**FRANCHISE DISCLOSURE DOCUMENT**
**Shelby's Franchise USA LLC**
A Delaware limited liability company
50 Rockefeller Plaza
New York, NY 10020
Phone: 905-580-2558
E-Mail: franchising@shelbys.ca
www.shelbys.ca

You will establish and operate a fast casual restaurant offering Middle Eastern fusion cuisine and other menu items under the name Shelby's Legendary Shawarma (a "Restaurant").

The total investment necessary to begin operation of a Shelby's Restaurant franchised business ranges from $845,750 to $1,084,000. This includes $375,000 to $460,000 that must be paid to the Franchisor at the signing of the Franchise Agreement. The total investment necessary to begin operation of a Shelby's Restaurant multi-unit business for five (5) Shelby's Restaurant franchise's ranges from $1,000,750 to $1,254,000. This includes $545,000 to $555,000 that must be paid to the franchisor or an affiliate of franchisor prior to opening.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Usama Valam, President, at franchising@shelbys.ca or 905-580-2558.

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

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

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

Issuance Date: March 2, 2026

**How to Use This Franchise Disclosure Document**

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and 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 A include 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 Shelby's Restaurant 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 Shelby's Restaurant franchisee?** | Item 20 or Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

**Some States Require Registration**

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

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 be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Delaware than in your own state.

2. **Spousal Liability.** Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

4. **Supplier Control**. You must purchase all or nearly all the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

5. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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# ITEM 1

## THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, "Shelby's Restaurant", "Shelby's", "we", "our", and "us" means the franchisor, Shelby's Franchise USA LLC. "You" means the individual, corporation, partnership, limited liability company or other business entity which acquires the franchise from us and includes your Owners (as defined below).

**The Franchisor.**

We are a Delaware limited liability company formed on July 29, 2025 to own, operate and franchise the Shelby's Restaurant system in the United States. We do business under our company name and under the name "Shelby's" and "Shelby's Legendary Shawarma". Our principal business address in the United States is 50 Rockefeller Plaza, New York, NY 10020. Our telephone number is 905-580-2558 and our website is https://www.shelbys.ca (collectively, with all other all associated web addresses, URLs, websites and web pages, social internet domain names, social media accounts, media sites and pages, and all related content and data, the "Website(s)"). Our agents for service of process are listed on Exhibit H. We do not operate a business substantially similar to the franchise being offered here. We do not participate in any other business activities other than offering Shelby's Restaurant franchises for sale in the United States and conducting related business matters. We began offering franchises in the United States as of March 2, 2026.

**Our Parents, Predecessors, and Affiliates.**

Our parent company is Shelby's Franchise Holdings USA, Inc., a Delaware corporation formed on July 29, 2025 with a principal business address of 50 Rockefeller Plaza, New York, NY 10020. ("Shelby's Holdings"). Shelby's Holdings is our sole member and is also the holding company for Shelby's Corporate Systems Holdings USA LLC and Shelby's USA IP, LLC described below.

Our first affiliate is Shelby's Franchise Holdings Inc., a corporation organized under the federal laws of Canada formed on December 17, 2019 with a principal business address of 4056 Meadowbrook, Unit 130, London, ON, N6L 1E4 ("Shelby's Canada"). Shelby's Canada offered Shelby's franchises outside of the United States in Canada since March 11, 2020. As of December 31, 2025, Shelby's Canada and its affiliates have a total of 36 open franchises in Canada. Shelby's Canada has not offered Shelby's franchises in the United States, has not offered franchises in any other line of business, and does not provide products or services to our franchisees in the United States.

Our second affiliate is Shelby's Trademark Inc., a corporation organized under the federal laws of Canada formed on December 12, 2022 with a principal business address of 4056 Meadowbrook, Unit 130, London, ON, N6L 1E4 ("Shelby's IP"). Shelby's IP is the holder of the registered trademark "Shelby's" and other trademarks, trade names, service marks, logos, designs, emblems and other marks and symbols designated by us from time to time in connection with the operation of an Shelby's Restaurant (the "Proprietary Marks") and the related copyrights, patents, technology, processes, techniques, data, recipes, concoctions, inventions, know-how and trade secrets, owned or developed by it as well as other intellectual property and proprietary information also used in the operation of an Shelby's Restaurant (collectively, with the Websites and the Proprietary Marks, the "Intellectual Property").

Our third affiliate is Shelby's USA IP LLC, a Delaware limited liability company, formed on July 29, 2025 with a principal business address of 50 Rockefeller Plaza, New York, NY 10020 ("Shelby's USA IP"). On February 17, 2026, Shelby's IP granted Shelby's USA IP the worldwide, non-exclusive right to use and sublicense the Intellectual Property and the System (defined below) in connection with our operation of the Shelby's franchise system and the offer and sale of Shelby's Restaurant franchises in the United States.

Our fourth affiliate is Shelby's Corporate Systems Holdings USA LLC, a Delaware limited liability company formed on July 29, 2025 with a principal business address of 50 Rockefeller Plaza, New York, NY 10020 ("Shelby's Corporate"). Shelby's Corporate will own and operate affiliate owned Shelby's restaurants similar to the Restaurants offered under this Disclosure Document indirectly through subsidiary operating locations in the United States.

Our fifth affiliate is Shelby's Real Estate Inc a corporation organized under the federal laws of Canada formed on December 16, 2019 with a principal business address of 4056 Meadowbrook, Unit 130, London, ON, N6L 1E4 ("Shelby's Real Estate"). Shelby's Real Estate holds the leases for various Shelby's locations in Canada.

Our sixth affiliate is Shelby's Food Supply Inc., a corporation organized under the federal laws of Canada formed on December 16, 2019 with a principal business address of 4056 Meadowbrook, Unit 130, London, ON, N6L 1E4 ("Shelby's Food Supply"). Shelby's Food Supply supplies product and inventory to our affiliate owned location and to franchised locations in Canada.

Our seventh affiliate is 16067476 Canada, a corporation organized under the federal laws of Canada formed on May 24, 2024 with a principal business address of 4056 Meadowbrook, Unit 130, London, ON, N6L 1E4 which operates a Shelby's Restaurant at 3040 Artesian Drive, Mississauga, Ontario, similar to the restaurant concept franchised under this Disclosure Document.

None of our parents or affiliates guarantee our obligations. None of our affiliates or parents offer franchises in this line or in any line of business in the United States, although Shelby's Canada will continue to offer and sell franchises in Canada. Our affiliates may provide certain training and support and may promote the Shelby's Restaurant name in non-franchise related endeavors.

We do not have any other parents, predecessors or other affiliates required to be disclosed in this item.

**The Franchise Program.**

Shelby's is a fast casual Restaurant specializing in Middle Eastern fusion fare mixing Arabian flavors with world cuisines to offering a menu of unique and delicious Middle Eastern Tikka Masala, Shawarma Biryani as well as other wraps, burritos, bowls, salads, samosas, manaeesh, desserts, beverages, and sides like crispy fries, grape leaves, onion rings, hummus and other menu items products we may develop and offer from time to time in our sole discretion ("Products").

We offer qualified purchasers the right to establish and operate one or more Shelby's Restaurants (a "Franchise(s)") using our comprehensive system for the operation of a Shelby's Restaurant which includes our Intellectual Property; recipes; method of operation; customer service and quality control; trade secrets; technical knowledge; specially designed décor (including color scheme, facility style and signs); business techniques and practices; standardized equipment; layout of the Restaurant; quality and consistency standards for Products and services offered; procedures for accounting, inventory control and management; advertising, marketing and promotional programs; as well as the provisions of the Shelby's Restaurant operations manuals, as amended from time to time; and other standards, specifications, know-how, information, training and business relationships, all of which we may revise, change, cancel, alter, amend, further improve, discontinue, develop or otherwise modify, from time to time (the "System").

We may periodically make changes to the System, including changes to the Products offered by the Restaurants and the System's methods, standards, signage, equipment, menu items, inventory, ingredients, fittings, décor, and fixture requirements. You may have to make additional investments in the Restaurant periodically during the term of the Franchise Agreement due to System changes or for any other reason. All Restaurants must be developed and operated according to our System specifications and standards. Uniformity of Products offered and the quality, composition and source of the ingredients in our Products is critical to our brand quality and reputation and you must offer all Products in accordance with our System.

The Franchise Agreement gives you the right to operate the Restaurant under the name and marks "Shelby's". You will operate your Franchise from a single location (the "Location") within a specified geographic territory (the "Protected Territory"). You must operate your Franchise only at the Location and in accordance with the System, standards and procedures designated by us.

You may host off-site events that offer the Products or offer catering and delivery services only with our prior written consent. If you obtain our consent, you must provide the services in accordance with our standards as outlined by us in the Manual or otherwise. You must obtain our approval for each off-site event.

We offer Franchises to qualified individuals, corporations, limited liability companies, partnerships or other legal entities. You must sign our form of franchise agreement, in the form attached to this Disclosure Document as Exhibit B, for your Franchise ("Franchise Agreement"). If you wish to purchase, and we agree to sell you, additional Franchises after you open your initial Franchise, you must sign our then-current form of franchise agreement for any additional Franchise that you wish to purchase. The terms of any then-current franchise agreement may differ from the Franchise offered under this Disclosure Document.

The Franchise Agreement requires you to designate an "Operating Principal." Your Operating Principal must own at least a ten percent (10%) voting and equity interest in the Franchise and must have authority to make all decisions on behalf of the Franchise. You must obtain our approval of your Operating Principal. You must also designate at least one (1) full-time manager to run the day-to-day operations of the Restaurant (the "Manager"). Your Operating Principal may act as the Manager, or you may designate a Manager. Your Operating Principal and Manager must complete our initial training program to our satisfaction. You may also hire additional managers and assistant managers for your Restaurant as you deem appropriate.

We require your current and future owners, shareholders, members, partners, equity holders and principals ("Owners") and spouses of each of your Owners to sign a personal guaranty ("Guaranty"), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures.

We require all Owners, your Manager and anyone who completes our initial training program to sign a Non-Compete, Confidentiality and Non-Solicitation Agreement (non-competition, non-solicitation, assignment of intellectual property and confidentiality agreement), where permitted by law, in the form attached to the Franchise Agreement as Exhibit C-1. We require you ensure all personnel who have access to our Manual or other confidential information to sign a Confidentiality and Non-Use Agreement in the form attached to the Franchise Agreement as Exhibit C-2.

**Multi-Unit Model.**

In certain circumstances, we may offer to you the right to sign a multi-agreement ("Multi-Unit Agreement") in the form attached as Exhibit C to this Disclosure Document to develop multiple, franchised Shelby's Restaurants to be located in a specifically described geographic development area where you hold the right to identify, develop, own and operate Shelby's Restaurant franchise locations ("Development Area"). We determine the Development Area before you sign the Multi-Unit Agreement. Under the Multi-Unit Agreement, you must establish a minimum of five Restaurants in your Development Area according to a development schedule ("Development Schedule"), and you must sign a separate franchise agreement for each Restaurant established under your Multi-Unit Agreement. In limited circumstances, depending upon the geography and our growth plans, we may allow developers to open less than the minimum five Restaurants. The franchise agreement for the first Restaurant developed under the Multi-Unit Agreement is in the form attached as Exhibit B to this Disclosure Document. You must sign this franchise agreement for your first Restaurant at the same time you sign your Multi-Unit Agreement. For each additional Restaurant you develop under the Multi-Unit Agreement, you must sign our then-current form of new franchise agreement, which may differ from the current franchise agreement included within this Disclosure Document. You must develop, open and begin operating that Restaurant no later than the applicable date specified in your Development Schedule.

**Competition.**

The food service industry is highly competitive and well established with constantly changing market conditions. It is highly competitive with respect to price, service, location and food quality, and are often affected by changes in consumer tastes, economic conditions, weather conditions where products are grown and sourced, population and traffic patterns. If you open a Shelby's Restaurant Franchise, your competition will include similar food service establishments, including other Restaurants that sell Middle Eastern cuisine and those which offer shawarma type dishes. Your Restaurant will compete against other food service establishments as well. In addition, there is competition for management and food service employees, as well as for attractive commercial real estate sites suitable for Restaurants. Your Restaurant will provide products and services to the general public throughout the year. Sales can be seasonal in certain geographies depending upon the migratory habits of the local population with our southern locations increasing sales during winter months and northern locations increasing sales in summer months.

**Industry Specific Laws.**

The food service industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to food service establishments. However, other laws, rules and regulations have particular applicability to food service businesses. The ADA and state and local equivalent laws and regulations require readily accessible accommodations for disabled persons and therefore may affect your Restaurant construction, entrances and exits, doors and restrooms.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and food service establishment sanitary conditions. The Federal Government and state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which: (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Location; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for kitchens and food preparation areas, employee practices concerning the storage, handling, and preparation of food, restrictions on smoking and availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate food labeling, nutritional labeling standards and health claims that are made by a business, including the Food Allergen Labeling and Consumer Protection Act of 2004 and the Nutrition Labeling and Education Act that sets regulations for food labeling, nutritional label standards, nutrient content claims, and health claims; and (f) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Restaurant and should consider both their effect and cost of compliance. You must also comply with, and obtain, the ServSafe certifications outlined in the Manual (as defined in Item 8).

You must comply with the Payment Card Industry Data Security Standard ("PCI DSS") established by major credit card brands to ensure that merchants securely store, process, and transmit customer credit information.

You must comply with all laws and regulations pertaining to the operation of a food service business as well as all those laws and regulations applicable to businesses in general, including those described above and zoning laws, labor laws, workers' compensation laws, business licensing laws and tax regulations. You are advised to examine all applicable laws and regulations carefully with a qualified advisor before purchasing a Franchise from us and should consider these laws and regulations when evaluating your purchase of a Franchise. You alone are responsible for investigating, understanding and complying with all applicable laws, regulations and requirements applicable to you and your Franchise, despite any advice or information that we may give you. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

## ITEM 2

## BUSINESS EXPERIENCE

**Yazan El-Shalabi – Founder and CEO**

Yazan El-Shalabi is our Founder and Chief Executive Officer overseeing all aspects of franchise development and operations and has held this position since our formation on July 29, 2025. Yazan El-Shalabi fulfills his position from our headquarters in Ontario, Canada. Yazan El-Shalabi is also the Founder and President of Shelby's Canada since December 17, 2019 and fulfills this position from our headquarters in Ontario, Canada. Previously, Yazan El-Shalabi was the founder of Juicy Professor Inc., a juice bar business from 2020 to 2022 in Ontario, Canada.

**Usama Valam – President and CFO**

Usama Valam is our President and Chief Financial Officer and has held this position since our formation on July 29, 2025. Mr. Valam is also the President and Chief Financial Officer of Shelby's Canada since June 2025 and fulfills this position from our headquarters in Ontario, Canada. Mr. Valam was previously the Head of Finance and Procurement of Shelby's Canada from November 2024 until June 2025 in Ontario, Canada. From January 2021 to August 2024, Mr. Valam was the Senior Manager, Category and Procurement at Investment Hardware, Ltd. In Toronto, Canada.

## ITEM 3

## LITIGATION

No litigation information is required to be disclosed in this Item.

## ITEM 4

## BANKRUPTCY

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

## ITEM 5

## INITIAL FEES

Initial Franchise Fee.

The initial franchise fee for the right to develop and operate one Restaurant is $35,000 ("Initial Franchise Fee").

You will pay the Initial Franchise Fee in full at the time you sign your Franchise Agreement. The Initial Franchise Fee is uniform for all similarly situated franchisees, is deemed fully earned upon payment and is nonrefundable under any circumstances.

Multi-Unit Agreements.

Under a Multi-Unit Agreement, you must agree to open and operate at least five (5) Restaurants in the designated Development Area according to the Development Schedule. You will pay the entire Initial Franchise Fee for each Restaurant you commit to open under the Multi-Unit Agreement at the signing of the Multi-Unit Agreement. If you enter into a Multi-Unit Agreement to open more than five (5) Restaurants, then we will credit you 50% of the Initial Franchise Fee for the sixth Restaurant opened under the Multi-Unit Agreement and each additional Restaurant after the sixth Restaurant. For example, if you execute a Multi-Unit Agreement to open eight (8) Restaurants, then you will pay us $280,000 upon signing of the Multi-Unit Agreement. If you open each Restaurant 1-6 by the deadline listed in the Development Schedule, then we will credit you $17,500 after opening the 6th Restaurant. If you open Restaurant seven and eight on time in accordance with the deadlines set forth in the Development Schedule without extension or delay, then we will credit you $17,5000 for the 7th Restaurant and another $17,500 when the 8th Restaurant is opened on time.

The Initial Franchise Fees for all of the Restaurants to be opened under the Multi-Unit Agreement is not refundable under any circumstances even if you do not open the required Restaurants. The Development Fee is currently uniform for all developers.

All Initial Franchise Fees paid under the Multi-Unit Agreement are deemed fully earned upon payment and is nonrefundable under any circumstances.

Initial Training.

Prior to opening your Restaurant, you must also complete our initial training program. Training for your Operating Principal, Manager and one additional person is included in the Initial Franchise Fee (for a total of three (3) attendees). This training will occur in at one of our Canadian restaurants or another location designated by us. You are solely responsible for all costs and expenses, including wages, travel and lodging of yourself and your attendees. We may provide initial training to additional personnel at any of our scheduled initial training courses at our then-current fee upon commencement of the training program at your request and subject to our availability. The current initial training fee for additional attendees is $30 per hour, per attendee, per day.

Restaurant Signage, Equipment, Hardware and Opening Package.

