Foods, Inc., as of December 31, 2024 and 2023, and the results of their operations and accumulated deficit, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Company has disclosed certain conditions relative to its evaluation of its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans to mitigate those matters are also described in Note 7. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

September 10, 2025
Newport Beach, California

HAYNIE & COMPANY

PASSION FOODS, INC.
Balance Sheets
December 31, 2024 and 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 45,914	\$ 28,069
Restricted cash, advertising and promotion funds held	12,981	27,810
Accounts receivable, net of allowance for credit losses of \$0 and \$102,000, respectively	138,998	140,575
Prepaid expenses and other current assets	<u>15,909</u>	<u>21,897</u>
Total current assets	<u>213,802</u>	<u>218,351</u>
Other assets:		
Related party notes receivable	908,027	908,027
Due from related parties, net of allowance for credit losses of \$750,000 and \$605,000, respectively	159,813	269,327
Deferred tax assets, net	<u>16,218</u>	<u>16,218</u>
Total other assets	<u>1,084,058</u>	<u>1,193,572</u>
Total assets	<u>\$ 1,297,860</u>	<u>\$ 1,411,923</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 20,164	\$ 6,361
Accrued expenses	13,253	9,762
Advertising and promotion funds held	12,981	27,810
Due to related parties	127,893	124,973
Deferred revenues, current portion	15,000	20,000
Note payable, current portion	<u>44,723</u>	<u>11,908</u>
Total current liabilities	234,014	200,814
Deferred revenues, net of current portion	74,000	82,000
Note payable, net of current portion	<u>437,446</u>	<u>509,036</u>
Total liabilities	745,460	791,850
Stockholders' equity:		
Common stock, no par; 1,000,000 shares authorized, 116.8 shares issued and outstanding	1,935,414	1,935,414
Accumulated deficit	<u>(1,383,014)</u>	<u>(1,315,341)</u>
Total stockholders' equity	<u>552,400</u>	<u>620,073</u>
Total liabilities and stockholders' equity	<u>\$ 1,297,860</u>	<u>\$ 1,411,923</u>

See notes to financial statements.

PASSION FOODS, INC.
Statements of Operations and Accumulated Deficit
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Royalty fees	\$ 1,937,333	\$ 2,133,084
Initial franchise fees	11,000	11,000
Franchise fees - renewals	2,000	4,000
Vendor incentives/other	<u>24,255</u>	<u>26,412</u>
Total revenue	1,974,588	2,174,496
Operating expenses	<u>1,909,279</u>	<u>2,378,116</u>
Operating income (loss)	65,309	(203,620)
Other income (expense):		
Interest income	28,353	26,172
Interest expense	(16,335)	(23,124)
Credit loss expense	<u>(145,000)</u>	<u>(105,000)</u>
(Loss) before income taxes	(67,673)	(305,572)
Provision for (benefit from) income taxes	<u>-</u>	<u>-</u>
Net (loss)	(67,673)	(305,572)
Accumulated deficit, beginning	<u>(1,315,341)</u>	<u>(1,009,769)</u>
Accumulated deficit, ending	<u>\$ (1,383,014)</u>	<u>\$ (1,315,341)</u>

See notes to financial statements.

PASSION FOODS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net (loss)	\$ (67,673)	\$ (305,572)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization expense	-	14,486
Increase in allowance for credit losses	145,000	105,000
(Increase) decrease in assets:		
Accounts receivable	1,577	(24,201)
Prepaid expense and other	5,988	35,000
Increase (decrease) in liabilities:		
Accounts payable	13,803	(9,582)
Deferred revenue	(13,000)	(15,000)
Accrued interest from note payable	(16,054)	(9,441)
Accrued expenses	<u>3,491</u>	<u>46</u>
Net cash flows from operating activities	<u>73,132</u>	<u>(209,264)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Payments on note payable	(22,721)	-
Advances to related parties	(32,566)	(90,441)
Advances from related parties	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(55,287)</u>	<u>(90,441)</u>
Net increase (decrease) in cash	<u>17,845</u>	<u>(299,705)</u>
Cash, beginning of year	<u>28,069</u>	<u>327,774</u>
Cash, end of year	<u><u>\$ 45,914</u></u>	<u><u>\$ 28,069</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes, net of refunds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Interest	<u><u>\$ 32,389</u></u>	<u><u>\$ 32,565</u></u>

See notes to financial statements.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of business

Passion Foods, Inc. ("the Company") operates as the franchisor of Sharky's Woodfire Mexican Grill restaurants ("Sharky's"), which specialize in the premium fast casual Mexican dining segment. As of December 31, 2024, there were twenty-one franchised restaurants in operation throughout California and Nevada, with eight of those restaurants being controlled by related parties.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The Company's fiscal year ends on the Tuesday after the last full week in December. For purposes of financial reporting any activity through December 31, is not considered significant by management.

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities of 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. During 2024, deferred taxes related primarily to the effects of differences in calculating amortization of goodwill.

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.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

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

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company, from time to time, maintains cash balances that exceed the Federal Deposit Insurance Corporation limits. As of December 31, 2024 and 2023, the Company had balances of \$0 and \$0, respectively, in excess of the FDIC limit.

Revenue recognition and deferred revenue

The Company adopted Accounting Standard Codification 606 ("ASC 606") as of January 1, 2020 using the modified retrospective method and applied the new guidance to all contracts that had not been completed as of that date. Accordingly, results for the year ended December 31, 2024 and 2023 are presented in accordance with ASC 606.

ASC 606 is based on revenues being recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services utilizing a new five-step revenue recognition model, which steps include (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of franchises is allocated as follows: First, to any distinct pre-opening activity services; second, any remaining revenue will be recognized over the agreement term.

The new revenue guidance in ASC 606 did not impact the timing of continuing franchise fees.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition and deferred revenue (continued)

Beginning January 1, 2020, the Company now recognizes franchise payments revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are typically due upon the obtainments of a territory or upon execution of a renewal of the related franchise agreement. The Company's performance obligation with respect to franchise payments revenues consists of pre-opening obligations including conducting an operation's 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 for a specified period of time, which is satisfied over the life of each franchise agreement.

Deferred revenue resulting from cash collected for initial franchise fees paid by franchisees are classified as liabilities in the balance sheets based on the expected timing of revenue recognition associated with these liabilities. The following table reflects the changes in deferred revenue for the years ended December 31, 2024 and 2023:

Deferred contract revenues:

Deferred revenue, December 31, 2022	\$ 117,000
Cash collected for initial franchise payments	-
Revenue recognized	<u>(15,000)</u>
Deferred revenue, December 31, 2023	\$ 102,000
Cash collected for initial franchise payments	-
Revenue recognized	<u>(13,000)</u>
Deferred revenue, December 31, 2024	<u>\$ 89,000</u>

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition and deferred revenue (continued)

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations as of December 31, 2024:

	<u>Contract Revenue</u>
Year ended December 31:	
2025	\$ 15,000
2026	11,000
2027	11,000
2028	8,000
2029	8,000
Thereafter	<u>36,000</u>
	<u>\$ 89,000</u>

The following table illustrates revenues recognized according to timing of the transfer of goods or services from the adoption of ASC 606 as of December 31:

	<u>2024</u>	<u>2023</u>
Revenue recognized at a point in time	\$ 1,961,588	\$ 2,159,496
Revenue recognized over time	<u>13,000</u>	<u>15,000</u>
Total revenue recognized	<u>\$ 1,974,588</u>	<u>\$ 2,174,496</u>

During the 2003 and 2011 year, the Company entered into a support and a marketing agreement with two certain third parties of which they are contracted to receive certain rebate and support funds based on the terms of the related agreements. As of December 31, 2024 and 2023 the Company received approximately \$24,000 and \$26,000, respectively, of these rebate and support funds.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

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.

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 entry 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, 2024 and 2023 or for the years 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.

Leases

Effective January 1, 2022, the Company adopted Financial Accounting Standards Board ASC 842, Leases. The Company also implemented the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. When a lease includes renewal options which can extend the lease term, only those options that are reasonably expected to be exercised and that the Company can exercise at its sole discretion are included in the measurement of lease assets and liabilities. The adoption of this new standard did not have a material impact to the Company's financial statements.

Allowance for credit losses

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and certain other financial assets. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and determined that the adoption did not have a material impact to the previously reported allowance amounts.

PASSION FOODS, INC.
Notes to Financial Statement

1. 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 both of the 2024 and 2023 years. 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 funds 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 allowance for credit losses 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 allowance for credit losses and a credit to accounts receivable. As of December 31, 2024 and 2023, there was \$138,998 and \$242,575, respectively, in accounts receivable. At December 31, 2024 and 2023, management determined that a reserve for credit losses approximated \$0 and \$102,000, respectfully.