Upon invoice and prior to opening, you must purchase a package of signage, equipment and hardware (including point-of-sale systems) from us or an affiliate ("Restaurant Opening Package"). The cost of the Restaurant Opening Package may also include our provision of engineering and related services not included in our Initial Training. The Restaurant Opening Package is $320,000 to $385,000, depending upon the size of your Restaurant, the Location of your Restaurant, and the then current availability and costs of the materials, goods and services comprising the Restaurant Opening Package. The Restaurant Opening Package does not include any construction costs or expenses.

Site Inspections and Project Coordinating Fee.

Upon invoice and prior to opening, you must pay us a fee in connection with the site inspections and real estate project coordinating provided by us or our representatives or vendors and suppliers. The cost of this fee is $10,000 to $20,000 depending upon the number of site visits, the distance traveled, the personnel completing the work and our third-party costs.

Design and Construction Plan Fee.

Upon invoice and prior to beginning construction of your Restaurant, you must pay us a fee in connection with the construction and design documents (the "Design and Construction Plan") of the floor plans and layouts prepared by our third-party service provider for your Restaurant. The cost of this fee is $10,000 to $20,000 depending on the size of the Restaurant. We reserve the right to have you this fee directly to the vendor.

There are no other payments to or purchases from us or our affiliates that you must make before your Restaurant opens.

## ITEM 6

## OTHER FEES

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| Royalty Fee (2) | 6% of Gross Revenue | Payable monthly on the 13th day of each month based on Gross Revenue for prior month. | The royalty fee ("Royalty Fee") is payable to us by ACH electronic funds transfer (EFT) or other manner we designate. |
| Brand Fund Contribution | 2% of Gross Revenue.<br><br>We may increase the Brand Fund Contribution in the future in an amount not to exceed 3% of Gross Revenue. | Payable at the same time and in the same manner as the Royalty Fee. | The brand fund contribution ("Brand Fund Contribution") is payable directly to the Brand Fund ("Brand Fund") by ACH electronic funds transfer or other manner we designate.<br><br>We may allow Multi-Unit Franchisees with at least 15 Restaurants in operation the option to use ½ a percent (0.5%) of the Brand Fund Contribution to their Local Advertising Requirement in addition to the $6,000 minimum requirement. |

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| Technology Fee | None currently, but we reserve the right to impose a fee upon notice.<br><br>We expect to implement a fee of $250-$750 per month within the first year, but do not anticipate increasing these fees by more than 25% annually in addition to any direct price increases from third party vendors. | Payable monthly to us with the first Royalty Fee payment of each month. | We may charge a technology fee to cover the cost of software related to the bookkeeping, accounting and record keeping. We may also use this fee for any technology related to the System including website development, ordering systems, loyalty programs, customer portals, online platforms, mobile applications, software, phone systems, and maintenance, and support of our email system. We reserve the right to implement or increase this fee upon 30 days' notice to you if we develop or introduce new technology, improve, upgrade, modify or change existing technology or if our costs or supplier pricing increases.<br><br>Paid by EFT or other manner we designate. |
| Local Advertising Requirement ("LAR") | Currently $6,000 per year. As of the date of this Disclosure Document, we don't anticipating increasing the LAR in excess of $12,000 per year. | As incurred. | You will pay the LAR to third parties based on pre-approved expenses. You must submit evidence of these expenditures within 10 days of the end of each calendar quarter. See Item 11. |
| Advertising Cooperative ("Cooperative") | As established by cooperative members. | As established by cooperative members. | If a Cooperative is established which encompasses your Protected Territory, you will automatically and immediately become a member of the Cooperative and you must agree to contribute to the Cooperative the amount agreed upon by a majority of the members of the Cooperative, to pay that amount to the Cooperative at the times agreed upon by a majority of the members, and to abide by the Cooperative's rules. The payments you make to a Cooperative may be applied by you toward satisfaction of your LAR, but if the amount you contribute to a Cooperative is less than the amount you must spend on local advertising, you must still spend the difference locally. |

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| Continuing Training | Our current fee is $30, per hour, per attendee per day. You are responsible for both you and your trainees' expenses including travel, lodging, meals and applicable wages or our trainer's travel costs if we conduct training at your Restaurant. We may increase this fee during the Term, but it will not exceed $75 per hour per attendee per day in addition to any increase due to our trainer's wage increases.<br>. | Prior to continuing training. | Continuing training sessions are mandatory for your Operating Principal and Manager. Currently, we do not have any Continuing Training planned, but we reserve the right to do so in the future.<br><br>You may request that additional personnel attend continuing training at our then current tuition fees.<br><br>Paid by EFT or other manner we designate. |
| Additional Training or Retraining | Our current fee is $30, per hour, per attendee per day. You are responsible for both you and your trainees' expenses including travel, lodging, meals and applicable wages or our trainer's travel costs if we conduct training at your Restaurant. We may increase this fee during the Term, but it will not exceed $75 per hour per attendee per day in addition to any increase due to our trainer's wage increases. | Prior to commencement of additional training. | Additional training is training requested by you in addition to Initial Training (as defined in Item 11) or training we require (a) upon renewal or transfer of your Franchise Agreement or (b) upon a change in your Operating Principal or Manager (c) upon your failure to comply with System Standards as determined during our first 6 months operational support visits and audits, or (d) is necessary or appropriate in our sole discretion to protect the quality, integrity and reputation of the System, Proprietary Marks and IP.<br><br>The fee for additional training and retraining is paid to us.<br><br>Paid by EFT or other manner we designate. |
| In-Person Location Selection Assistance | Our travel costs and expenses. | When billed. | Any in-person location selection assistance is provided at our sole discretion and subject to our availability. We do not charge a separate fee for providing assistance in person to assist in the selection of your Location but you must pay our travel costs and expenses.<br><br>Paid by EFT or other manner we designate. |
| Franchise Meeting or Convention Fee | An amount not to exceed the cost of per person attendee for attending | Prior to attendance when invoiced. | If we hold a franchise convention or meeting, then you are responsible for your attendees' associated expenses, including all travel, food and lodging expenses that you and your personnel |

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| | | | incur in attending the annual meeting or conference and our attendance fee not to exceed our cost per attendee. Payment is required regardless of attendance and is mandatory for your Operating Principal and Manager.<br><br>Paid by EFT or other manner we designate. |
| Grand Opening Fee | $10,000 | As incurred. | Currently you must spend at least $10,000 on approved grand opening marketing expenses. Currently, these expenses and costs are paid directly to the vendors and suppliers, but we may require that you pay them directly to us if we decide to administer and oversee your grand opening directly. |
| Fee for Failure to Submit Reports | $25 per occurrence. | As incurred. | If you do not submit a Royalty Report, Activity Report, financial statements, or any other reports required under the terms of the Franchise Agreement when due to us, you will pay us a fee for failure to submit such reports.<br><br>Paid by EFT or other manner we designate. |
| Operations Non-Compliance Fee | $450 to $1,000 per occurrence. | As incurred. | If there is an instance of non-compliance for failure to comply with operational standards as required and specified under the Franchise Agreement, you will pay us an operations non-compliance fee, plus interest, costs and legal fees. |
| Payment Non-Compliance Fee | $150 per occurrence plus interest and any other costs incurred. | As incurred. | If you do not timely pay, when due, any fee or payment due to us under the terms of the Franchise Agreement, you will pay us a payment non-compliance fee plus an interest, other costs, or legal fees in connection therewith. |
| Interest on Overdue Amounts | The lower of 1.5% interest per month or the highest rate available by law on the past due amount. | First day of late period. | Interest is due on all overdue payments. Interest accrues from the original due date until payment is received in full. |
| Insufficient Funds or Failed EFT Fee | $50 per violation. | On demand. | If the bank account you designate for payment of the Royalty Fee, Brand Fund Contribution and Technology Fee and other fees and amounts due under the Franchise Agreement does not contain sufficient funds to make any payments, you must pay us a fee of $50 per incident. |

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| Renewal Fee | 25% of the then current Initial Fee or $8,750 if we are no longer selling new franchises. | Payable prior to renewal. | Payable to us as a condition of the renewal of your Franchise along with other conditions for renewal. |
| Transfer Fee | 25% of the then current Initial Fee or $8,750 if we are no longer selling new franchises. | Payable upon transfer. | Payable to us if you transfer your Franchise or any interest in your Franchise.<br><br>We may waive a portion of this fee upon a transfer resulting from your death or disability or a transfer to an immediate family member (spouse, child, parent or sibling). We will also waive this fee if you execute the Franchise Agreement as an individual and transfer it to an entity wholly-owned by you prior to opening, but we may charge a document preparation and review fee not to exceed $2,500. |
| Relocation Fee | Our costs and expenses associated with the relocation. | As incurred. | If you relocate your Restaurant you must pay us any costs we incur in assisting you with the relocation including salary and travel expenses, professional fees, legal costs, demographic reports and other costs. |
| Accounting/Audit Fee (4) | Cost and expenses for each financial audit, provided the audit determines underreporting of 3% or greater during any designated audit period. | When incurred. | Payable if audit shows an underpayment of 3% or more of Gross Revenue for any time period or audit is necessary for failure to submit reports. Includes fees incurred by us including audit, legal, travel and reasonable accommodations. |
| Quality Assurance Audit Fee Mystery Shopper or Secret Customer Program Fee | Our costs and expenses. | When billed. | You must reimburse us for our out-of-pocket expenses which may include the personnel compensated to conduct a quality assurance audit, secret shopper, or mystery visit or expenses of a third-party firm hired to conduct the quality assurance audit, plus the cost of food and drinks consumed, when applicable.<br><br>Paid by EFT or other manner we designate. |

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| Management Fee | 20% of monthly Gross Revenue, plus expenses. | Payable weekly with the Royalty payment. | The Management Fee is paid to us. In addition to our right to terminate the Franchise Agreement, we may manage and operate your Restaurant if you fail to cure a default within the applicable cure period (if applicable). We also have the right to step in and operate your Restaurant in certain circumstances, including your death, disability or prolonged absence where you are unable to provide oversight of the Franchise to prevent harmful interruption of your Restaurant. The reimbursable expenses include our and our representatives' wages, travel, lodging and meals. During any management period, you will still be required to pay to us all recurring fees. |
| Testing or Supplier Approval Fee | Our costs and expenses. | Within 14 days of receipt of invoice. | You must reimburse us for our actual out-of-pocket expenses in order to approve alternative suppliers requested by you. |
| Indemnification | Amount will vary under the circumstances. | Date incurred. | You must reimburse us and/or our affiliate if we incur liability as a result of the operation of your Restaurant. |
| Costs of Enforcement and Defense | Amount will vary under the circumstances. | Date incurred. | You must pay our costs and attorneys' fees if we must take action to enforce your obligations to us, collect any undue amounts |
| Post-Termination or Expiration Expenses | Amount will vary under the circumstances. | Date incurred. | If you fail to promptly undertake your post-termination or expiration obligations under the Franchise Agreement, then we have the right, but not the obligation to undertake those tasks and you must reimburse us all of our costs and expenses. |

| Type of fee (1) | Amount | Due date | Remarks |
|---|---|---|---|
| Accounting Software License Fee | Currently, $100 per month | Monthly | You must pay our designated third-party provider directly a monthly fee associated with the use of the accounting program as required by the third-party, but we reserve the right to require you pay this fee to us to submit to the Approved Supplier. We have the right to increase this fee based on our costs to administer and third-party provider increases. |
| Insurance Administration Fee | The insurance premium plus 20% of the premium as an administration fee. | As incurred. | If you fail to secure the required insurance, then we may (but are not required to) purchase or secure insurance for you and you agree to pay us the cost of the premium plus an administration fee equal to 20% of the premium. |

1. Unless otherwise indicated above, all fees and expenses are imposed and collected by and are paid to us. All fees and expenses are non-refundable and uniformly imposed for all franchisees. We will automatically draft Royalty Fees, Brand Fund Contributions, the Technology Fee, and any additional fees due to us from your bank account according to the terms of the Franchise Agreement. Franchisor-owned or affiliate owned outlets will have the same voting power as franchised outlets with respect to fees imposed by cooperatives.

2. "Gross Revenue" means the total selling price of all services and Products, other products and all revenue and income of any kind relating to your Restaurant including, without limitation, from the sales of food, beverages, merchandise, gift cards, products and tangible personal property of every kind sold by you, in, from or through the Restaurant, proceeds as a result of any business interruption insurance policy you carry; all income from off-site events and catering or delivery services including delivery fees (regardless of whether it is approved by us); income from private parties, and all proceeds from all coin and card operated devices, including but not limited to amusement devices and vending machines, all regardless of whether such sale is conducted in compliance with or in violation of the terms of the Franchise Agreement, or whether such sale is at the Restaurant or off-site, but exclusive of (i) sales or use tax actually paid to the appropriate taxing authority; and (ii) gratuities and tips paid to employees. Gross Revenue also include the fair market value of any services or products received by you in barter or exchange for your services and Products, other products and payments on credit (whether or not you received payment). No deductions are taken for credit card collection fees or for uncollected or uncollectible credit accounts, employee discounts or in respect of any other matter except as specifically stated. The retail value of all Products and other products sold in connection with the redemption of coupons, gift certificates, gift cards or vouchers is included in Gross Revenue; provided, that at the time such coupons, gift certificates, gift cards or vouchers are purchased, the retail price thereof may be excluded from Gross Revenue for the purpose of determining the amount of Gross Revenue upon which fees are due. If you participate in any discount program, including but not limited to Groupon, Gross Revenue will include the full retail value of the goods or services rendered to the customer before any discounts or commission, provided that you may not participate in such a program without obtaining our prior written consent.

3. We have the right to examine or audit your books, records, state sales tax returns and accounts. If an audit establishes that your Royalty Fee reports, Brand Fund Contribution reports or profit and loss statements have understated Gross Revenue for any period of time by three percent (3%) or more or the audit is required because you failed to submit those reports, then you must pay the audit's cost and our

expenses, including the travel, fees, wages, lodging and meal expenses of the persons who conduct the audit. Otherwise, we pay the cost of the audit. You must promptly pay us any Royalty Fee, Brand Fund Contribution or other deficiencies established by an audit, together with interest on all understated or past-due amounts. Interest is the lower of one and one-half percent (1.5%) per month or the highest rate allowed by law.

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of expenditure (1) | Amount | | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|---|
| | Low | High | | | |
| Initial Franchise Fee (2) | $35,000 | $35,000 | Lump Sum | At Signing of Franchise Agreement | Us |
| Rent Deposits (3) | $15,000 | $20,000 | As arranged | As arranged | Landlord |
| Utility Deposits (4) | $2,000 | $4,000 | As arranged | As arranged | Vendors, Service Providers |
| Construction, Leasehold Improvements (5) | $240,000 | $290,000 | As arranged | As arranged | Contractor and other Vendors |
| Design and Construction Fee (6) | $10,000 | $20,000 | As arranged | As arranged | Us or our Affiliates |
| Restaurant Opening Package (7) | $320,000 | $385,000 | Lump Sum | Upon Invoice prior to Opening | Us or our Affiliates |
| Fees for Site Visits and Project Coordinating (8) | $10,000 | $20,000 | Lump Sum | Upon Invoice prior to Opening | Us or our Affiliates |
| Insurance Deposits and Premiums (9) | $1,250 | $3,500 | As arranged | As arranged | Insurers |
| Opening Inventory (Food and Beverage) (10) | $80,000 | $100,000 | As arranged | As arranged | Vendors |
| Licenses and Permits (11) | $0 | $15,000 | As arranged | As arranged | Licensing authorities |
| Professional Fees (12) | $6,000 | $10,000 | As arranged | As arranged | Attorneys, accountants and advisors |

| Type of expenditure (1) | Amount | | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|---|
| | Low | High | | | |
| Uniforms (13) | $1,500 | $2,500 | As arranged | As arranged | Vendors or suppliers |
| Pre-opening Travel Expenses (14) | $15,000 | $15,000 | As arranged | As arranged | Vendors, Suppliers, Service Providers |
| Grand Opening Expenditures (15) | $10,000 | $20,000 | As arranged | As arranged | Vendors, Suppliers, Service Providers |
| Additional Funds (3 months) (16) | $100,000 | $144,000 | As needed | As needed | Employees, Vendors, Suppliers, Service Providers |
| TOTAL (17) | $845,750 | $1,084,000 | As needed | As needed | Various |

**__Notes__**:

1. We do not make any representation regarding whether any amounts paid to third parties are refundable. All amounts paid to us are non-refundable unless otherwise noted. Neither we nor any of our affiliates finance any of the initial investment. Financing may be available through certain of our third-party suppliers. You must request financing information from each supplier in order to determine availability.

2. Initial Franchise Fee. The Initial Franchise Fee is the same for all similarly situated franchisees. See Item 5 for additional details.

3. Rent Deposits. You will need approximately 1,500-2,000 square feet of space to operate a Restaurant. The cost per square foot of commercial space varies considerably depending upon the location and the market conditions affecting commercial property including real estate values in your area, your real estate interest (leasehold or ownership), location, size of the site, code requirements and other factors, including labor. Factors that typically affect your real estate costs include your cost to negotiate your lease (or buy the property), fair market lease values and lease terms in your area, how the costs to renovate or develop the land, building and other site improvements are allocated between landlord and tenant and interest costs, among others. Lease terms are individually negotiated and may vary materially from one (1) location or transaction to another. The estimate is based on a typical landlord's requirement that a lessee pay a security deposit equal to the total of the first month's rent, the last month's rent, and one additional month's rent upon execution of the lease. The low estimate represents a lease of 1,500 square feet at a rent equal to $30.00 per square foot and the high estimate represents a lease of 2,000 square feet with rent equal to $50.00 per square foot. Both estimates are based on a site located in a suburban geography, not city. If you must pay rent during a build-out and construction phase before opening and/or a real estate agent/broker fee, your costs will be higher. This estimate assumes that you will lease and not own the Location of your Restaurant. If you purchase real estate, your costs will be higher.

4. Utility Deposit. We estimate that you will have to pay deposits on utilities and phones. Utility deposits will vary based on your creditworthiness, location, size of the Restaurant, and other factors. Estimates are based on the historical experience of an affiliate and include electric, gas, and water. Your costs will vary based upon municipality and service provider.

5. Construction, Leasehold Improvements. The amounts include labor and construction (including your general contractor fees), and costs and expenses for the improvement of a Location premises with the approximate amount of square footage described in Note 3 above. You will need to comply with all specifications we require for your Restaurant. Your actual costs may vary considerably depending on the size of the Restaurant, the cost of local financing and other local conditions, including labor, material costs and construction fees. Estimates are based on a site that ranges from 1,500 square feet to 2,000 square feet. The low estimate assume you have acquired a suitable space that has been previously used as a restaurant, with plumbing and restrooms, a cooking hood and fire suppression system, and adequate HVAC are already in place, with adequate electric and gas service for a Restaurant. High estimates are based on a site obtained in a "vanilla box" condition. The cost of leasehold improvements can vary significantly, depending upon such factors as: (1) whether pre-construction demolition of existing walls and partitions is required, (2) whether the space was previously used as a similar establishment and already contains facilities required by code, such as a fire extinguisher system, (3) whether, and to what extent, your landlord will provide a finish-out allowance, and (4) regional differences in material and labor costs. We have not estimated the costs to purchase and renovate an existing building or the costs of new construction. We do not build free standing Restaurants from the ground up. Should you desire to do so and we provide our consent to this, your costs will be higher. Site development costs include the costs to develop the land and other site improvements, including exterior landscaping, electrical and water hookup, paving, sidewalks, lighting, etc. Some local governments may charge an additional amount for utility connections to offset their costs for maintaining water and sewer plants and these amounts are not included in the above figure. Costs can be higher if soil problems or other environmental issues are encountered and the ranges do not include potential government imposed "impact fees." These estimates do not include extraordinary costs due to extensive redesign, permitting, variances, environmental issues, legal obstacles, etc. These estimates also do not include a drive-thru. If you Restaurant will include a drive-thru, then your costs will be higher.

6. Engineering Services. You will need to purchase the Design and Construction Plans from us for completion of your Restaurant plans. We may require you in the future to pay our vendors, suppliers or personnel directly for these services.

7. Restaurant Opening Package. The Restaurant Opening Package is described in Item 5. It includes the equipment, furniture and fixtures, hardware, digital menus, signage, and logo graphics, general purpose computer, all in one printer/scanner/copier/fax, and point of sales system ("POS System") with associated credit card reader and receipt printer. This amount will vary based on the size of the Location, the amount of equipment you will need, the particular requirements of the landlord and local and state ordinances and zoning requirements. These estimates do not include transportation or shipping charges.

8. Fees for Site Visits and Project Coordinating. These costs are described in Item 5.

9. Insurance. The insurance estimate is for the cost of deposit in order to obtain the minimum required liability insurance. The cost of coverage will vary based upon the geographic area in which your Restaurant will be located, your risk management policies, the size and condition of your premises, anticipated revenue and customers and your and your personnel's years of experience in the industry, your deductible and limits, your creditworthiness, among other factors. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry. This estimate represents an estimated deposit of three (3) months of premiums and assumes you will not be required to prepay the annual premium. The policies include (i) "Special" causes of loss coverage forms, including fire and extended

coverage, crime, vandalism, and malicious mischief, on all property of the Franchise for full replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, advertising liability, damage to rented premises, medical expenses and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $5,000,000 single limit per occurrence and $5,000,000 aggregate limit; (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000; (v) Employment Practices Liability insurance of not less than $500,000; and (vi) Workers Compensation coverage as required by state law. You must show proof of coverage, meeting the insurance requirements outlined in the Franchise Agreement and Manual (as defined in Item 8) and you must name us as additional insureds. We reserve the right to reject an insurance certificate and endorsements that you provide if it does not meet the required limits or standards of quality if, in our sole opinion, the insurance does not sufficiently protect us, you or your customers. If a lease, vendor agreement or any contract requires higher limits, you are required to maintain those higher limits.

10. Opening Inventory. You must stock the Restaurant with an initial inventory of ingredients, products, accessories, and supplies. These figures reflect the basic cost of ingredients, products, and packaging required for the opening and initial operation of the Restaurant. The initial inventory is estimated as sufficient to cover initial supplies for the first thirty (30) days of operation. Ongoing inventory purchases are included in the Additional Funds category.

11. Licenses and Permits. You must obtain the operational licenses and permits required by applicable federal, state and local law. All required licenses and permits must be in place and in good standing at all times during the term of your Franchise Agreement. Building permits are not included in this item as they have been accounted for in the Leasehold Improvements line item. This includes the required ServSafe certification. The low estimate assumes these costs are included in the Restaurant Opening Package (if we provide the engineering services) or the Fees for Site Visits and Project Coordinating and passed through to you under those estimates. The high estimate assumes you incur these costs outside those services provided to us.

12. Professional Fees. These fees are representative of the costs for engagement of a contractor and other professionals such as attorneys and accountants for the initial review and advice consistent with the start-up of a franchised business including the formation of the entity that will own the Restaurant. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Restaurant.

13. Uniforms. This estimate includes the uniforms that are required for all personnel. The costs depend on the number of personnel hired at your Restaurant.

14. Pre-Opening Travel Expenses. This estimate is representative of the travel and expense associated with attending pre-opening training. These numbers are based on two (2) to three (3) people traveling to and staying near our affiliated owned location in Canada.

15. Grand Opening Expenditure. You are required to spend at least $10,000, from the period beginning no earlier than thirty (30) days prior to the opening of the Restaurant and ending no later than sixty (60) days after the opening of the Restaurant for advertising to promote the opening of the Restaurant. All grand opening advertising shall be subject to our approval in writing. Grand opening advertising expenditures may include digital advertising, print advertising, grand opening events, and giveaways, which we must pre-approve in writing.

16. Additional Funds. The estimate of additional funds is based on an approximation of expenses for the first three (3) months of operation based on the operation of our existing Shelby's locations in Canada ad adjusted for currency exchanges and our due diligence conducted on similar concepts operating in the USA. The additional funds required will vary by: (i) your area; (ii) how much you follow our methods and procedures; (iii) your management skill, experience and business acumen; (iv) local economic conditions; (v) the local market for your Products; (vi) competition; (vii) sales levels; and (viii) the Gross Revenue and cash flow for the Restaurant in the first three (3) months of operation. This estimate includes expenses such as ongoing inventory purchases, insurance premiums, rent, utilities, initial staffing, Royalty Fees, Brand Fund Contributions and other advertising expenses. This estimate does not include your living expenses or an owner draw or distributions. Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase of business and your costs may be higher.

17. TOTAL. You should not assume that you can open your Restaurant for the lowest estimates in all categories. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee. You should review these figures carefully with a business advisor before deciding to purchase the Franchise. We do not offer financing directly or indirectly for any part of the initial investment.

**MULTI-UNIT AGREEMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| **Type of expenditure (1)** | **Amount** | | **Method of payment** | **When due** | **To whom payment is to be made** |
|---|---|---|---|---|---|
| | Low | High | | | |
| Development Fee (2) | $175,000 | $175,000 | Lump Sum | At Signing of Multi-Unit Agreement | Us |
| Costs to Open First Shelby's Restaurant (3) | $810,750 | $1,049,000 | As needed | As arranged | Lessor, Vendors, Approved Suppliers, etc. |
| Additional Inventory (4) | $15,000 | $30,000 | As needed | As arranged | Vendors, Approved Suppliers, etc. |
| TOTAL (5) | $1,000,750 | $1,254,000 | | | |

Notes:

1. We do not make any representation regarding whether any amounts paid to third parties are refundable. All amounts paid to us are non-refundable unless otherwise noted. Neither we nor any of our affiliates finance any of the initial investment.

2. Development Deposit. The Development Fee is discussed in Item 5. The Development Fee listed in the low and high estimate is for the right to open and operate 5 Shelby's Restaurants which is the standard minimum amount of Restaurants developed under a Multi-Unit Agreement. You will not be required to pay any additional "initial franchise fee" for Shelby's Restaurants opened pursuant to the Multi-Unit Agreement outside the Development Fee.

3. Costs to Open First Shelby's Restaurant. This figure represents the total estimated initial investment required to open the first Shelby's Restaurant under your first Franchise Agreement, minus the Initial Fee applicable to the first Shelby's Restaurant since that amount is included in the Development Fee (see the Item 7 chart above for additional details).

4. Additional Inventory. As a developer under the Multi-Unit Agreement, you must maintain an additional inventory supply which must be stored with a reputable and experienced third-party logistics company. You must maintain an inventory reserve of no less than $15,000 until the later of 12 months or until three Shelby's Restaurants have been opened.

5. Total. This figure represents the total estimated initial investment to purchase a Development Area for 5 Shelby's Restaurants, including the estimated initial investment to open your first Shelby's Restaurant under the Multi-Unit Agreement. This figure does not include the cost to develop the second and subsequent Shelby's Restaurants under the Multi-Unit Agreement. These figures are estimates. We relied on the estimates of our existing Shelby's Restaurants locations in compiling these numbers.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We and our owners and affiliates have spent considerable time, effort and money to develop the System. You must conform to our high and uniform standards of Product quality, safety, cleanliness, appearance and service. We anticipate that our standards will change over time. You are expected to adhere to these changes. To ensure that you maintain the highest degree of consistency, quality and service, you must operate and develop your Restaurant in strict conformance with our methods, standards and specifications and obtain certain ingredients, inventory, services, supplies, materials, equipment, furnishings, fixtures and other products, including your uniforms, advertising materials, computer hardware, and software, in strict compliance with our specifications and only from us, our affiliate or the authorized manufacturers, distributors, suppliers, vendors, merchants or providers designated or approved by us. Our methods, standards and specifications (the "System Standards") are prescribed in our operations manuals and other written manuals, guides, instructions and communications whether on paper, Internet or in other electronic format (together, the "Manual").

We reserve the right to implement quality assurance audit or otherwise establish a "mystery shopper" or "secret customer" program to anonymously evaluate your operations and if we do, you must participate in the program. A significant level of negative feedback from your customers or an unsatisfactory result of a mystery shopper or customer program or quality assurance audit will be a default under your Franchise Agreement, and we may require you to participate in remedial training.

**Required Purchases from Us**.

All of the equipment, hardware, signage and digital menus must be purchased from us or our affiliate as part of your Restaurant Opening Package. The Design and Construction Plans must also be purchased from us or our affiliate. Other than the Restaurant Opening Package and the Design and Construction Plans, you are not required to purchase any other goods or items from us.

We reserve the right to require you at any time in the future to purchase any items for your Restaurant only from us or from any affiliate. We reserve the right to earn a profit on any items sold to you. We are not obligated to provide you with any warranty for any item. Neither we nor our affiliate derived any revenue from the sale of required products and services to franchisees or received payments from any designated suppliers because of transactions with franchisees during the 2025 fiscal year because we launched our franchise system in the United States this year.

None of our officers has an ownership interest in any Approved Supplier (as defined below) for the System.

**Purchases from Approved Suppliers**.

You may be required to purchase certain products and services only from suppliers that we approve including manufacturers, distributors, suppliers, vendors, merchants or providers of goods and services (including any professional services like accounting, pest control, engineering or construction, third-party supply chain and storage logistics and bookkeeping) ("Approved Suppliers"). We have the right to require you at any time to purchase other products and/or services only from Approved Suppliers.

We currently maintain a list of Approved Suppliers and criteria for approving suppliers in our Manual. We may modify this list on reasonable written notice to you.

You may request in writing our approval of alternative suppliers that are not currently approved by us. With the request, we may require that you submit a sample of the proposed product at your cost. We will grant or revoke approvals of suppliers from time to time based on inspections and performance reviews and other criteria we may outline in our Operations Manual. We must consent to your use of any supplier you propose and will make reasonable efforts to provide you with written notification of the approval or disapproval of any supplier you propose within thirty (30) days after written receipt of all information necessary for us to evaluate your proposed supplier. We have the right to require, as a condition of the approval, that our representatives be permitted to inspect the supplier's facilities and that the information, specifications and samples as we reasonably designate be delivered to us and/or to an independent certified laboratory designated by us for testing before granting approval. If you do not receive our response within the thirty (30) day time period, the request is deemed disapproved. For this approval or disapproval, you must reimburse us for our out-of-pocket expenses. We reserve the right to re-inspect the facilities and products of any Approved Supplier and to revoke our approval upon the supplier's failure to continue to meet any of our criteria.

**Purchases According to our Specifications**.

All food and beverage products, ingredients, equipment, uniforms, POS System, furnishings and other décor, signs and any items bearing the Proprietary Marks that are used in the operation of your Restaurant must be purchased according to our specifications and meet System Standards. Our list of Approved Suppliers and specifications for required purchases including brand, model and type are in our Manual or other instructional materials we may provide to you prior to opening.

*Location Selection and Lease*: You must find a site and execute a lease for the Location of the Restaurant that meets our site selection criteria within one hundred twenty (120) days of signing your Franchise Agreement unless a different time period is specified in the Multi-Unit Agreement. You must obtain our consent in writing to any lease (including any sublease) for the Location before you enter into such lease. You must deliver a copy of the signed lease to us within five (5) days of your signing. See Item 11 for additional information on site selection.

*General Contractor and Architect*: We may require our approval of your architect, engineer, and general contractor. The specifications for each position will be listed in the Manual. We may recommend architects, engineers, and general contractors to use, upon your written request.

*Standard Building Plans and Specifications*: You must construct and develop the Restaurant. We will prepare the set of standard building plans and specifications and standard recommended floor plans and send them to you. Our architect will prepare the Design and Construction Plans to the specific site and adapt the recommended floor plans to the Location. We will provide you with a complete set of construction and design documents for the Restaurant including mechanical, electrical and plumbing specifications in order to afford yourself enough time to open within the time period required under the Franchise Agreement, but you are solely responsible for ensuring your Restaurant meets the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities.

We may inspect the Restaurant during its development. You must affix a decal or placard to an exterior window or display containing the following statement "An Independently Owned and Operated Franchise." If we request, you will display prominently a "franchise opportunity" display to promote awareness of the availability Shelby's Restaurant Franchises.

*Maintenance and Repairs*: You must maintain your Restaurant in a high degree of sanitation, repair, appearance, condition and security and in the manner required by the Franchise Agreement and the Manual. You must make additions, alterations, repairs and replacements to your Restaurant (but no others without our written consent) as reasonably required for that purpose, including periodic repainting, changes in appearance, repairs to impaired or outdated equipment, and replacement of obsolete signs as we reasonably direct. You must meet and maintain the safety, sanitation and health standards and ratings applicable to the operation of your Restaurant as we reasonably require.

*Renovation and Upgrading*: You must abide by our requirements for alterations, remodeling, upgrading or other improvements to your Restaurant. This includes technological improvements as well as décor improvements including changes to the displays, signage or other branded materials. We have the right to modify the System for any reason, including, without limitation, responding to consumer expectations and buying habits, increasing efficiency, co-branding with other companies and adapting to competition. Generally, the standards for alterations, remodeling, upgrading and other improvements will not exceed the requirements applicable to new Franchises or company-owned Restaurants. Renovation or upgrading may also be required if we add new menu items that require the installation of new fixtures or equipment.

*Specifications for Employee Uniforms*: We will lend you specifications for your employee uniforms. You will ensure that all your employees follow our dress code.

*Vehicles*: If you provide catering or delivery services or otherwise utilize a business vehicle in connection with the operation of the Restaurant, then we have the right to require you to have temporary signage placed on each delivery vehicle, including your employees personal vehicles that provide these services from your Restaurant. We expect that all delivery vehicles will be kept clean, in good working order and be properly insured. You must have each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles.

*Insurance*: You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, the following insurance policies described in the Franchise Agreement and in our Manual protecting you, us, our affiliate, and our respective officers, directors, managers, partners, members, affiliates, subsidiaries and employees: (i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Restaurant for full repair and replacement value (subject to a reasonable deductible) and including damage to rented premises; (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, personal and advertising liability, damage to rented premises, medical expenses and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $5,000,000 single limit per occurrence and $5,000,000 aggregate limit (which any amount over $3 million may be satisfied by a commercial umbrella or excess policy; (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000; (v) Employment Practices Liability insurance of not less than $500,000; and (vi) Workers Compensation coverage as required by state law. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Restaurant. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us as additional insured under an endorsement we approve, must name us and our affiliates, and our respective officers, directors, managers, partners, members, affiliates, subsidiaries and employees as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement and the Manual. The types and limits of insurance required may be changed from time to time in the Manual and you must comply with any new insurance requirements. Additionally, we may designate one (1) or more insurance companies as the insurance carrier(s) for all Shelby's Restaurants. If we do so, we may require that you obtain your insurance through the designated carrier(s). We may also designate an insurance agency or broker as an Approved Supplier where you must procure your insurance from the designated agency/broker.