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, 2024.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

The Company has elected to adopt the accounting alternative for goodwill codified by the Financial Accounting Standards Board ("FASB") in Accounting Standards Updated 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, 2024 and 2023. Amortization expense for the years ended December 31, 2024 and 2023 was \$0 and \$14,486, respectively. As of December 31, goodwill was as follows:

	<u>2024</u>	<u>2023</u>
Goodwill	\$ 289,758	\$ 289,758
Accumulated amortization	<u>(289,758)</u>	<u>(289,758)</u>
Goodwill, net	<u>\$ -</u>	<u>\$ -</u>

2. 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 fee of five percent of the franchisee's gross revenue every four weeks.

The franchise development fees and initial franchise fees for each Area Development Agreement and individual franchise agreements are deferred until certain locations have opened for business as outlined in the related agreements. At time of recognition, all franchisor's obligations or conditions related to the sale of that area or location will have been substantially performed or satisfied by the Company.

PASSION FOODS, INC.
Notes to Financial Statement

3. DEFERRED REVENUE

As of December 31, 2023 and 2022, the Company had approximately \$70,000 included in total deferred revenue, in relation to various area franchise development agreements and individual franchise locations that were not open as of December 31, 2024 and 2023. During the 2024 and 2023 year, the Company recognized \$0 and \$0, respectively, of this prior 2019 year deferred revenue. As of December 31, 2024 and 2023, the Company also expensed approximately \$0 and \$0, respectively of deferred management fees in relation to two locations that are a part of a certain area development agreement with the company and one individual franchise location that had not opened as of the prior 2019 year. Therefore, as of December 31, 2024 and 2023, deferred management fees totaled \$0.

4. NOTE PAYABLE

During the 2020 year, due to the affects of the Covid pandemic, the Company applied for a disaster loan with the U.S. Small Business Administration (SBA). The Company was approved for this loan in July of the 2021 year for the total amount of \$500,000. Previously, in July of the 2020 year, the Company had received a \$10,000 advance on this loan which is included in notes payable as of December 31, 2020. The terms of the agreement include, and annual interest rate of 3.75% and a monthly principal and interest payment of \$2,505 commencing in January of 2023. All remaining principal and accrued interest is due thirty years from the date of the note. In addition, during the 2024 year, the Company management agreed to, and began making bi-weekly payments on this loan. As of December 31, 2024 and 2023, the outstanding loan balance totaled \$482,169 (including accrued interest of \$0) and \$520,944 (including accrued interest of \$16,054), respectively.

Principal payments on the note payable approximate the following:

Year ending December 31:	
2025	\$ 44,723
2026	46,297
2027	47,926
2028	49,613
2029	51,359
Thereafter	<u>242,251</u>
	<u>\$ 482,169</u>

PASSION FOODS, INC.
Notes to Financial Statement

5. 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), Fresh Opportunities, 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 2024 the Company engaged in various transactions with these entities in the ordinary course of business.

The Company has elected the accounting alternative in ASC 810-10-15-17AD, whereby the Company has elected to not apply variable interest entity guidance to entities under common control if and when certain conditions are met.

Related party notes 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 received a promissory note for the Company's investment in, and advances to Northridge. The terms of this note provides for monthly interest payments at 4% per annum. As anticipated, the note was amended with the maturity date being extended to December 31, 2024. As discussed also in Note 8, in April of the 2025 year, this note was amended and will require monthly principal and interest payments (1.2% annually) of \$2,154 that will commence on May 1, 2025, with the remaining balance of principal and interest accrued and unpaid due and payable on December 31, 2032. As of December 31, 2024 and 2023, the balance outstanding under the note was \$654,298 and \$654,298, respectively.

Effective January 1, 2016, the Company transferred the majority of its assets and liabilities at historical cost to Feel Good About Eating, LLC and received a promissory note. This note provides for monthly interest payments of 0.2% per annum and matured on December 31, 2024. As discussed also in Note 8, in April of the 2025 year, this note was amended and will require monthly principal and interest payments (0.2%) of \$292 that will commence on May 1, 2025, with the remaining balance of principal and interest accrued and unpaid due and payable on December 31, 2030. As of December 31, 2024 and 2023, the balance outstanding under the Note was \$253,729 and \$253,729, respectively.

Due from/to related parties

As of December 31, 2024 and 2023, approximately \$909,813 and \$874,327, respectively was owed from various related parties. Of these amounts, as of December 31, 2024 and 2023, management has reserved an allowance for credit losses of \$750,000 and \$605,000, respectively. As of December 31, 2024 and 2023, approximately \$127,893 and \$124,973, respectively, was owed to certain related parties. Certain stockholders of the Company are also members or stockholders of these related parties.