The cost will vary from state to state. These policies must be written by responsible insurance carriers rated "A" or better by the A.M. Best Company, Inc. and that are acceptable to us. We may periodically change the amounts of coverage required under the insurance policies and require different or additional kinds of insurance at any time, including excess liability and/or umbrella insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes apply to your Restaurant. Each certificate of insurance must include a statement by the insurer that the policy will not be canceled, subject to nonrenewal or materially altered without at least thirty (30) days' written notice to us. You must provide us with certificates of insurance, endorsements and declaration pages to each policy evidencing that we are named as an additional insured under any policy we require you to name us an additional insured and on an annual basis. On our request, you must promptly provide us with copies of all insurance policies together with proof of payment for insurance. The insurance policies must provide for a waiver of subrogation.

*POS and Computer Systems*: See Item 11 for specifications on computer systems.

*Advertising*: Any and all advertising, marketing and promotional materials you wish to use must conform to System Standards. See Item 11 for specifications on advertising. The specifications that we have formulated are in our Manual. We may modify these specifications on written notice to you. We will consider your written request for a modification of a specification if you explain the reason for the requested modification and provide us with sufficient technical data to enable us to evaluate your request. We must approve any modification of a specification you propose and will make our reasonable efforts to provide you with notification of approval or disapproval within fifteen (15) days after receipt of your request which will be at our sole discretion. If you do not receive our response within the fifteen (15) day period, the advertising material is deemed disapproved.

**Rebates, Material Benefits, Cooperatives; Revenues from Restricted Purchases**.

We may negotiate purchasing terms for franchisees from Approved Suppliers. We cannot guaranty, promise, represent, state or warrant that any Approved Supplier will offer or continue any particular pricing, warranty or other terms of sale. We may negotiate a continued supply of products from our Approved Suppliers, but cannot guaranty, promise, represent, state or warrant a continuing supply from any particular supplier. We are not under any obligation to you with respect to the terms negotiated or any supplier's terms. The arrangements we negotiate may include that Approved Suppliers pay us a sponsorship fee to help pay for the costs of an annual meeting or conference.

We do not discriminate against you or provide you with material benefits, such as renewal of your Franchise or grant you additional Franchises, based on your use of any particular Approved Supplier. We have no purchasing or distribution cooperatives in existence at this time. We may in the future form a purchasing or distribution cooperative and require you to become a member. Membership in a purchasing or distribution cooperative may require the payment of a fee in addition to other terms and conditions. We do not make any express or implied warranties with respect to any products or goods we recommend or require for your use.

The supplies or services that you are required to purchase according to our specifications or from Approved Suppliers are considered "required purchases." We and our affiliates reserve the right to earn revenue from Approved Suppliers, such as rebates or commissions, on account of their sales of any goods or services to our franchisees, including required purchases.

We estimate that your required purchases will account for 90% to 95% of your total purchases in connection with establishing the franchised business and 95% of your purchases in connection with operating the franchised business on an ongoing basis.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

| Obligation | Section in Franchise Agreement or Multi-Unit Agreement | Disclosure Document Item |
|---|---|---|
| a. Site Selection & Acquisition / Lease | F.A. Sections 4.1, 4.2 & 4.3<br>Multi-Unit Agreement Sections 2 & 4 | Items 7, 8 & 11 |
| b. Pre-opening Purchases / Leases | F.A. Sections 4.1 & 4.2<br>Multi-Unit Agreement Section 4 | Items 7, 8 & 11 |
| c. Site Development and other pre-opening requirements | F.A. Sections 4.3 & 12.3<br>Multi-Unit Agreement Sections 2 & 4 | Items 5, 6, 7, 8 & 11 |
| d. Initial & On-going Training | F.A. Sections 5.4, 6 & 8.2<br>Multi-Unit Agreement Section 6 | Items 5, 6, 7 & 11 |
| e. Opening | F.A. Section 4.4<br>Multi-Unit Agreement Section 4 | Items 6, 7, 8 & 11 |
| f. Fees | F.A. Section 5<br>Multi-Unit Agreement Section 3 | Items 5, 6, 7 & 11 |

| Obligation | Section in Franchise Agreement or Multi-Unit Agreement | Disclosure Document Item |
|---|---|---|
| g. Compliance with standards and policies operating manual | F.A. Sections 8, 9, 11.1, 11.3, 11.4, 11.5, 11.6 & 11.15<br>Multi-Unit Agreement Sections 9 & 21 | Items 8 & 11 |
| h. Trademarks and proprietary information | F.A. Sections 1.2, 9 & 10<br>Multi-Unit Agreement Section 9 | Items 13 & 14 |
| i. Restrictions on products / services offered | F.A. Sections 2.2, 8.3 & 11.4<br>Multi-Unit Agreement Section 9 | Items 8 & 16 |
| j. Warranty and customer service requirements | F.A. Section 11.1 | Item 8 |
| k. Territorial development and sales quotas | F.A. Not applicable<br>Multi-Unit Agreement Sections 1 & 2 | Item 12 |
| l. Ongoing product / service purchases | F.A. Sections 8.3, 11.1 & 11.4 | Items 6, 7 & 8 |
| m. Maintenance, appearance, and remodeling requirements | F.A. Sections 4.5, 4.6, 11.1, 11.3, 11.5, 11.6, 11.10 & 11.15 | Items 8 & 11 |
| n. Insurance | F.A. Section 11.2<br>Multi-Unit Agreement Section 5 | Items 6, 7 & 8 |
| o. Advertising | F.A. Section 12 | Items 6, 7, 8 & 11 |
| p. Indemnification | F.A. Sections 7.4 & 14<br>Multi-Unit Agreement Section 13 | Item 6 |
| q. Owner's participation / management / staffing | F.A. Sections 3, 7.1, 7.2 & 11.1<br>Multi-Unit Agreement Section 6 | Items 15 |
| r. Records and reports | F.A. Sections 11.1 & 15 | Items 6 & 17 |
| s. Inspections and audits | F.A. Sections 8.2, 11.1, 11.8 & 15 | Items 6 & 11 |
| t. Transfer of Interest | F.A. Section 16<br>Multi-Unit Agreement Sections 7 & 8 | Items 6 & 17 |
| u. Renewal | F.A. Sections 2.6, 2.7, 2.8, 2.9 & 2.10 | Items 6 & 17 |
| v. Post-termination obligations | F.A. Sections 17.4, 17.6 & 18.6<br>Multi-Unit Agreement Section 11 | Item 17 |
| w. Non-competition covenants | F.A. Sections 7.2, 17.5 & 17.6<br>Multi-Unit Agreement Section 9 | Item 17 |

| Obligation | Section in Franchise Agreement or Multi-Unit Agreement | Disclosure Document Item |
|---|---|---|
| x. Dispute Resolution | F.A. Section 21<br><br>Multi-Unit Agreement Section 19 | Item 17 |
| y. Jury Waiver provision and Arbitration provision | F.A. Sections 21.5, 21.10, 21.12, 21.13 & 21.14<br><br>Multi-Unit Agreement Section 19 | Item 17 |

## ITEM 10:

## FINANCING

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

## ITEM 11

## FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

**Franchisor's Pre-Opening Obligations**.

Before you open the Restaurant, we will assist you in the following:

1. Designating your Protected Territory (Franchise Agreement, Section 2.1).

2. Providing you with specifications and site selection criteria. (Franchise Agreement, Section 4).

3. Consenting to your Location and lease and providing you with a copy of any Collateral Assignment of Lease attached to the Franchise Agreement as Exhibit G. (Franchise Agreement, Section 4).

4. Sell you the Restaurant Opening Package. (Franchise Agreement, Section 5.15).

5. Provide our site inspections and projecting coordinating. (Franchise Agreement, Section 5.16).

6. Providing you sample designs and specifications for the layout of your Restaurant, including without limitation, the fixtures and equipment to be installed in connection with constructing, outfitting, furnishing and decorating your Restaurant. (Franchise Agreement, Section 4.3).

7. Providing you with the Design and Construction Plans. (Franchise Agreement, Sections 4.3 and 5.17).

8. During Initial Training, granting you electronic (or other access) to our Manual, which contain the information, methods, techniques and specifications for the operation of your Restaurant. (Franchise Agreement, Section 8.1).

9. Providing you with a list of approved items of ingredients, paper goods, equipment, décor, fixtures, inventory and supplies (by brand name and/or by standards and specifications) and lists of Approved Suppliers for certain items and services. (Franchise Agreement, Section 8.3).

10. Providing you with an email address. (Franchise Agreement, Section 8.2(h)).

11. Placing your Location on our Website. (Franchise Agreement, Section 8.2(h)).

12. Providing the Initial Training program for your Operating Principal and Manager, and one (1) additional trainee. (Franchise Agreement, Section 5.4).

13. Providing personnel for certain on-site support the week prior to opening of your Restaurant, as we deem appropriate and at your expense. (Franchise Agreement, Section 8.2(a)).

14. Approving or disapproving any initial advertising or marketing materials, business forms, stationery, business cards or other forms you intend to utilize in connection with your grand opening or otherwise. (Franchise Agreement, Section 12.1).

It is estimated that it will take approximately six (6) to twelve (12) months following your signing of the Franchise Agreement to open a Restaurant, but may occur earlier or later depending on the actual time required for you to accomplish items including, but not limited to: securing a Location, retaining a general contractor and architect, obtaining financing, obtaining construction, zoning, health and other permits, completing construction, securing the necessary inventory, ingredients and products, installing signs, fixtures, and equipment, and hiring and training personnel.

You must obtain our prior written consent before the opening of your Franchise. You may not open your Restaurant until: (1) you secure the minimum required insurance; (2) your Operating Principal and Manager complete initial training to our satisfaction and you have signed our Franchisee On-Site Training Agreement, a copy of which is attached as Exhibit H to the Franchise Agreement; (3) all amounts owed to us have been paid; (4) you have acquired all required permits, licenses, or third-party consents; (5) you have obtained the required opening inventory of products, ingredients and materials; and (6) you receive notice from us in writing that you satisfied all pre-opening obligations. You must be prepared to open once we confirm in writing that you met each of these requirements and are permitted to commence opening.

We do not provide you with any assistance with respect to hiring or training your personnel, except that we will provide the Initial Training.

**Franchisor's Post-Opening Obligations**.

During the operation of the Restaurant, we will:

1. Provide off-site supervision and assistance for you during the grand opening of your Restaurant to ensure that you are operating in compliance with the Manual and System Standards that we deem necessary and appropriate in our discretion, provided that you are responsible for our out of pocket costs and our trainees travel costs and expenses. (Franchise Agreement, Section 8.2).

2. Provide such continuing advisory assistance to you in the advertising and promotion of your Restaurant as we deem necessary and appropriate in our discretion. (Franchise Agreement, Section 12).

3. Provide you with any updates to the Manual and any other instruction, operations criteria or manuals prepared by us for use by our franchisees in operating their Restaurants. (Franchise Agreement, Section 8.1).

4. From time to time and in our sole discretion, provide you with new recipes. (Franchise Agreement, Section 8.2).

5. From time to time and in our sole discretion, provide you advice and written materials concerning techniques of managing and operating the Restaurant, including new developments in the System, equipment, food products, services, pricing of Products (as allowed by applicable law), packaging, and preparation and mandating the use of such new techniques and developments as applicable. (Franchise Agreement, Section 8.2).

6. From time to time and in our sole discretion, provide you with access to additional or continuing courses of training at times and locations designated by us. (Franchise Agreement, Section 6.2).

7. From time to time and in our sole discretion, conduct inspections of your Restaurant, evaluate ingredients used and Products sold at your Restaurant and recommend changes to enhance your Restaurant to ensure that it fully complies with the System and the Manual as we deem necessary and appropriate in our discretion. (Franchise Agreement, Section 15.1).

8. From time to time and in our sole discretion, maintain updated lists and provide updated lists to you of approved items of equipment, fixtures, inventory, and supplies and updated list of Approved Suppliers for those items. (Franchise Agreement, Section 8.3).

9. From time to time and in our sole discretion, provide other resources and assistance as we may in the future develop and offer to all franchisees. (Franchise Agreement, Section 6.2).

10. Once and if formed, maintain the Brand Fund in accordance with the Franchise Agreement. (Franchise Agreement, Sections 5.3 & 12).

11. Design, update and host the Website. (Franchise Agreement, Section 8.2).

12. From time to time and in our sole discretion, invite you to franchisee-oriented functions, seminars and annual meetings and conferences that we plan and sponsor. (Franchise Agreement, Section 6.3).

13. Periodically and in our sole discretion, specify minimum policy limits for certain types of insurance coverage and review, verify and/or approve proof of insurance and forms of additional insured endorsements. (Franchise Agreement, Section 11.2).

14. Provide you with access to any proprietary software programs as may be developed by us or on our behalf for use in the System in the future. (Franchise Agreement, Section 8.2).

Our individualized assistance to any franchisee (whether in person or by telephone, fax, or mail), is subject at all times to availability of our personnel. All of our obligations under the Franchise Agreement are to you only.

We do not provide assistance with respect to: (i) establishing and using administrative, bookkeeping, accounting and inventory control procedures, or (ii) hiring or training your personnel, except that we will provide Continuing Training and Additional Training, as scheduled.

**Location Selection/Lease Consent**.

If we have not agreed on a Location for your Restaurant at the signing of the Franchise Agreement, then within sixty (60) days of your signing your Franchise Agreement, you must submit to us a site proposal package for a Location for your Restaurant, as detailed in the Manual, meeting the site criteria we provide to you. We have fifteen (15) days from the submission of your site proposal package to accept or reject the Location. The criteria used by us reviewing your site includes: traffic flow and patterns, traffic count, competition, ingress and egress, population, demographics (including income), visibility, and the initial cost of remodeling, characteristics of the building, and on-going occupancy overhead expenses, and lease terms. Other factors may also be considered in evaluating your proposed location. Within one hundred twenty (120) days of your signing your Franchise Agreement, you must execute a lease for a Location for your Restaurant. We assume all franchisees will lease real estate for the Location. If you wish to purchase the real estate for the Restaurant, then you must purchase the Location within one hundred twenty (120) days of signing your Franchise Agreement. Our acceptance of the Location does not mean we believe your Restaurant will be successful at that location, and we do not guarantee the success of your Restaurant at the Location for which we provide our consent.

We will not assist you in negotiating your lease or purchase agreement. We do not typically own the premises for the Restaurant which we would then lease to you, but we reserve the right to do so in the future. However, you are required to obtain our written consent of the lease (including any sublease) or purchase agreement before entering into such lease or purchase agreement for your Location. Our consent of any lease shall be conditioned upon the lease containing lease terms acceptable to us including, without limitation, you and your landlord signing a Collateral Assignment of Lease in the form attached to the Franchise Agreement as Exhibit G. You must deliver a copy of the signed lease to us within five (5) days of its completion. Our consent to your lease is merely to state that lease conforms to the System Standards but we do not provide any analysis as to the terms and conditions of the lease.

If you do not sign a lease for the Location within one hundred twenty (120) days of signing the Franchise Agreement, then we have the right to terminate the Franchise Agreement. If you do not open your Restaurant within twelve (12) months following the signing of the Franchise Agreement, then we have the right to terminate the Franchise Agreement. Your Initial Franchise Fee will not be refunded.

If you do not meet the deadlines for signing a lease for the Location and opening your Restaurant, then we also have the right to terminate any Multi-Unit Agreement in connection with the terminated Franchise Agreement.

**Advertising**.

Except for our obligations related to the maintenance and expenditure of monies in the Brand Fund, we are not required or obligated to conduct any advertising. We have the right to modify the source of advertising at any time. We and our affiliates reserve the right to be the exclusive suppliers of the advertising materials used in the System. We are not required to spend any amount for advertising in your Protected Territory. (Franchise Agreement, Section 12).

We have the right to direct all advertising and promotional programs and activities, and the right to control and approve all the concepts, materials and media used in such programs and activities. Materials that may be provided to all franchisees in the future may include posters, banners and miscellaneous point-of-sale items. We may periodically provide you, at your expense, with consumer marketing plans and related materials for use at the local or regional level. We may periodically furnish you with samples of advertising, marketing and promotional formats and materials templates which you will then have the right to copy at your expense. (Franchise Agreement, Section 12).

**Local Advertising**.

We currently require that you spend at least $6,000 on local marketing and advertising (in addition to the grand opening expenditures), commencing upon the opening of your Restaurant (the "LAR") each year. You must submit your annual spending plan for the LAR for approval no later than thirty (30) days prior to your fiscal year end date and you must submit evidence and a detailed report of your expenditures to us on a yearly basis as outlined in the Manual. We may defer, reduce or increase the LAR in our sole discretion, but we do not anticipate increasing it beyond $12,000 during the initial term of the Franchise Agreement. We will provide you thirty (30) days' advance written notice before changing the LAR. (Franchise Agreement, Sections 12.2 & 12.4).

You may develop advertising materials for your own use at your own expense, but you may not use any advertising materials unless they are approved in advance in writing by us. (Franchise Agreement, Section 12.1). All advertising, promotion and marketing must be completely clear, factual and not misleading, conform to the highest standards of ethical marketing, and comply with the promotional policies we establish. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted for approval before you may use them. If you do not receive written approval from us within fifteen (15) days after we receive the materials, the materials are deemed not approved. You may not use any advertising or promotional materials that we have not approved or disapproved. (Franchise Agreement Section, Section 12.1).

You must promptly discontinue use of any advertising, marketing or promotional plans or materials, whether or not previously approved, on notice from us. We may require you to place advertising in specific media, such as print, social media and direct mail, and determine what percentages of your advertising spend should be allocated to each medium. All use of any of the Proprietary Marks must meet all System Standards. (Franchise Agreement, Section 12.1 & 12.2).

We reserve the right to require you to include certain language in your local advertising materials, such as "Franchises Available" and the addresses of our Website and phone number.

In addition to your LAR, you may wish to use web based platforms such as Facebook, Twitter, LinkedIn, TikTok, Pinterest, Instagram, YouTube, Snapchat, Yelp, Google+, blogs and other networking and sharing sites ("Social Media Platforms") or use any material on any Social Media Platform that makes use of our IP, Proprietary Marks, name, brand, products or your franchise whether created by us, you or a third-party ("Social Media Materials"). You may not use a Social Media Platform or Social Media Materials without our prior written approval and such platform or materials must comply with the restrictions and requirements described below in this Item 11 under "Websites." Your expenditures toward Social Media Platforms and Social Media Materials will not count towards your required LAR or Grand Opening Advertising (described below). (Franchise Agreement, Section 12.2). You must sign the Internet Website, Digital Social Media and Listing Agreement attached to the Franchise Agreement as Exhibit E assigning us all rights to any website or other web based platforms utilizing the Proprietary Marks on termination or expiration of the Franchise Agreement. If we allow you to operate Social Media Platforms, we may require that you utilize a reputation management service.

**Grand Opening Advertising**.

You are required to spend at least $10,000, from the period beginning no earlier than 30 days prior to the opening of your Restaurant and ending no later than 60 days after opening for advertising to promote the opening of your Restaurant. All grand opening advertising shall be subject to our approval in writing. Grand opening advertising expenditures may include digital advertising, print advertising, grand opening events, and giveaways, which we pre-approve in writing. You must execute on your grand open advertising strictly in accordance with the grand opening advertising plan we approve in writing. (Franchise Agreement, Section 12.3).

**Advertising Cooperatives**.

We have not formed and presently do not require any participation in advertising councils or regional advertising cooperatives, but we may form and/or require one or more to be formed in the future. We have the right to designate any geographical area in which two (2) or more Restaurants (whether franchised or owned by us or our affiliates) are located as a region for purposes of establishing a Cooperative, or we may consent to the formation of an advertising Cooperative by our franchisees. If a Cooperative is established which encompasses your Protected Territory, you will automatically and immediately become a member of the Cooperative and you must agree to contribute to the Cooperative the amount agreed upon by a majority of the members of the Cooperative, to pay that amount to the Cooperative at the times agreed upon by a majority of the members, and to abide by the Cooperative's rules. The payments you make to a Cooperative may be applied by you toward satisfaction of your LAR, but if the amount you contribute to a Cooperative is less than the LAR, you must still spend the difference locally. Each company or affiliate owned Restaurant located within the geographic area covering the Cooperative, if any, is not required to contribute to the Cooperative on the same basis as you.

Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing promotional materials for use by the members in local advertising; however, no advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. We may direct the marketing efforts of the Cooperative and/or engage an outside marketing firm which we may require the Cooperative to retain. We may permit, in our sole discretion, members of Cooperatives to determine the use of Cooperative funds. We may prepare governing documents, policies and guidelines for any Cooperative that is formed. If we do, you must comply with the documents for the Cooperative, which will be available for your review. Any deviation from such governing documents, policies and guidelines requires our prior written approval. A violation of any Cooperative agreement will be a default under the Franchise Agreement. We are not required to prepare annual or periodic financial statements for the Cooperative. If we do prepare financial statements for the Cooperative they will be available for your review. We will have the power to require cooperatives to be formed, changed, dissolved or merged. (Franchise Agreement, <u>Section 12.8</u>).

**<u>Brand Fund</u>**.

When formed, you are required to contribute up to two percent (2%) of your Gross Revenue to the Brand Fund as your Brand Fund Contribution. We may increase the Brand Fund Contribution in our sole discretion, but it will not exceed three percent (3%) during the initial term of the Franchise Agreement. We will provide you thirty (30) days' advance written notice before increasing the Brand Fund Contribution. Amounts paid into the Brand Fund are expended for purposes relating to advertising, promotions and marketing of goods and services provided by us related to the System. (Franchise Agreement, <u>Section 12.4</u>).

We or our designee will direct all advertising and promotional programs and activities and the concept, materials and media used in such programs and activities. The Brand Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks and the System. We cannot ensure, and have no obligation to ensure, that expenditures by the Brand Fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the Brand Fund by Shelby's Restaurant franchisees operating in that geographic area or that any Restaurant will benefit directly or in proportion to its contribution to the Brand Fund from the development of advertising and marketing materials or the placement of advertising. We have no other direct or indirect liability or obligation to you regarding the collection of amounts due to, or maintaining, directing or administering, the Brand Fund. (Franchise Agreement, <u>Section 12.6</u>). Each company or affiliate owned Restaurant will contribute to the Brand Fund on the same basis as you.

We determine, in our discretion, the manner in which the Brand Fund is spent. The Brand Fund will be used to meet any and all costs of maintaining, administering, directing and preparing advertising and promotional activities (including without limitation, the cost of preparing and conducting television, radio, magazine, and newspaper advertising campaign; direct mail and outdoor billboard advertising; Internet advertising including via the Website; marketing surveys and other public relations activities; advertising agencies; and promotional brochures and other marketing materials for Restaurants operated under the System). We have the right to reimburse ourselves out of the Brand Fund for the total costs (including labor and indirect costs) of developing, producing and distributing any advertising materials and administering the Brand Fund Contribution (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Fund Contribution). (Franchise Agreement, Section 12.5.) We are not required to audit the Brand Fund. (Franchise Agreement, Section 12.6). We are not required to keep Brand Fund Contribution segregated in a separate account and they may be commingled with general operating funds, however, we will account for it separately.

Any unspent accrued Brand Fund Contribution for any calendar year will be used in a subsequent calendar years. We are not required to provide franchisees with periodic accounting of the Brand Fund, including the fees paid into the by franchisees, but if we do prepare an accounting of the Brand Fund we will make it available to you upon your written request that must be submitted to us. If we advance any amount to the Brand Fund, we will be entitled to be reimbursed for any such advances. Although the Brand Fund is intended to be perpetual, we may terminate the Brand Fund at any time and we have no obligation to maintain the Brand Fund in perpetuity. If the Brand Fund is terminated, all unspent monies on the date of termination will be spent for Brand Fund purposes. (Franchise Agreement, Sections 12.4 & 12.6).

We will not use any monies from the Brand Fund for the preparation of franchise sales solicitation materials although we reserve the right to include "*Franchises Available*" or similar language with our contact information on any advertising purchased or created by the Brand Fund. (Franchise Agreement, Section 12.5).

**Computers**.

You are required to purchase a POS System approved by us which meets System Standards and as outlined in the Manual. The main functions of the POS System are to act as a menu ordering system that allows cashiers to quickly process orders and cash register. We may require you to obtain additional software in connection with the operation of your POS System. The POS System collects and manages information about the various sales transactions at your Restaurant, including detailed sales data, inventory, cost of goods, prices, coupons, taxes, customer data and other sales information.

You must also install and maintain a general purpose computer including the hardware, a printer/scanner, general accounting and/or bookkeeping software and word processing software (the "Computer System"). The Computer System must also include a security and camera system. The computer must have access to the Internet and be equipped with computer hardware components, software, and peripherals (such as printer and scanner) that we require and that meet our specifications. You must use an accounting system capable of generating sufficient accounting reports and information that we require from time to time. We may require that you use a certified public accountant to prepare your financial statements. (Franchise Agreement, Section 9.1).

You must also maintain Internet service that allows you an unlimited Internet connection, email and online communication abilities as we require. (Franchise Agreement, Section 9.1).

We estimate that the POS System and the Computer System including the computer hardware, a printer/scanner, general accounting and/or bookkeeping software and word processing software, and security and camera system will have an initial cost of $55,000 and incur monthly cost of maintenance, support services and service fees ranging from $800 to $1,200 ($9,600-$14,400 annually). (Franchise Agreement, Section 9.1)

We have no obligation to provide any maintenance, repairs, upgrades or updates to you and there are no contractual limits on the frequency and costs of your obligation to maintain, upgrade or update the POS System or Computer System (as defined below) to conform to our specifications. We do not guarantee, warranty, maintain, or support any computer hardware in any manner. There may be additional fees associated with upgrades to the POS System. You are contractually required at your expense to upgrade and update the POS System and Computer System to remain in compliance with our standards and specifications as well as purchase any additional software we may require. There are no contractual limitations on the frequency and cost of this requirement.

We have access to all of your electronic information through the POS System and Computer System at all times. We and our Approved Suppliers have the right to electronically and manually access the information that the POS System generates. You must cooperate with us in helping us access this information. We will have independent access to your sales information and other data produced by your POS System. There are no contractual limitations on our right to access this information and data. You will be responsible for all costs associated with any computer systems including accessing the Internet. (Franchise Agreement, Sections 9.1 & 15.1).

In the future we may require different systems or permit the use of different systems depending on the size of your Restaurant. We reserve the right to discontinue any service or support we may offer for any system at any time for any reason or change any required vendors for the products or services at any time for any reason. You must replace, upgrade and maintain these systems at your sole expense. (Franchise Agreement, Section 11.6).

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, data related problems and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-Problems. This may include trying to secure your Computer Systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

We are not obligated to provide or assist you in obtaining any of the above items or services.

**Websites**.

You will not have any right to host the Website, however, you will be provided a listing on our Website designated for your Restaurant that you must prepare in accordance with our System Standards. All content is subject to our prior written approval. The Website will contain information on the Products offered by Shelby's Restaurants. The Website may also contain information on the awards and achievements of us, our franchisees and our affiliates. The Website and its content is updated based upon our judgment of what is appropriate and all changes, deletions and additions are at our sole discretion. We may restrict, limit, control or designate nearly every aspect of your use of websites, the Internet, intranets, worldwide web home pages or e-mail, and require you to participate in a centralized website. Neither you, nor any of your Owners or employees, are permitted to use an e-mail address that is not associated with our https://www.shelbys.ca URL for your Shelby's Restaurant Franchise. (Franchise Agreement, Section 9.2). You may not establish any website, blog, Facebook page, X account, email distribution list, YouTube account, Instagram account, Snapchat account, or other Social Media Platform, World Wide Web or Internet-based presence which uses or displays any of our IP (whether Social Media Materials or otherwise) without our prior written consent, and, at our sole option, you will take such action necessary to cause certain websites or other Social Media Platforms, including, but not limited to, Facebook, Twitter, Instagram, YouTube, Snapchat, and other such mediums, currently in existence or developed in the future, to assign primary administrative rights to us for your Restaurant. We will then, in our sole discretion, provide you with subordinate administrative access to, and guidelines for your use of, such mediums, so that you may promote your business locally. We also have the right to request that you turn over all passwords to any Social Media Platforms or similar internet-based mediums immediately upon creation. Upon termination or expiration of the Franchise Agreement, we will remove your administrative access, and we retain ownership and control of all content created during the term of the Franchise Agreement. (Franchise Agreement, Section 10.1).

**Advisory Council**.

We reserve the right to form an advisory council to assist us with various components of our System, including Products offered by Restaurants, marketing and promotion, training, and other aspects of the System. If we create an advisory council, it will act in an advisory capacity only and will not have decision-making authority. We will have the right to form, change, merge and dissolve any advisory council at any time. (Franchise Agreement, Section 12.10).

Members of an advisory council will include our representatives and franchisee representatives. The franchisee representatives may be chosen by us or may be elected by other franchisees in the System. If you are chosen and agree to participate on an advisory council, you will pay all costs and expenses you incur related to your participation, including travel, lodging and meals expenses for attending council meetings. (Franchise Agreement, Section 12.10).

**Gift Card, Loyalty Programs, Surveys and Marketing Tests**.

You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty, VIP, or retention, or special promotional program that we implement for all or part of the System and sign the forms and take the other action we require for you to participate in these programs. You are obligated to offer all customers participation in our loyalty program and register all participants as described in the Manual. (Franchise Agreement, Section 12.11).

You may be asked to participate in marketing tests and surveys. In the event that you are approved to participate, you may be required to enter into an agreement that outlines all the requirements for marketing tests and surveys. All test and survey requirements, processes and procedures must be adhered to and any applicable costs will be our responsibility. You must provide complete data statistics on the tests or surveys for our review and evaluation.

**Credit Cards**.

It is your responsibility to maintain and report your PCI (Payment Card Industry) compliance, which encompasses operational policies and practices as well as networks and POS System, and other hardware/software used to process credit card transactions, as well as attesting that you are abiding by (i) the PCI Data Security Standards ("PCI DSS") enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published from time to time by payment card companies and/or enacted by law, and are applicable to customer credit card and debit card information. If you know or suspect a security breach, you must immediately notify both your credit card transaction acquirer and us. You assume all responsibility for providing notice of breach or compromise, along with duties and costs associated with fraudulent transactions, penalties, and ongoing fees for monitoring customer credit card histories and/or transactions for affected customers of your Restaurant. If we determine, in our sole discretion, that any breach or compromise may impact multiple franchisees or our System or brand, then we have the right to control the data breach response. You remain financially responsible for the breach.

We reserve the right to terminate your Franchise Agreement and/or suspend credit card processing at any Location which does not comply with the current PCI compliance requirements. We recommend consulting a local information technology professional with a full understanding of the PCI DSS and Networking configuration to advise you on specific setup and maintenance requirements. (Franchise Agreement, Section 9.1).

**Manual**.

For the duration of the Franchise Agreement, we will grant you electronic access to the Manual or make them available to you by paper, Internet or electronic format. The Manual contain mandatory and suggested specifications, standards and operating procedures. The Manual are highly confidential, are on loan to you and remain our property. We may revise the Manual from time to time by posting the revisions electronically or by letter, memorandum, bulletin, videotape, audiotape, diskette, CD ROM, electronic mail or by other written or electronic communication, including the Internet. You must abide by all revisions. The total number of pages of our Manual and Table of Contents are listed on Exhibit F and is currently 215 pages. You are prohibited from copying or distributing the Manual in any manner whatsoever. You must only use the information contained in the Manual to manage and operate the Restaurant and may not use such information for any other purpose. (Franchise Agreement, Sections 8.1 & 10.1(b)).

**Training Program**.

Our Initial Training is available to three (3) people (the "Initial Training") at no additional fee. Subject to availability, you may send additional attendees to Initial Training with your Operating Principal and Manager during the same training sessions at a cost of $30 per hour, per attendee, per day. The Initial Training is mandatory for your Operating Principal and Manager. We reserve the right to modify any aspect of our training program to accommodate the needs or experience of any individual trainee. Initial Training will occur at one of our corporate Restaurants or another location designated by us. You must complete the Initial Training to our satisfaction at least thirty (30) days prior to the opening of the Restaurant. The failure of your Operating Principal and Manager to complete the Initial Training to our satisfaction will give us the right to terminate your Franchise Agreement. (Franchise Agreement, Section 6.1).

Although we do not charge a fee for the Initial Training for three (3) people, which must include your Operating Principal and Manager, you will be responsible for all expenses, including costs and expenses of transportation, lodging, meals, and wages and employee benefits for your trainees. All trainees must be at least eighteen (18) years of age. (Franchise Agreement, Section 6). All trainees must provide their ServSafe or other locally approved equivalent food handler's certification prior to attendance at Initial Training.

Our Initial Training program lasts approximately two (2) weeks for a total of 105 hours, with training of between 6-9 hours per day. Initial Training is offered on an as needed basis during the year depending on the number of new franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Restaurants. The subjects covered and other information relevant to the Initial Training are described as follows:

## TRAINING PROGRAM

| Training Topic | Hours of Classroom Training | Hours of On the Job Training | Location |
|---|---|---|---|
| Day 1: Orientation, expectations, and employee onboarding process and daily checklists | 0 | 6 | Corporate Restaurant |
| **Food training - Restaurant Employee Perspective** | | | |
| Day 2: Opening the Restaurant - orientation & safety walkthrough, food safety requirements, dish area how-to's, food safety, protein training, Shelby's wraps, bowls and boutines, prep and knife handling, FIFO, and par levels | 0 | 9 | Corporate Restaurant |
| Day 3: Closing the Restaurant - record keeping, pest control, grease trap cleaning requirements, fire suppression and hood cleaning requirements, human resources best practices, taste and temperature checks, manage protein station, demonstration of signature menu items, sides and desserts, and food making practice | 0 | 9 | Corporate Restaurant |
| Day 4: Closing the Restaurant - best practices for hiring and employee retention, POS training, food practice, cleaning list use, pre-closing duties, and hands-on closing of restaurant. | 0 | 9 | Corporate Restaurant |
| Day 5: Mid-shift - food practice, POS order taking practice and further review of tasks learned to date | 0 | 9 | Corporate Restaurant |
| Day 6: Opening shift - open the Restaurant hands on, food practice. POS order taking practice, set Restaurant employment policies, schedule job fair, and food knowledge test | 0 | 9 | Corporate Restaurant |
| **Restaurant Management Perspective** | | | |
| Day 7: Administration review (monday package), leadership role and tasks, coaching vs. managing, REVEL backend review, 3rd party aggregator review, Feedback program back end review, Pars, cost control, operations oversight, inventory management, portion control, labor cost management, training and development, audits, SOPs, employee engagement, communication, health and safety compliance, preventative maintenance and creating a culture | 0 | 9 | Corporate Restaurant |
| Day 8: Opening shift - open Restaurant hands on as manager, opening manager check list practice, position chart, manager tasks on the POS, train, coach and support staff on shift, and food practice if needed | 0 | 9 | Corporate Restaurant |
| Day 9: Closing shift - practice closing checklist/manager checklist, role playing mock scenarios, review resources available to staff/managers, looking from above, hands on closing as management, practice train, coach and support of staff. | 0 | 9 | Corporate Restaurant |
| Day 10: Closing shift - practice training others on menu items and tasks, audit walkthrough, managing the shift hands on, and audit action plan review | 0 | 9 | Corporate Restaurant |

| | | | |
|---|---|---|---|
| Day 11: Mid-shift - manage the full shift, train, coach and support team, practice training food and tasks with others, role play scenarios or review outcomes of live events, maintain all checklists and standards as a manager of the entire team | 0 | 9 | Corporate Restaurant |
| Day 12: Opening shift - open the Restaurant as a manager, review content, practice any areas of weakness, recap next steps, hands on test (train the trainer), debrief of strengths and areas of opportunity for next training at local Restaurant | 0 | 9 | Corporate Restaurant |
| **SUBTOTAL HOURS** | **0** | **105** | |
| **TOTAL HOURS** | **105** | | |

We reserve the right to amend, modify, supplement, vary and/or delete any portion of the contents of the Initial Training. It is the nature of Shelby's Restaurant's that all aspects of training are integrated, meaning there are no definitive starting and stopping times. We tailor our training to the needs of the participants to maximize the value of time. Training is overseen by Jason LeGroulx, who has over thirty (30) years of relevant experience in the restaurant industry and he has been associated with us since September 15, 2022. The materials used in the Initial Training include the Manual, PowerPoint presentation, handout and other various written materials.