PASSION FOODS, INC.
Notes to Financial Statement

5. 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 up to 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. As of December 31, 2024 and 2023, the total of these service fees approximated \$1,746,000 and \$1,938,000 respectively. The total of these services fees owed by the Company as of December 31, 2024 and 2023 were \$127,893 and \$124,973 respectively.

Services agreement

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

Area development agreement

As discussed in note 3, a certain related party has an area development agreement with the Company.

PASSION FOODS, INC.
Notes to Financial Statement

6. INCOME TAXES

As of December 31, the provision for (benefit from) income taxes consists of the following:

	<u>2024</u>	<u>2023</u>
Federal	\$ -	\$ -
State	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Deferred income taxes relate primarily to net operating losses and amortization methods and consist of the following:

	<u>2024</u>	<u>2023</u>
Deferred tax asset:		
Net operating loss carryforwards	\$ 421,930	\$ 312,927
Accumulated amortization	16,218	16,218
Valuation allowance	<u>(421,930)</u>	<u>(312,927)</u>
	<u>\$ 16,218</u>	<u>\$ 16,218</u>

As of December 31, 2024, the Company has net operating loss carryforwards available to offset future federal and state taxable income of approximately \$1,420,000 and \$1,035,000, respectively. Management recognized a valuation allowance relative to the benefit resulting from the net operating loss carryforwards as there is no assurance that the Company will have future operating profits available to utilize the carryforwards and, as such, has reported a valuation allowance as of December 31, 2024.

7. GOING CONCERN CONTINGENCY

During the year ended December 31, 2024, the Company experienced decrease in revenues but also a decrease in expenses resulting in a reported profit of approximately \$70,000 before income taxes. While a reduction in expenses is movement in a positive direction, the Company continues to report negative working capital, accumulated deficits, and large amounts due from related parties. A significant receivable is due from Feel Good About Eating whose financial statements are unaudited. Although Feel Good About Eating is current with its interest payments to the Company, it is reporting negative working capital, accumulated deficits and without the management fees paid to it from the Company, would report significant losses. Management of the Company has considered whether there is substantial doubt about its ability to continue as a going concern due to these factors and evaluated its available cash balance against its working capital requirements over the next twelve months.

PASSION FOODS, INC.
Notes to Financial Statement

7. GOING CONCERN CONTINGENCY (CONTINUED)

While management cannot accurately predict the full impact of the measures it has taken, management believes that its operations will improve as the industry continues to recover in the post pandemic era. In addition, the Company will continue to monitor operations including closing certain locations, reducing payroll, increasing sales and profitability, increasing collections from related parties, and potentially modifying payments to Feel Good About Eating should management determine it is necessary to improve cash flows. Feel Good About Eating has also applied for certain employee retention tax credits and is in process of determining the ultimate collectability of those credits which could impact the repayment of amounts due the Company. The Company believes these measures will generate sufficient funds to meet its working capital requirements for the next twelve months.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments related to the recoverability and/or classification of the recorded asset amounts and/or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

8. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through September 10, 2025, the date which the financial statements were available to be issued.

In December of 2024, the Company entered into a Master Services Agreement with a certain third party. The term of the agreement commenced in March of 2025.

As discussed in Note 5, in April of the 2025 year, the Company signed, with a certain related party, amendments for promissory notes originating in June of 2015 and January of 2016. The amendments require the related party to begin making principal and interest payments to the Company beginning on May 1, 2025. Based upon the amended terms, principal collections are expected to approximate the following:

Year ended December 31,	
2025	\$ 14,000
2026	21,000
2027	21,000
2028	21,000
2029	21,000
Thereafter	<u>810,027</u>
	<u>\$ 908,027</u>

Financial Statements

Passion Foods, Inc.

December 31, 2023 and 2022

PASSION FOODS, INC.

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Haynie & Company

(a professional corporation)

Certified Public Accountants and Management Consultants

4910 Campus Drive Newport Beach, California 92660-2119 (949) 724-1880 FAX (949) 724-1889

INDEPENDENT AUDITOR'S REPORT

To the Stockholders

Passion Foods, Inc.