Any replacement Operating Principal or Manager must be approved by us and must successfully complete Initial Training, for which you must pay us our then-current fee, which is currently $30 per hour, per person per day. In addition, you are responsible for any travel and other expenses or costs. (Franchise Agreement, Section 6.2).

We reserve the right to furnish one (1) person, experienced in the System, to assist you at your Location for such period immediately preceding or following the opening as We in our sole discretion deem reasonable, at a cost of $30 per hour, per person per day. In addition, you are responsible for any travel and other expenses or costs.

**Continuing, Supplemental, Retraining & Refresher Training.**

We reserve the right to impose reasonable charges for training materials in connection with continuing, supplemental, additional or required training courses. We will notify you of any additional charges before you or your employees enroll in a course. (Franchise Agreement, Section 6.2).

You will be responsible for all of our expenses and costs including transportation and meals of our personnel if we determine, in our sole discretion, that we need to provide required training to your Owners, your Operating Principal or Managers (1) because we determine it is necessary or appropriate, in our sole discretion, to protect the quality, integrity and/or reputation of the System, Proprietary Marks and/or IP, including, without limitation, because you are in default of the Franchise Agreement or otherwise in violation of our System Standards; (2) upon your failure to comply with System Standards as determined during our first 6 months operational support visits and audits; or (3) upon a change in your Operating Principal or Managers. You will also pay us our then-current fee, which is currently $30 per hour, per person per day. (Franchise Agreement, Section 6.2). Failure to attend any required continuing or required training is a default under the Franchise Agreement. (Franchise Agreement, Section 18.2).

**Meetings, Conventions & Conferences.**

We may in our discretion also conduct seminars or hold annual meetings or conferences from time-to-time for the benefit of all franchisees. There is currently no registration fee, but you must pay for all of your associated expenses, including the expense of salaries, travel, meals, lodging, and miscellaneous expenses of your personnel attending such seminars, meetings or conferences. We reserve the right to charge a registration fee for our annual meeting or conference in an amount not to exceed the actual cost per attendee for such conference. Your failure to attend mandatory seminars, meetings or conferences will be treated as a default under the Franchise Agreement. (Franchise Agreement, Section 6.3).

## ITEM 12

## TERRITORY

**Location and Protected Territory.**

Your Franchise Agreement will grant you the right to open a Restaurant at a specified Location within a designated Protected Territory, which is the area within which we agree not to locate another franchised company, or affiliate-owned Shelby's Restaurant so long as you are in compliance with the terms of your Franchise Agreement. The Protected Territory is not an "exclusive territory" because we reserve the right to locate a Shelby's Restaurant in a Reserved Venue, as defined below, in your Protected Territory.

If your Location is not determined before the signing of your Franchise Agreement, then we will provide you a designated search area where you are permitted to locate a suitable premises for your Restaurant. You have no exclusivity to the designated search area.

If you receive our consent for a Location before or at the signing of the Franchise Agreement, it will be identified on Schedule I to the Franchise Agreement at signing. Otherwise, we will update Schedule I upon the approval of your Location. Once your Location is approved, then your Protected Territory will be identified on Schedule I to the Franchise Agreement. You are not granted any other rights.

We and our affiliates reserve the right to sell another Franchise, open another Restaurant or open another business anywhere outside of your Protected Territory, regardless of proximity to your Location, and authorize these other franchisees and businesses to provide the same Products that you provide outside your Protected Territory.

Generally, each Protected Territory is determined by radius or demographics, taking into account daytime population and activity, traffic patterns, demographics, competition in the marketplace, and other applicable analytics. The size of your Protected Territory may be impacted by natural boundaries (rivers, lakes, mountain ranges etc.). Your Protected Territory will typically consist of approximately 3 city blocks if you are located in an urban environment or approximately 2 miles if you are located in a suburban or rural environment. If we determine your Protected Territory based on population, the typical Protected Territory is comprised of approximately 50,000 people.

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

**Performance Standards.**

Continuation of your Protected Territory does not depend on the achievement of a certain sales volume, market penetration or other contingency but we may modify your Protected Territory upon renewal of your franchise agreement due to shifts in population. We can also modify your Protected Territory or remove the rights to the Protected Territory if you do not meet System Standards.

You may not market your Restaurant or solicit customers outside of your Protected Territory without our prior written approval. You may host off-site events and offer catering and delivery services only with our prior written consent. If you obtain our consent, you must provide the services in accordance with our standards as outlined by us in the Manual. We may require approval of each off-site event you wish to service.

**Right of First Refusal.**

The Franchise Agreement does not grant you the right to acquire additional Franchises within or outside of your Protected Territory.

**Reservation of Rights.**

We and our affiliates reserve all rights not expressly granted to you in the Franchise Agreement, and which you have no right to conduct, including, without limitation:

1. The exclusive right to own and operate Restaurants at any location(s) outside of your Protected Territory under the Proprietary Marks or using the IP, or to license others the right to own and operate a Restaurant at any location(s) outside of your Protected Territory under the Proprietary Marks and System or using the IP. The Franchise Agreement does not provide you with competitive protection, at all, outside the boundary of the Protected Territory.

2. The exclusive right to own and operate different businesses other than a Restaurant under the Proprietary Marks inside or outside your Protected Territory.

3. The exclusive right to sell Products and other products, goods and merchandise, bearing the Proprietary Marks through the Internet, catalog sales, telemarketing, or other direct marketing channels without compensation to you. These products and merchandise may be similar or identical to Products sold within your Restaurant, and customers who purchase our Products through such channels may be located within your Protected Territory.

4. The exclusive right to distribute our Products and other products, goods and merchandise to wholesalers or retail businesses (such as supermarkets and specialty stores) or through the Internet, catalog sales, telemarketing, or other direct marketing ("Alternative Distributors") without compensation to you. Alternative Distributors may operate inside the Protected Territory; there are no geographic limitations on the territory in which we or our affiliates may distribute Products to Alternative Distributors. Further, Alternative Distributors may engage in direct competition with your Restaurant and there are no restrictions on the type of products or merchandise an Alternative Distributor may offer. We or our affiliates may fulfill all orders placed through the retail portion of our Website and you will not be entitled to any portion of the profits received from this, even if the customer's order is generated from or delivered to an address in your Protected Territory.

5. The right to establish, within the Protected Territory, another Restaurant on the premises of any "Reserved Venue." Reserved Venues include any self-contained facility (such as a shopping mall, hospital, military base, state or national park, stadium, airport, public transportation facility, toll booth and travel plazas, corporate facility, spa, convention centers, health club, hotel, amusement park, theme parks, casinos, fair ground, school or university campus or sports arena) business or industrial contract foodservice settings or any similar captive market location as well as special

events like street fairs, parades, sporting events and similar occasions. We or our affiliates may operate at any Reserved Venue on a temporary, seasonal or permanent basis. We or our affiliates reserve the right to utilize mobile vehicles for promotional and advertising purposes for special events and within your Protected Territory.

6. The exclusive right to own and operate businesses under different marks inside or outside your Protected Territory, or license others the right to own and operate businesses under different marks inside your Protected Territory except that we will not locate another Restaurant under different marks that derives more than 50% of its Gross Revenue from the sale of Middle Eastern cuisine in your Protected Territory.

7. The right to use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in the Franchise Agreement.

Despite clauses (1) through (7) above, we may acquire or merge with any existing business located inside or outside your Protected Territory and operate that business using the IP, Proprietary Marks and System. There are no restrictions on our right to solicit or accept business from consumers inside the Protected Territory without paying any compensation to you.

We make no guarantees, promises, representations, statements or warranties that other franchisees will not advertise or market to customers within your Protected Territory. We, in our sole discretion, may enforce the advertising and marketing restrictions indicated in this Item, but we are under no obligation to do so. Under no circumstances will we be liable to you if other franchisees market or advertise to customers within your Protected Territory. Other franchisees may advertise and market within your Protected Territory if the advertising or marketing is not specific to your Protected Territory (for example, advertising in a newspaper with general circulation). Neither we nor our affiliates have a plan to operate a franchise under a different trademark that offers services and products similar to the Products, but we reserve the right to do so in the future.

**Relocation**.

You may only operate one (1) Restaurant in the Protected Territory at the Location and you may relocate that Restaurant, in or outside of the Protected Territory, only with our prior written approval. We may consent to the re-location of your Restaurant based on your Restaurant's existing financial performance, the quality of the proposed availability of a site for relocation and other criteria used to consent to a Restaurant location, however, we do not have to accommodate any relocation. You must reimburse us for our costs and expenses included in connection with any relocation request. Aside from cases of force majeure, the new Restaurant location must be open and operating prior to the closure of your current Location.

**Multi-Unit Agreement**

We grant you an exclusive territory in which to develop and operate the number of Shelby's Restaurants in your development area that is specified in your development schedule, which is an attachment to your Multi-Unit Agreement, if you comply with the terms of your Multi-Unit Agreement.

The development area is typically described in terms of zip codes, metropolitan statistical areas, geographic boundaries, political boundaries, a map depicting the development area or another well-defined means of designation. The Development Area may be all or a portion of a town, a contiguous number of zip codes, a single or multi-county area, or some other geographically identifiable area, which will be described in the Multi-Unit Agreement. The actual size of your development area will vary depending upon the availability of contiguous markets, our long-range development plans, your financial and operational resources, population and market conditions and the number of Restaurants to be developed. We determine the development area before you sign the Multi-Unit Agreement based on various market and economic factors like market demographics, the penetration of similar businesses in the market, expansion potential, the availability of appropriate sites and growth trends in the market. Our designation of a particular development area is not an assurance or warranty that there is a sufficient number of suitable sites for Restaurants in the development area for you to meet your development schedule.

It is your responsibility to locate and prepare a sufficient number of suitable sites, and we have no obligation to approve sites that do not meet our then-current site criteria at the time you present a proposed site so you can meet your development schedule.

We have the right to designate the "Protected Territory" for each Franchise Agreement you sign under your Multi-Unit Agreement.

We have the right to approve the site and the proposed lease for each of your facilities, but it is your responsibility to find sites that you and we mutually agree on.

Our then-current standards for site location and territories will apply at the time you sign a franchise agreement for each new franchised Restaurant, which standards may differ from our now-current standards.

Except as described below, during the term of your Multi-Unit Agreement, we and our affiliates will not operate or grant a franchise for the operation of Shelby's Restaurant in your development area. However, we have the right to terminate or modify your Multi-Unit Agreement if you are not in full compliance with all of the terms and conditions of your Multi-Unit Agreement and with all of the franchise agreements you sign under it.

If you comply with your obligations under your Multi-Unit Agreement, your development area may not be altered unless we and you mutually agree to do so. There are no minimum sales goals, market penetration or other contingency that you must meet to keep the exclusivity of your development area, except that you must meet your development schedule.

To maintain your rights under your Multi-Unit Agreement, you must have open and in operation the cumulative number of Restaurants stated in your development schedule by the dates you agreed to in your development schedule. If you do not meet your development schedule, then, at our option, we may terminate your Multi-Unit Agreement and your right to develop additional Restaurants in your development area.

The termination of your Multi-Unit Agreement does not automatically terminate the franchise agreements you have signed up to that date or the operation of any facilities you are then operating under your franchise agreements.

The termination of any franchise agreement you have signed will be a breach of your Multi-Unit Agreement and may result in the termination of your Multi-Unit Agreement.

If you fail to comply with the development schedule, or otherwise materially default under the Multi-Unit Agreement, then we may (in addition to our other remedies) terminate the Multi-Unit Agreement. When the Multi-Unit Agreement expires or is terminated, you cannot develop additional Restaurants in the Development Area (but may complete development of and/or operate Restaurants under the existing Franchise Agreements) and we may develop or authorize others to develop Restaurants in the Development Area and exercise all rights not expressly granted to you under your franchise agreements.

When your Multi-Unit Agreement expires or terminates, your exclusive rights for your development area terminate. If you and we do not enter into another Multi-Unit Agreement, then we and our affiliates have the right to operate and to grant to others development rights and franchises to develop and operate Restaurants in your development area, subject to your rights to any "Protected Territory" specified in each of your franchise agreements then in effect. If you do not sign another Multi-Unit Agreement and if you are in good standing, your rights under any of your currently effective franchise agreements will not be changed, and you can still renew any of your franchise agreements. Any new Multi-Unit Agreement that you sign may contain very different terms than your current Multi-Unit Agreement.

## ITEM 13

## TRADEMARKS

The Franchise Agreement grants you the right to operate a Restaurant under the "Shelby's Restaurant" mark and to use any future Proprietary Marks we authorize so long as you are in compliance with the terms of the Franchise Agreement.

The following Proprietary Marks have applications pending with the U.S. Patent and Trademark Office ("USPTO"):

Shelby's IP filed applications for trademark registration with the USPTO for the following Proprietary Marks. Following registration and at the appropriate times, Shelby's IP intends to renew the registrations and to file all appropriate continued use affidavits.

| MARK | REGISTER | APPLICATION DATE | SERIAL No. |
|---|---|---|---|
| SHELBY'S | Principal | November 25, 2024 | 98871478 |
| SHELBY'S | Principal | December 8, 2022 | 97709263 |
| NO KETCHUP ON SHAWARMA | Principal | May 17, 2024 | 98556099 |
| SHAWARMA MAN | Principal | May 17, 2024 | 98556114 |

We will also license to you the right to use the below logos and slogans which are not registered on the USPTO:

| | |
|---|---|
| SHELBY'S | SHELBY'S FOOD EXPRESS |
| NOURISH YOUR APPETITE AT SHELBY'S | |

We do not yet have a federal registration for the Proprietary Marks, although three of the trademarks have been allowed by the USPTO. Therefore, these Proprietary Marks do not have as many protections as a federally registered trademark. If our right to use any of the unregistered Proprietary Marks is challenged, you may have to change to an alternative trademark.

Shelby's IP has licenses to Shelby's USA IP the non-exclusive right to use, and sublicense the use of, the Proprietary Marks, IP and System in connection with the offer, sale and operation of Shelby's Restaurants (the "Canada License Agreement"). The Canada License Agreement is for a term of perpetuity unless Shelby's IP terminates the license. However, termination of the Canada License Agreement will not affect existing franchise agreements.

Shelby's USA IP licenses us the non-exclusive right to use, and further sublicense the use of, the Proprietary Marks, IP and System in connection with the offer, sale and operation of Shelby's Restaurants (the "USA License Agreement"). The USA License Agreement is for a term of perpetuity unless Shelby's USA IP terminates the license. However, termination of the USA License Agreement will not affect existing franchise agreements.

Exclusive of the coexistence and consent agreements discussed below, no other agreement limits our right to use or license the Proprietary Marks.

Shelby's IP is subject of a Mutual Co-Existence Agreement (applicable to the United States and Australia), entered into on December 20, 2024, with Garrison Drama Limited (a UK private limited company) ("Garrison"), governing the use and registration of the S SHELBY'S and design trademark and coexistence with their SHELBY trademark registration number 7021402. Material terms of that Agreement include Garrison's Consent to the use and registration of the S SHELBY'S and design trademark, provided the use and registration is always associated with services "featuring shawarma". Shelby's IP further agreed not to challenge any SHELBY-formative mark of Garrison, provided it is not in use with, nor contain "shawarma" goods or services. A subsequent Consent Agreement was entered on April 3, 2025, between Shelby IP and Garrison, containing materially similar terms, and submitted to the USPTO, in order to permit coexistence and registration with Garrison's earlier registered SHELBY trademark.

With the exception of the license, coexistence and consent agreements described above, there are no agreements currently in effect that significantly limit our rights to use or license the use of such Proprietary Marks in a manner material to the Franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks.

**Use of the Proprietary Marks**.

We grant to you the right to operate a Restaurant under the name "Shelby's" and to use the Proprietary Marks so long as you are in compliance with the terms of the Franchise Agreement. We will enter into a License Agreement to grant you the use the Proprietary Marks for the operation of your Restaurant. You have no other rights in the Proprietary Marks. You must use the Proprietary Marks in the manner we direct and in a manner consistent with the rights licensed from Shelby IP. You cannot use the Proprietary Marks for any other purpose.

You must follow our rules when you use the Proprietary Marks. You may not use the mark "Shelby's Restaurant" or any other Proprietary Marks or IP in your own corporate or other legal name. We must consent to your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials "D/B/A" and the business name "Shelby's Legendary Shawarma" or "Shelby's Legendary Shawarma of _________" (insert location name). You must promptly register at the office as provided for by the laws of the state in which your Restaurant is located and/or if required at the office of the county in which your Restaurant is located, as doing business under such assumed business name.

We or our affiliates are the lawful and sole owner of the domain name: http://www.shelbyscanada.com. You cannot register any of the Proprietary Marks now or in the future owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue use of a website, including the Website, using the Proprietary Marks. Except as we may authorize in writing in advance, you cannot: (i) link or frame our Website, (ii) conduct any business or offer to sell or advertise any Products on the worldwide web, or (iii) create or register any Internet domain name in connection with your Restaurant.

You may use only the Proprietary Marks which we designate, and may use them only in the manner we authorize and permit. Any goodwill associated with the Proprietary Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit remains our property. You may use the Proprietary Marks only for the operation of a Shelby's Restaurant Franchise or in advertising for the Restaurant. You must use all Proprietary Marks without prefix or suffix and in conjunction with the symbols "SM," "S," "®," or "™" as instructed by us. You may not use the Proprietary Marks in connection with the offer or sale of any services or Products which we have not authorized for use in connection with the System.

**Infringements**.

You will be obligated to notify us of any unauthorized use, suspected use or claim to use the Proprietary Marks, the use, suspected use or claims of rights to the Proprietary Marks by third parties or the use or suspected use by any third party of confusingly similar Proprietary Marks. You do not have the right to take any action to enforce or defend any rights associated with the Proprietary Marks. Upon such notification, we have the right to decide whether or not to take affirmative action. We reserve the right, but are not required, to protect your right to use the Proprietary Marks. We have the right to control any administrative proceedings or litigation arising from any affirmative action that we may choose to commence. In the event that we engage in any litigation in the defense or prosecution of the Proprietary Marks, we will bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Franchise Agreement's provisions relating to the Proprietary Marks. You agree to execute any and all documents and do such acts and things as may be necessary or desirable, in the sole opinion of our legal counsel, to carry out such defense or prosecution. If requested, you must participate in the litigation matter involving the defense of the Proprietary Marks. You are not entitled to any compensation as a result of the discontinuation or modification of any of the Proprietary Marks as a result of any proceeding or settlement. If you elect to be represented by personal legal counsel in connection with any proceeding involving the Proprietary Marks, you will bear the fees, expenses, and other costs associated with such personal legal counsel.

You must also agree not to contest our interest in the Proprietary Marks and other trade secrets.

You acknowledge that the Proprietary Marks are valid and are our sole property. You cannot, either during or after the term of the Franchise Agreement, do anything, or aid or assist any person to do anything, which would infringe upon, harm, or contest our rights in any of the Proprietary Marks. You further must agree not to hinder or prevent us from using or franchising the Proprietary Marks in any jurisdiction.

**Changes to the Proprietary Marks**.

If we determine that it becomes advisable for us and/or you to modify or discontinue the use of any Proprietary Mark and/or use one (1) or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. You will pay the expense of changing your Restaurant signage and other trade dress. Further, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Proprietary Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

## ITEM 14

## PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

**Copyrights**.

We or our affiliates claim copyrights in the Manual, service brochures, the Website, Product and service materials, advertising materials and related items used in operating the Franchise (the "Copyrighted Materials"). We may further register, develop, change, cancel, enhance or modify Copyrighted Materials at any time. We have not registered any Copyrighted Materials with the United States Registrar of Copyrights.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the Copyrighted Materials. Nor are there any agreements currently in effect which significantly limit our right to use or authorize franchisees to use the Copyrighted Materials. Furthermore, there are no infringing uses actually known to us which could materially affect a franchisee's use of the Copyrighted Materials in any state. We are not required by any agreement to protect or defend Copyrighted Materials or confidential information, although we intend to do so if this action is in the best interests of the System.

If we decide to add, modify or discontinue the use of a Copyrighted Material, you must also do so. We are not obligated to reimburse you for any costs of complying with this obligation. You do not have the right to take any action to enforce or defend any rights associated with the Copyrighted Materials. However, you must promptly notify us in writing if you become aware of any infringement of our copyrights, or if any infringement claims are made against you in connection with your use of the Copyrighted Materials or for expenses, costs and damages in actions involving Copyrighted Materials. We will then decide, in our sole discretion, what action, if any, will be taken. In the event that we engage in any litigation in the defense or prosecution of the Copyrighted Materials, we will bear all costs and expenses incident to such litigation, unless the litigation involves your violation of the Franchise Agreement's restrictions on the use of the Copyrighted Materials. Except for the costs and expenses incident to litigation just described, we have no obligation under the Franchise Agreement to protect you against, participate in your defense of, or reimburse you for, any damages for which you are held liable in any proceeding arising out of your use of the Copyrighted Materials. You agree to execute any and all documents and do such acts and things as may be necessary or desirable, in the sole opinion of our legal counsel, to carry out such defense or prosecution. You are not entitled to any compensation as a result of the discontinuation or modification of any of the Copyrighted Materials as a result of any proceeding or settlement. If you elect to be represented by personal legal counsel in connection with any proceeding involving the Copyrighted Materials, you will bear the fees, expenses, and other costs associated with such personal legal counsel.

**Patents**.

We do not own any rights in, or licenses to, any patents.

**Confidential Information**.

Our confidential information will include all non-public information about us, or affiliate, our franchisees, our suppliers and the System, including but not limited to, the Manual; System Standards; services; methods for operating, managing, developing or coordinating services, marketing, distribution, performance, provision or rendering of methods, techniques, equipment or supplies; recruitment, training, marketing or compensation methods; recipes, ingredients and techniques including the method of preparing and serving our Products; advertising, marketing, promotion, recruitment, human resourcing, training, sales and merchandising strategies, techniques and initiatives; any related underlying materials, analyses, compilation, forecasts, research or market studies; our prototype and layout of a Restaurant; proprietary software (if applicable); customer lists and Customer Data (as defined in the Franchise Agreement); referral sources; training materials and class instruction, including, without limitation, additional training provided through webinars or online training videos; billing and collection methods; financial information; and other information about us and information about our Approved Suppliers; and strategic partners, business plans, employees and independent contractors (collectively, the "Confidential Information").

You may never – during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated – reveal any of our Confidential Information to another person or use it for any purpose other than to operate your Restaurant. You may not copy any of our Confidential Information or give it to a third party except as we authorize. All persons affiliated with or employed by you and to whom you grant access to Confidential Information or who attend training must sign a confidentiality agreement as well as all officers, directors and equity holders.

All ideas, concepts, recipes, concoctions, mixes, flavorings, ingredients, menu items, techniques and other newly developed information or materials relating to a Restaurant, whether or not constituting protectable IP, and whether created by or on behalf of you or your Owners, Operating Principal, Managers or employees, must be promptly disclosed to us, will be considered our property and part of the System and will be considered to be works made-for-hire for us. You, your Owners, and your employees must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in these ideas, concepts, techniques or materials. You will not receive any form of compensation or consideration in exchange for ideas, concepts, techniques, recipes and other newly developed information or materials relating to a Restaurant which you develop.

**Customer Data**.

All information, mailing lists and databases of Customer Data (as defined in the Franchise Agreement) from whatever source derived, will, at our request, and in any event when provided by you to us, be our property. You agree not to use such information, except in connection with your Restaurant in accordance with the Franchise Agreement. You agree not to use, process, copy, display, publish, store or transfer the Customer Data without our approval. You agree to comply with all applicable laws with respect to Customer Data; in addition, you agree to comply with all data privacy and security requirements we may establish from time to time and to exert commercially reasonable efforts to prevent the unauthorized use, dissemination, or publication of Customer Data, subject in all instances to applicable laws. You will promptly notify us if you become aware of or suspect any unauthorized access to the Customer Data, or if you become the subject of any governmental, regulatory or other enforcement or private proceeding relating to your data handling practices of Customer Data. You agree to indemnify us for all third party claims related to your use of Customer Data.

## ITEM 15

## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Operating Principal or Manager who is approved by us and who has successfully completed all initial training must devote full time to the operation of your Restaurant and must be onsite, in charge of the operation of the Restaurant on a day-to-day basis. The Operating Principal must own at least 10% of any franchisee entity. The Manager does not need to own any interest in any franchisee entity. In the event you operate more than one Franchise, then each Restaurant must have at least one individual approved by us and who successfully completes Initial Training as a Manager.

You must form a corporation, limited liability company, limited partnership or limited liability partnership to own your Franchise and each of your Owners and Owners respective spouses must personally guarantee your obligations under the Franchise Agreement, and that they also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

All Owners and their spouses, Managers, and any Restaurant personnel completing our Initial Training, subject to applicable law, must sign our form Confidentiality, Non-Use and Non-Competition Agreement which is attached as Exhibit C to the Franchise Agreement. These requirements apply whether or not an equity owner is involved in the Restaurant's operation or management.

We restrict all employees and Restaurant personnel from disclosing Confidential Information, and you must have all staff of the Restaurant sign a confidentiality and non-use agreement to protect the Proprietary Marks, the Manual and other information concerning the System.

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your Restaurant in strict conformity with the System, as explained in the Manual, and in other writings by us from time to time. You must use the Location only for the operation of the Restaurant and may not operate any other business at or from the Location without our express prior written consent. You must keep the premises open and in operation for such hours and days as we may, from time to time, specify in the Manual or as we may otherwise approve in writing. You must operate as a Restaurant, including, implementing policies for your employees that ensure adherence to this requirement. We do not impose any restriction on the customers you may serve at your Restaurant.

We require you to offer and sell only those Products and services that we approve and in the manner and with the specifications we approve including ingredients, weight, size, form, packaging, quality and quantity. We maintain a written list of approved goods and services in our Manual. You must refrain from deviating from our standards and specifications without our prior written consent and must discontinue selling and offering for sale any menu items, Products, or services which we may disapprove at any time. We reserve the right to designate additional required or optional services or Products in the future and to withdraw any of our previous approvals. In that case, you must comply with the new requirements. You must not (a) serve any items which are not set forth in the Manual or otherwise authorized and approved by us in writing; or (b) sell any of our ingredients separately from the finished Products to customers.

We have the right to determine the maximum prices for the goods, products and services offered from your Restaurant, as permitted by applicable law. You must comply with the prices required by us, but we make no guarantees or warranties that offering the products or merchandise at the required price will enhance your sales or profits. You are not permitted to offer customer discounts for cash payments, and you are not permitted to issue surcharges to customers for payments made by credit card, unless we provide our prior written permission.

We may require you to introduce test menu items or products for sale in the Restaurant. You must discontinue offering any test menu item or product that we do not adopt for permanent sale.

## ITEM 17

## RENEWAL TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the Franchise Agreement and Multi-Unit Agreement. You should read these provisions in the Franchise Agreement and Multi-Unit Agreement attached to this Disclosure Document.**

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| a. Term of Franchise | F.A. Section 2.4 | Ten (10) years from the effective date of the Franchise Agreement or the expiration of the lease for the Restaurant premises, whichever is earlier. |
| b. Renewal or extension of the term | F.A. Section 2.6 | If you are in good standing and comply with all of the renewal conditions, upon expiration of your original Franchise Agreement, you will have the right to renew your franchise for two (2) additional five (5) year terms. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| c. Requirements for you to renew or extend | F.A. Section 2.6 | Requirements include: (i) you provide us at least 6 months prior notice; (ii) you complete, to our satisfaction, all refurbishment, maintenance and upgrading necessary; (iii) you are in good standing; (iv) you satisfy all monetary obligations you owe us, our affiliates, the Brand Fund, any cooperative and our Approved Suppliers and vendors; (v) you execute our then-current form of Franchise Agreement; (vi) you satisfy our then-current training requirements; (vii) you and your Owners sign a general release; (viii) you obtain an extension or renewal of your lease (as applicable); (ix) you agree to our reasonable proposed modification of your Protected Territory, if any, due to shifts in population; and (x) you pay us a fee equal to 25% of the then current Initial Fee or $8,750 if we are no longer selling new franchises. The then-current standard franchise agreement may contain materially different terms and conditions than your original Franchise Agreement. |
| d. Termination by you | F.A. Section 18.1 | Upon our material breach which we do not cure or attempt to cure within ninety (90) days of your written notice. You may not otherwise terminate the Franchise Agreement. |
| e. Termination by Us without cause | None | We may not terminate the Franchise Agreement without cause. |
| f. Termination by us with cause | F.A. Section 18 | Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination. |
| g. "Cause" defined-defaults which can be cured | F.A. Section 18.3 | Curable defaults include any of the following events if not cured within the time period specified in the Franchise Agreement: (i) you submit understated Gross Revenue or other income reports; (ii) you fail to maintain and operate the Restaurant in a good, clean, and wholesome manner; (iii) you deny our right to inspect the Restaurant; (iv) you use ingredients or sell food or beverage products that fail to conform to the specifications; (v) you fail to maintain and operate the Restaurant consistently with the Manual or our standards; (vi) you fail to remit any payments immediately when due to us; (vii) you fail to remit any payments immediately when due to a supplier, vendor, broker, landlord, the Cooperative, or other third party owed by the Restaurant; (viii) you fail to submit to us any financial reports or other information required under the Franchise Agreement; (ix) you fail to maintain proper insurance; (x) you interfere with our ability to access the POS System or our ability to access the account used to transfer certain fees; (xi) you operate the Restaurant in an unhealthy or unsafe manner; (xii) you fail to obtain and maintain any required license or fail to comply with applicable laws and regulations; or (xiii) you breach any other obligation, covenant or representation under the Franchise Agreement. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| h. "Cause" defined-defaults which cannot be cured | F.A. Section 18.2 | Non-curable defaults include: (i) making any unauthorized transfer of the Restaurant or Franchise Agreement; (ii) failing to commence business within the time prescribed in the Franchise Agreement; (iii) failing to purchase or lease a suitable Location after execution of the Franchise Agreement within the time designated; (iv) abandoning or failing to operate the Restaurant for five (5) consecutive business days; (v) violating or breaching any of the Franchise Agreement's restrictive covenants or intellectual property provisions; (vi) bankruptcy or insolvency, assignment for the benefit of creditors of the franchisee or any of its Owners subject to a personal guaranty; (vii) failing to successfully complete Initial Training; (viii) the entering of certain judgments or liens against you or your property; (ix) termination of your right of possession to the Restaurant's Location; (x) knowingly selling products or using ingredients that fail to conform to the specifications or failing to sell products designated by us; (xi) knowingly failing to report accurately the Gross Revenue of the Franchise or committing fraud, misrepresentation or a similar act or omission against us, related entities or a third party; (xii) defaulting, on three or more separate occasions within any period of twelve (12) consecutive months, whether or not cured, on any of your material obligations to us or an affiliate; (xiii) engaging in any misconduct which hurts the goodwill of the System; (xiv) conviction of or plea of no contest to a violation of certain laws or regulations; or (xv) failing to pay any taxes when due; (xvi) failing to pay any amounts due 2 days after written notice; (xvii) failure to cure any default under the Franchise Agreement or compliance with System Standards issue after 10 days opportunity to cure (which includes failure to correct any deficiencies found during a Shawarma Man Audit); (xviii) failure to pass two (2) or more Internal Quality Assurance Audits in any rolling twelve (12) month period; and (xix) conviction of any criminal offence or engaging in any other conduct which we believe does or may substantially damages the goodwill associated with the Trademarks, the Franchised Business or the reputation of the Franchisor or the System. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| i. Your obligations on termination/non-renewal | F.A. Section 18.6 | You must: (i) immediately cease to use any of the Confidential Information, the IP and the Proprietary Marks; (ii) immediately return to us (or destroy upon our request) all of your copies of any materials containing any of the Confidential Information or any materials bearing the Intellectual Property or the Proprietary Marks and all copies and records of any customer or other similar lists; (iii) upon our request, cooperate in assigning to us or to a person or entity designated by us any and all vendor agreements or sales or service contracts; (iv) immediately cease all use of our IP and stop holding yourself out to the public as associated with us in any way including removing all trade dress; (v) immediately cease using all Social Media Platforms and do all things necessary to remove your administrative access to these platforms; (vi) terminate your access to the e-commerce activities we designate and assign to us all telephone numbers, e-name and directory listings associated in any way with Shelby's Restaurant and the Proprietary Marks, and direct the telephone company to transfer all such numbers and listings to us or our designee; (vii) immediately pay us all unpaid fees and pay us, our affiliates, and our approved and designated suppliers and vendors, all other monies owed; (viii) comply with the post-termination covenants; and (ix) cease any and all contact with suppliers, vendors, employees or our agents without our prior written consent. |
| j. Assignment of contract by us | F.A. Section 16.1 | No restrictions on our right to assign. |
| k. "Transfer" by you - definition | F.A. Section 16.3 | Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Franchise Agreement or the assets of or more than 25% of the ownership interest in the Restaurant. |
| l. Our approval of transfer by franchisee | F.A. Section 16.5 | We have the right to approve but will not unreasonably withhold approval if all of our conditions to transfer are satisfied. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| m. Conditions for our approval of transfer | F.A. Section 16.6 | Conditions include: (i) the transferee and its owners meet or exceed the approval criteria including passing a background check all at our sole discretion; (ii) you pay all amounts owed to us or to third-party creditors and have submitted all required reports and statements; (iii) if applicable, the new Operating Principal of transferee completes our required training program; (iv) transferee enters into our then-current form of franchise agreement and any required related agreements; (v) the transferee agrees to upgrade the Restaurant to conform to our then-current System Standards; (vi) the transfer fee is paid; (vii) you and all transferring Owners have signed a general release; (viii) we approve the material terms and conditions of such transfer and if the transferee is financing the purchase, the transferee must be able to comply with the debt terms of the arrangement based on past operating history; (ix) if you or your Owners finance any part of the sale price of the transferred interest, you and/or your Owners subordinate transferee's obligation to pay you to our right to Royalty Fees, Brand Fund Contributions and other amounts due to us and otherwise to comply with the Franchise Agreement; and (x) upon our request, you have agreed that you will provide guidance and support for a period of no less than thirty (30) days from the day the transferee satisfactorily completes all training. |
| n. Our right of first refusal to acquire your business | F.A. Section 16.10 | We have the option to exercise a purchase the transferred interest, provided that we may substitute cash in place of any finance terms and deduct from the from the purchase price the amount of any commissions or fee that would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such property to the offeror. |
| o. Our option to purchase your business | F.A. Section 18.17 | If the Franchise Agreement is terminated by either party or you cease to do business for any reason, we have the right to purchase your assets at book value (cost less depreciation). |
| p. Your death or disability | F.A. Sections 16.7 & 16.8 | Your Restaurant or an ownership interest in you must be assigned to an approved buyer in the time we designate and must be run by a trained operator during the period before the assignment. Assignment is subject to our right of first refusal. We have the right to manage the Restaurant and charge a management fee if we feel, in our sole discretion, that the Restaurant is not being operated properly. |
| q. Non-competition covenants during the term of the franchise | F.A. Sections 7.2 & 17.5 | The Owners, spouses of Owners, Operating Principals and Managers are prohibited from operating or having an interest in any type of business that creates, develops, or markets Middle Eastern cuisine or a retail business that derives more than ten percent (10%) of its revenue from the sale of Middle Eastern cuisine. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| r. Non-competition covenants after the franchise is terminated or expires | F.A. Section 17.6 | Your Owners are prohibited from (i) operating or having an interest in any retail establishment that derives more than ten percent (10%) of its revenue from the sale of Middle Eastern cuisine and markets itself as a Restaurant establishment within a 6-mile radius of the protected area of any franchise or company owned outlet for a period of 2 years; (ii) soliciting our strategic partners or other independent contractors with whom we do business to accept employment or affiliation with you; (iii) soliciting our customers; or (iv) disparaging us or the System in any way. |
| s. Modification of the agreement | F.A. Sections 8.1 & 23.3 | You must comply with the Manual as periodically amended. The Franchise Agreement may only be modified or amended in writing signed by all parties. |
| t. Integration/merger clause | F.A. Section 23.3 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | F.A. Sections 21.4 & 21.5 | Disputes between you and us may be settled by non-binding mediation or by binding arbitration in Delaware at our sole discretion. |
| v. Choice of forum | F.A. Section 21.2 | Delaware (subject to applicable state law). |
| w. Choice of law | F.A. Section 21.1 | Delaware (subject to applicable state law). |
| x. Waiver of jury clause | F.A. Section 21.12 | Both parties agree to waive the right to a jury trial for all disputes (subject to applicable state law). |