Westlake Village, California

Opinion

We have audited the accompanying financial statements of Passion Foods, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Passion Foods, Inc., as of December 31, 2023 and 2022, and the results of their operations and accumulated deficit, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Company reported a loss from operations of approximately \$203,000, an accumulated deficit of over \$1,300,000, and negative cash flows from operations of approximately \$209,000 during the year ended December 31, 2023. Management's evaluation of the events and conditions and management's plans to mitigate those matters are also described in Note 7. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

April 18, 2024
Newport Beach, California

HAYNIE & COMPANY

PASSION FOODS, INC.
Balance Sheets
December 31, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 28,069	\$ 327,774
Restricted cash, advertising and promotion funds held	27,810	32,897
Accounts receivable, net of allowance for credit losses of \$102,000 and \$102,000, respectively	140,575	116,374
Prepaid expenses and other current assets	21,897	56,897
Total current assets	<u>218,351</u>	<u>533,942</u>
Other assets:		
Related party notes receivable	908,027	908,027
Due from related parties, net of allowance for credit losses of \$605,000 and \$500,000, respectively	269,327	245,254
Goodwill, net of accumulated amortization	-	14,486
Deferred tax assets, net	16,218	16,218
Total other assets	<u>1,193,572</u>	<u>1,183,985</u>
Total assets	<u>\$ 1,411,923</u>	<u>\$ 1,717,927</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 6,361	\$ 15,943
Accrued expenses	9,762	9,716
Advertising and promotion funds held	27,810	32,897
Due to related parties	124,973	86,341
Deferred revenues, current portion	20,000	22,000
Note payable, current portion	11,908	10,531
Total current liabilities	200,814	177,428
Deferred revenues, net of current portion	82,000	95,000
Note payable, net of current portion	509,036	519,854
Total liabilities	791,850	792,282
Stockholders' equity:		
Common stock, no par; 1,000,000 shares authorized:		
116.8 shares issued and outstanding	1,935,414	1,935,414
Accumulated deficit	(1,315,341)	(1,009,769)
Total stockholders' equity	<u>620,073</u>	<u>925,645</u>
Total liabilities and stockholders' equity	<u>\$ 1,411,923</u>	<u>\$ 1,717,927</u>

See notes to financial statements.

PASSION FOODS, INC.
Statements of Operations and Accumulated Deficit
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Royalty fees	\$ 2,133,084	\$ 2,159,911
Initial franchise fees	11,000	23,000
Franchise fees - renewals	4,000	6,000
Vendor incentives/other	<u>26,412</u>	<u>15,800</u>
Total revenue	2,174,496	2,204,711
Operating expenses	<u>2,378,116</u>	<u>2,233,941</u>
Operating (loss) income	(203,620)	(29,230)
Other income (expense):		
Interest income	26,172	21,810
Interest expense	(23,124)	(25,495)
Credit loss expense	<u>(105,000)</u>	<u>(177,000)</u>
(Loss) Income before income taxes	(305,572)	(209,915)
Provision for (benefit from) income taxes	<u>-</u>	<u>(3,506)</u>
Net (loss) income	(305,572)	(206,409)
Accumulated deficit, beginning	<u>(1,009,769)</u>	<u>(803,360)</u>
Accumulated deficit, ending	<u>\$ (1,315,341)</u>	<u>\$ (1,009,769)</u>

See notes to financial statements.

PASSION FOODS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income	\$ (305,572)	\$ (206,409)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization expense	14,486	24,147
Increase in allowance for credit losses	105,000	177,000
(Increase) decrease in assets:		
Accounts receivable	(24,201)	(130,413)
Prepaid expense and other	35,000	(30,063)
Increase (decrease) in liabilities:		
Accounts payable	(9,582)	14,624
Deferred revenue	(15,000)	(29,000)
Accrued interest from note payable	(9,441)	25,495
Accrued expenses	<u>46</u>	<u>(243)</u>
Net cash used in operating activities	<u>(209,264)</u>	<u>(154,862)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Payments on note payable	-	(5,010)
Advances to related parties	(90,441)	-
Advances from related parties	<u>-</u>	<u>112,970</u>
Net cash flows from financing activities	<u>(90,441)</u>	<u>107,960</u>
Net decrease in cash	<u>(299,705)</u>	<u>(46,902)</u>
Cash, beginning of year	<u>327,774</u>	<u>374,676</u>
Cash, end of year	<u>\$ 28,069</u>	<u>\$ 327,774</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes, net of refunds	<u>\$ -</u>	<u>\$ (3,506)</u>
Interest	<u>\$ 32,565</u>	<u>\$ -</u>

See notes to financial statements.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of business

Passion Foods, Inc. ("the Company") operates as the franchisor of Sharky's Woodfire Mexican Grill restaurants ("Sharky's"), which specialize in the premium fast casual Mexican dining segment. As of December 31, 2023, there were twenty-one franchised restaurants in operation throughout California and Nevada, with eight of those restaurants being controlled by related parties.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The Company's fiscal year ends on the Tuesday after the last full week in December. For purposes of financial reporting any activity through December 31, is not considered significant by management.

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities of 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. During 2023, deferred taxes related primarily to the effects of differences in calculating amortization of goodwill.

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.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

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

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company, from time to time, maintains cash balances that exceed the Federal Deposit Insurance Corporation limits. As of December 31, 2023 and 2022, the Company had balances of \$0 and \$110,671, respectively, in excess of the FDIC limit.

Revenue recognition and deferred revenue

The Company adopted Accounting Standard Codification 606 ("ASC 606") as of January 1, 2020 using the modified retrospective method and applied the new guidance to all contracts that had not been completed as of that date. Accordingly, results for the year ended December 31, 2023 and 2022 are presented in accordance with ASC 606.

ASC 606 is based on revenues being recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services utilizing a new five-step revenue recognition model, which steps include (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of franchises is allocated as follows: First, to any distinct pre-opening activity services; second, any remaining revenue will be recognized over the agreement term.

The new revenue guidance in ASC 606 did not impact the timing of continuing franchise fees.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition and deferred revenue (continued)

Beginning January 1, 2020, the Company now recognizes franchise payments revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are typically due upon the obtainments of a territory or upon execution of a renewal of the related franchise agreement. The Company's performance obligation with respect to franchise payments revenues consists of pre-opening obligations including conducting an operation's 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 for a specified period of time, which is satisfied over the life of each franchise agreement.

Deferred revenue resulting from cash collected for initial franchise fees paid by franchisees are classified as liabilities in the balance sheets based on the expected timing of revenue recognition associated with these liabilities. The following table reflects the changes in deferred revenue for the years ended December 31, 2023 and 2022:

Deferred contract revenues:

Deferred revenue, December 31, 2021	\$ 146,000
Cash collected for initial franchise payments	-
Revenue recognized	<u>(29,000)</u>
Deferred revenue, December 31, 2022	\$ 117,000
Cash collected for initial franchise payments	-
Revenue recognized	<u>(15,000)</u>
Deferred revenue, December 31, 2023	<u>\$ 102,000</u>

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition and deferred revenue (continued)

The following table illustrates estimated revenues expected to be recognized in the future related to unsatisfied performance obligations as of December 31, 2023:

	<u>Contract Revenue</u>
Year ended December 31:	
2024	\$ 20,000
2025	15,000
2026	11,000
2027	11,000
2028	8,000
Thereafter	<u>37,000</u>
	<u>\$ 102,000</u>

The following table illustrates revenues recognized according to timing of the transfer of goods or services from the adoption of ASC 606 as of December 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized at a point in time	\$ 2,159,496	\$ 2,175,711
Revenue recognized over time	<u>15,000</u>	<u>29,000</u>
Total revenue recognized	<u>\$ 2,174,496</u>	<u>\$ 2,204,711</u>

During the 2003 and 2011 year, the Company entered into a support and a marketing agreement with two certain third parties of which they are contracted to receive certain rebate and support funds based on the terms of the related agreements. As of December 31, 2023 and 2022 the Company received approximately \$26,000 and \$16,000, respectively, of these rebate and support funds.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

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.

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 entry 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, 2023 and 2022 or for the years 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.

Leases

Effective January 1, 2022, the Company adopted Financial Accounting Standards Board ASC 842, Leases. The Company also implemented the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. When a lease includes renewal options which can extend the lease term, only those options that are reasonably expected to be exercised and that the Company can exercise at its sole discretion are included in the measurement of lease assets and liabilities. The adoption of this new standard did not have a material impact to the Company's financial statements.

Allowance for credit losses

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and certain other financial assets. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and determined that the adoption did not have a material impact to the previously reported allowance amounts.

Reclassifications

Certain amounts in prior periods have been reclassified to conform with current period presentation.

PASSION FOODS, INC.
Notes to Financial Statement

1. 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 both of the 2023 and 2022 years. 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 funds 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 allowance for credit losses 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 allowance for credit losses and a credit to accounts receivable. As of December 31, 2023 and 2022, there was \$242,575 and \$218,374, respectively, in accounts receivable. At December 31, 2023 and 2022, management determined that a reserve for credit losses approximated \$102,000 and \$102,000, respectfully.

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, 2023.

PASSION FOODS, INC.
Notes to Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

The Company has elected to adopt the accounting alternative for goodwill codified by the Financial Accounting Standards Board ("FASB") in Accounting Standards Updated 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, 2023 and 2022. Amortization expense for the years ended December 31, 2023 and 2022 was \$14,486 and \$24,147, respectively. As of December 31, goodwill was as follows:

	<u>2023</u>	<u>2022</u>
Goodwill	\$ 289,758	\$ 289,758
Accumulated amortization	<u>(289,758)</u>	<u>(275,272)</u>
Goodwill, net	<u>\$ -</u>	<u>\$ 14,486</u>

2. 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 fee of five percent of the franchisee's gross revenue every four weeks.

The franchise development fees and initial franchise fees for each Area Development Agreement and individual franchise agreements are deferred until certain locations have opened for business as outlined in the related agreements. At time of recognition, all franchisor's obligations or conditions related to the sale of that area or location will have been substantially performed or satisfied by the Company.

PASSION FOODS, INC.
Notes to Financial Statement

3. DEFERRED REVENUE

As of December 31, 2023 and 2022, the Company had approximately \$70,000 included in total deferred revenue, in relation to various area franchise development agreements and individual franchise locations that were not open as of December 31, 2023 and 2022. During the 2023 and 2022 year, the Company recognized \$0 and \$0, respectively, of this prior 2019 year deferred revenue. As of December 31, 2023 and 2022, the Company also expensed approximately \$0 and \$0, respectively of deferred management fees in relation to two locations that are a part of a certain area development agreement with the company and one individual franchise location that had not opened as of the prior 2019 year. Therefore, as of December 31, 2023 and 2022, deferred management fees totaled \$0.

4. NOTE PAYABLE

During the 2020 year, due to the affects of the Covid pandemic, the Company applied for a disaster loan with the U.S. Small Business Administration (SBA). The Company was approved for this loan in July of the 2021 year for the total amount of \$500,000. Previously, in July of the 2020 year, the Company had received a \$10,000 advance on this loan which is included in notes payable as of December 31, 2020. The terms of the agreement include, and annual interest rate of 3.75% and a monthly principal and interest payment of \$2,505 commencing in January of 2023. All remaining principal and accrued interest is due thirty years from the date of the note. As of December 31, 2023 and 2022, the outstanding loan balance totaled \$520,944 (including accrued interest of \$16,054) and \$530,385 (including accrued interest of \$25,495), respectively.

Principal payments on the note payable approximate the following:

Year ending December 31:	
2024	\$ 11,908
2025	12,362
2026	12,834
2027	13,324
2028	13,832
Thereafter	<u>456,684</u>
	<u>\$ 520,944</u>

PASSION FOODS, INC.
Notes to Financial Statement

5. 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), Fresh Opportunities, 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 2022 the Company engaged in various transactions with these entities in the ordinary course of business.

The Company has elected the accounting alternative in ASC 810-10-15-17AD, whereby the Company has elected to not apply variable interest entity guidance to entities under common control if and when certain conditions are met.

Related party notes 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 received a promissory note for the Company's investment in, and advances to Northridge. The terms of this note provides for monthly interest payments at 4% per annum. As anticipated, the note was amended with the maturity date being extended to December 31, 2024. As of December 31, 2023 and 2022, the balance outstanding under the note was \$654,298 and \$654,298, respectively.

Effective January 1, 2016, the Company transferred the majority of its assets and liabilities at historical cost to Feel Good About Eating, LLC and received a promissory note. This note provides for monthly interest payments of 0.2% per annum and matures December 31, 2024. As of December 31, 2023 and 2022, the balance outstanding under the Note was \$253,729 and \$253,729, respectively.

These notes have been classified as long-term in the accompanying financial statements.

Due from/to related parties

As of December 31, 2023 and 2022, the Company was owed \$874,327 and \$783,332, respectively from various related parties. Of these amounts, as of December 31, 2023 and 2022, management has determined and reserved an allowance for credit losses of \$605,000 and \$500,000, respectively, which is included in the net amount. As of December 31, 2023 and 2022, the Company owed \$124,973 and \$124,419, respectively, to certain 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.

PASSION FOODS, INC.
Notes to Financial Statement

5. 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. As of December 31, 2023 and 2022, the total of these service fees approximated \$1,938,000 and \$1,944,000 respectively. The total of these services fees owed by the Company as of December 31, 2023 and 2022 were \$124,973 and \$124,419 respectively.

Services agreement

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

Area development agreement

As discussed in note 3, a certain related party has an area development agreement with the Company.

PASSION FOODS, INC.
Notes to Financial Statement

6. INCOME TAXES

As of December 31, the provision for (benefit from) income taxes consists of the following:

	<u>2023</u>	<u>2022</u>
Federal	\$ -	\$ (3,506)
State	<u>-</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ (3,506)</u>

Deferred income taxes relate primarily to net operating losses and amortization methods and consist of the following:

	<u>2023</u>	<u>2022</u>
Deferred tax asset:		
Net operating loss carryforwards	\$ 312,927	\$ 254,518
Accumulated amortization	16,218	16,218
Valuation allowance	<u>(312,927)</u>	<u>(254,518)</u>
	<u>\$ 16,218</u>	<u>\$ 16,218</u>

As of December 31, 2023, the Company has net operating loss carryforwards available to offset future federal and state taxable income of approximately \$1,035,000 and \$835,000, respectively. Management recognized a valuation allowance relative to the benefit resulting from the net operating loss carryforwards as there is no assurance that the Company will have future operating profits available to utilize the carryforwards and, as such, has reported a valuation allowance as of December 31, 2023.

7. CONTINGENCIES

Going concern

As indicated in the accompanying financial statements, during the year ended December 31, 2023, the Company reported a loss from operations of approximately \$203,000, an accumulated deficit of over \$1,300,000, and negative cash flows from operations of approximately \$209,000. Management of the Company has considered whether there is substantial doubt about its ability to continue as a going concern due to consecutive losses from operations in 2023 and 2022; and evaluated its available cash balance against its working capital requirements over the next twelve months.

PASSION FOODS, INC.
Notes to Financial Statement

7. CONTINGENCIES (CONTINUED)

Going concern (continued)

While management cannot accurately predict the full impact of the measures it has taken, management believes that its operations will improve in the post pandemic period as the industry continues to recover. The Company has applied for and received a \$500,000 Economic Injury Disaster Loan which was funded in 2021. In addition, the Company will continue to monitor operations including closing certain locations, reducing payroll, increasing sales and profitability, increasing collections from related parties, and potentially modifying payments to Feel Good About Eating should management determine it is necessary to improve cash flows. Feel Good About Eating has also applied for certain employee retention tax credits and is in process of determining the ultimate collectability of those credits which could impact the repayment of amounts due the Company. The Company believes these measures will generate sufficient funds to meet its working capital requirements for the next twelve months.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments related to the recoverability and/or classification of the recorded asset amounts and/or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

8. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 18, 2024, the date which the financial statements were available to be issued.

Exhibit

G

EXHIBIT C

CONFIDENTIALITY AGREEMENT **(OPERATIONS MANUAL)**

This Confidentiality Agreement dated as of _____, 202____ 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

H

STATE ADDENDA

CALIFORNIA STATE LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT,
AREA DEVELOPMENT AND FRANCHISE AGREEMENT

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 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation..

Item 2: None of the persons identified in Item 2 of the franchise disclosure document ("FDD") 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.

Item 6: The current maximum legal interest rate in California is 10%.

Item 12: You will not receive an exclusive territory competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control.

Item 17: 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 Financial Protection and Innovation prior to a solicitation of a proposed material modification of an existing franchise.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. Therefore, Section 16.15 of the Franchise Agreement and Section 9.15 of the Area Development Agreement shall be void and without effect.

8. Personal Guaranty. All equity owners must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

9. California Corporations Code Section 31512.1 - Franchise Agreement Provisions Void as Contrary to Public Policy:

Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provisions of this division.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending

Other states may require registration filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit I

ITEM 23. RECEIPT (YOUR 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.

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

If Passion Foods, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that Passion Foods, Inc. provide this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that Passion Foods, Inc. provide this Disclosure Document at the earlier of the first personal meeting or 14 calendar-days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Passion Foods, Inc. provide 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 franchise sellers for this offering are Steven Paperno, David Goldstein and Becky Larsen Marquez 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.

Issuance Date: September 10, 2025

I received a disclosure document dated September 10, 2025 that included the following Exhibits:

- A. Area Development Agreement
- B. Franchise Agreement and Related Exhibits
- C. State Administrators and Agents for Service of Process
- D. List of Franchisees
- E. List of Former Franchisees
- F. Financial Statements
- G. Confidentiality Agreement
- H. State Addenda
- I. Receipt

Date Franchise Disclosure Document Received: _____

Signed: _____

Print Name: _____

ITEM 23. RECEIPT (OUR COPY)

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- F. Financial Statements
- G. Confidentiality Agreement
- H. State Addenda
- I. Receipt

Date Franchise Disclosure Document Received: _____

Signed: _____

Print 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 email a copy of the signed and dated receipt to Passion Foods, Inc. at dgoldstein@sharkys.com.