**This table lists certain important provisions of the Multi-Unit Agreement. You should read these provisions in the Multi-Unit Agreement attached to this Disclosure Document.**

| Provision | Section in Multi-Unit Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Section 1 | The Development Term begins on the date the Multi-Unit Agreement is signed and terminates on the date that the last Restaurant is required to be opened pursuant to the Development Schedule. |
| b. Renewal or extension of the term | None | There is no renewal or extension of the term. |
| c. Requirements for franchisee to renew or extend | None | There is no renewal or extension option. |
| d. Termination by franchisee | None | You may not terminate. |

| Provision | Section in Multi-Unit Agreement | Summary |
|---|---|---|
| e. Termination by franchisor without cause | None | We may not terminate the Multi-Unit Agreement without cause. |
| f. Termination by franchisor with cause | Section 10 | We may terminate the Multi-Unit Agreement upon written notice of termination. |
| g. "Cause" defined - curable defaults | None | There are no curable defaults in the Multi-Unit Agreement. |
| h. "Cause" defined - non-curable defaults | Section 10 | We may terminate the Multi-Unit Agreement (a) if you fail to obtain Franchisor's written acceptance of an applicable site; (b) you fail to open and operate the number of Restaurant's required under the development schedule; (c) you begin construction before you receive a fully executed Franchise Agreement; (d) you are insolvent; (e) your business or property is levied; (f) you breach any obligations in the Multi-Unit Agreement; (g) you fail to receive prior written consent of a transfer; (h) you made a material misrepresentation or omitted a material fact; (i) you knowingly falsify any report required by us; (j) you are convicted of a felony charge or crime; (k) you remain in default beyond the applicable cure period under any agreement with us or our affiliates; or (l) you fail or refuse to comply with any provision in the Multi-Unit Agreement. |
| i. Franchisee's obligations on termination/non-renewal | Section 11 | Upon termination or expiration (a) you will have no further right to develop or open Franchised Restaurant's; (b) the limited exclusive rights granted to you in the Development Area will terminate; (c) you must return all materials and information furnished by us; (d) you must continue to abide by those covenants in Section 10 of the Multi-Unit Agreement; (e) you will immediately pay us all sums due and owing to us; (f) we will retain the Development Fee; (g) within 30 days after the termination or expiration of the Multi-Unit Agreement, you must provide us with evidence of your compliance under Section 11 of the Multi-Unit Agreement; and (h) you will not operate or do business under any name that would give the public the impression that you are connected with us. |
| j. Assignment of contract by franchisor | None | An assignment of contract is not in the Multi-Unit Agreement. |
| k. "Transfer" by franchisee – definition | Section 8 | Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Multi-Unit Agreement or the assets of or ownership interest in the Restaurant. |
| l. Franchisor approval of Transfer by franchisee | Section 8 | We have the right to approve any transfer. |

| Provision | Section in Multi-Unit Agreement | Summary |
|---|---|---|
| m. Conditions for franchisor approval of transfer | Section 8 | Conditions include: (a) you must be in compliance with all obligations with us under the Multi-Unit Agreement; (b) the transfer fee is paid; (c) make the transfer only in conjunction with a simultaneous transfer of the same interest with respect to all agreements with us in the Multi-Unit Agreement; (d) advise us in writing of the proposed transfer; (e) the transferee and its owners meet or exceed the approval criteria including passing a background check all at our sole discretion; (f) an assignment agreement and any amendments to the Multi-Unit Agreement must be signed; and (g) a general release must be signed. |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 8 | Within thirty (30) days after notice, we have the option to purchase the Restaurant's, at the same financial terms and conditions offered by third party. |
| o. Franchisor's option to purchase franchisee's business | None | There are no options to purchase franchisee's business under the Multi-Unit Agreement. |
| p. Death or disability of franchisee | Section 8 | Within one hundred and twenty (120) days after death or disability, that person's executor, administrator or personal representative must apply to us in writing, for our consent to transfer and will be subject to the transfer provisions in the Multi-Unit Agreement. |
| q. Non-competition covenants during the term of the franchise | Section 9 | You must not during the Development Term or any time thereafter, disclose Confidential Information, the IP and the Proprietary Marks to any unauthorized person. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 9 | During the Development Term and for 2 years following the expiration or earlier termination, you are prohibited from (i) operating or having an interest in any retail establishment that derives more than ten percent (10%) of its revenue from the sale of Middle Eastern cuisine and markets itself as a Restaurant establishment within a 6-mile radius of the protected area of any franchise or company owned outlet; (ii) soliciting our strategic partners or other independent contractors with whom we do business to accept employment or affiliation with you; (iii) soliciting our customers; or (iv) disparaging us or the System in any way. |
| s. Modification of the agreement | Section 9 | Except as provided in the Multi-Unit Agreement, the Franchise Agreement remains in full force and effect. |
| t. Integration/merger clause | Section 17 | Only the terms of the Multi-Unit Agreement and other related written agreements are binding (subject to applicable state law). |
| u. Dispute resolution by arbitration or mediation | Section 19 | Disputes between you and us may be settled by non-binding mediation or by binding arbitration in Delaware at our sole discretion. |

| Provision | Section in Multi-Unit Agreement | Summary |
|---|---|---|
| v. Choice of forum | Section 19 | Delaware (subject to applicable state law). |
| w. Choice of law | Section 19 | Delaware (subject to applicable state law). |

## ITEM 18

## PUBLIC FIGURES

We do not employ any public figure or celebrity in our management, nor do we use a public figure or celebrity to promote our franchises.

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Yazan El-Shalabi, President, Shelby's Franchise USA LLC, 50 Rockefeller Plaza, New York, NY 10020 at franchising@shelbys.ca or 905-580-2558, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**
**Systemwide Outlet Summary**
**For years 2023 to 2025**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 |

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Company-Owned | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 |
| Total Outlets | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 |

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For years 2023 to 2025**

| State | Year | Number of Transfers |
|---|---|---|
| Total | 2023 | 0 |
| | 2024 | 0 |
| | 2025 | 0 |

**Table No. 3**
**Status of Franchised Outlets for years 2023 to 2025**

| State | Year | Outlets At Start Of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets At End Of the Year |
|---|---|---|---|---|---|---|---|---|
| Total | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Table No. 4**
**Status of Company-Owned Outlets**
**For years 2023 to 2025**

| State | Year | Outlets Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold To Franchisee | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Total | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 | 0 | 0 | 0 |

**Table No. 5**
**Projected Openings as of Issue Date**

| State | Franchise Agreements Signed but Not Opened | Projected New Franchised Outlets In Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| Illinois | 0 | 2 | 0 |

| | | | |
|---|---|---|---|
| Maryland | 0 | 1 | 0 |
| Virginia | 0 | 1 | 0 |
| Total | 0 | 4 | 0 |

A list of our current franchisees as of the issue date of this Disclosure Document is attached as Exhibit D.

There are no franchisees that have had their outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recent fiscal year or who has not communicated with us within the past ten (10) weeks of the issuance date. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

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

## ITEM 21

## FINANCIAL STATEMENTS

Attached as Exhibit A to this Disclosure Document is our audited opening balance sheet dated February 26, 2026. We have not been open for three (3) years so we are unable to provide you with three (3) full years of audited financial statements. Our fiscal year end is December 31 of each year.

## ITEM 22

## CONTRACTS

Attached are copies of the following agreements relating to the offer of the Franchise:

Exhibit B: Franchise Agreement
- *Schedule I*: Franchisee Information, Location of Restaurant and Protected Territory
- Exhibit A: General Release
- Exhibit B: Personal Guaranty
- Exhibit C-1: Non-Compete, Confidentiality and Non-Solicitation Agreement
- Exhibit C-2: Confidentiality and Non-Use Agreement
- Exhibit D: Electronic Funds Transfer (EFT) Authorization
- Exhibit E: Internet Websites, Digital, Social Media and Listing Agreement
- Exhibit F: Telephone Listing Agreement
- Exhibit G: Collateral Assignment of Lease
- Exhibit H: On-Site Training Agreement
- Exhibit I: Multi-State Franchise Agreement Amendments

Exhibit C: Multi-Unit Agreement

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ITEM 23

## RECEIPTS

Please sign and return one (1) copy of the receipt attached to this Disclosure Document as Exhibit K.

Exhibit A

Financial Statements

**SHELBY'S FRANCHISE USA LLC**
**(A Limited Liability Company)**

# BALANCE SHEET

**FEBRUARY 4, 2026**

**SHELBY'S FRANCHISE USA LLC**
**(A Limited Liability Company)**
**FEBRUARY 4, 2026**

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**Citrin Cooperman & Company, LLP**
Certified Public Accountants

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New York, NY 10020
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# INDEPENDENT AUDITOR'S REPORT

To the Member
Shelby's Franchise USA LLC

## Opinion

We have audited the accompanying balance sheet of Shelby's Franchise USA LLC (a limited liability company) as of February 4, 2026, and the related notes to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Shelby's Franchise USA LLC as of February 4, 2026, 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 Statement section of our report. We are required to be independent of Shelby's Franchise USA LLC 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.

## Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of a financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Shelby's Franchise USA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shelby's Franchise USA LLC's ability to continue as a going concern for a reasonable period of time.

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

Citrin Cooperman & Company, LLP

New York, New York
February 26, 2026

**SHELBY'S FRANCHISE USA LLC**
**(A Limited Liability Company)**
**BALANCE SHEET**
**FEBRUARY 4, 2026**

**ASSETS**

| | |
|---|---|
| Cash | $ 99,990 |
| **TOTAL ASSETS** | $ 99,990 |

**LIABILITIES AND MEMBER'S EQUITY**

| | |
|---|---|
| Liabilities | $ - |
| Commitments (Notes 4 and 5) | |
| Member's equity | 99,990 |
| **TOTAL LIABILITIES AND MEMBER'S EQUITY** | $ 99,990 |

See accompanying notes to financial statement.

## NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Shelby's Franchise USA LLC (the "Company" or "Franchisor"), a wholly-owned subsidiary of Shelby's Franchise Holdings USA, Inc. (the "Parent"), was formed on July 29, 2025, as a Delaware limited liability company, to sell franchises pursuant to a license agreement dated February 17, 2026, between the Company and Shelby's Franchise USA IP LLC (the "Licensor"), an entity related through common ownership of the Parent. Pursuant to the Company's standard franchise agreement, franchisees will operate a business under "Shelby's Legendary Shawarma" or "Shelby's" name and system that offers businesses specializing in Middle Eastern fusion fare mixing Arabian flavors with world cuisines to offering a menu of unique and delicious Middle Eastern Tikka Masala, Shawarma Biryani, as well as other wraps, burritos, bowls, salads, samosas, manaeesh, desserts, beverages, and sides like crispy fries, grape leaves, onion rings, hummus and other menu items. The Company has not had significant operations from the date of formation through February 26, 2026, the date on which the financial statement was available to be issued, and has not executed any franchise agreements as of that date.

The Company is a limited liability company and, therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates
The preparation of a balance sheet in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Revenue and cost recognition
The Company expects that it will derive substantially all its revenue from franchise agreements related to franchise fee revenue, royalty fees, transfer fees, and brand fund fees. No such franchise agreements have been executed by the Company as of the date this financial statement was available to be issued.

*Franchise fees, royalties and other franchise-related fees*
Contract consideration from franchisees is expected to consist primarily of initial or renewal franchise fees, sales-based royalties, sales-based brand fund fees, and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company intends to collect an up-front fee for the grant of such rights. The initial franchise fees are nonrefundable and collectable when the underlying franchise agreement is signed by the franchisee. The sales-based royalties and sales-based brand fund fees are payable monthly. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees, royalties and other franchise-related fees (continued)*

The Company's primary performance obligation under the franchise agreement includes granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." The Company will determine if a certain portion of those pre-opening activities provided is not brand specific and provides the franchisee with relevant general business information that is separate from the operation of a Company-branded franchise unit. The portion of pre-opening activities that is not brand specific will be deemed to be distinct, as it provides a benefit to the franchisee and is not highly interrelated to the use of the Company's intellectual property, and will therefore be accounted for as a separate performance obligation. All other pre-opening activities are expected to be highly interrelated to the use of the Company's intellectual property and will therefore be accounted for as a single performance obligation, which is satisfied by granting certain rights to use the Company's intellectual property over the term of each franchise agreement.

The Company will estimate the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the pre-opening activities and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities that are not brand specific will be recognized when those performance obligations are satisfied.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property will be recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Royalties will be earned as a percentage of franchisee gross sales ("sales-based royalties") over the term of the franchise agreement, as defined in each respective franchise agreement. Franchise royalties which represent sales-based royalties that are related entirely to the use of the Company's intellectual property will be recognized as franchisee sales occur and the royalty is deemed collectible.

*Brand fund*

The Company may maintain a brand fund which will be established to collect and administer funds contributed for use in marketing and promotional programs for franchise units. Brand fund fees will be collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the brand fund and therefore will recognize the revenues and expenses related to the brand fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the brand fund are highly interrelated and therefore will be accounted for as a single performance obligation. As a result, revenues from the brand fund represent sales-based royalties related to the right to access the Company's intellectual property, which will be recognized as franchisee sales occur.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Brand fund (continued)*

If brand fund fees exceed the related brand fund expenses in a reporting period, advertising costs will be accrued up to the amount of brand fund revenues recognized.

*Other revenues*

The Company will recognize revenue from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

*Incremental costs of obtaining a contract*

The Company will capitalize direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortize them over the term of the franchise agreement.

Accounts receivable

Accounts receivable will be stated at the amount the Company expects to collect. The Company will maintain an allowance for doubtful accounts to estimate expected lifetime credit losses that are based on historical experience, the aging of accounts receivable, consideration of current economic conditions and its expectations of future economic conditions. If the financial condition of the Company's franchisees was to deteriorate or other circumstances occur that result in an impairment of franchisees' ability to make payments, the Company will record additional allowances as needed. The Company will write off uncollectible receivables against the allowance when collection efforts have been exhausted.

Income taxes

As a single-member limited liability company and, therefore, a disregarded entity for income tax purposes, the Company's assets and liabilities are combined with and included in the income tax return of the Parent. Accordingly, the accompanying financial statement does not include a provision or liability for federal or state income taxes.

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at February 4, 2026.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through February 26, 2026, the date on which this financial statement was available to be issued. Except as disclosed in Notes 1 and 5, there were no other material subsequent events that required recognition or additional disclosure in this financial statement.

## NOTE 3. CONCENTRATION OF CREDIT RISK

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk.

## NOTE 4. BRAND FUND

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect brand fund fees up to 3% of franchisees' gross sales. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. There have been no contributions to the brand fund as of the date this financial statement was available to be issued.

## NOTE 5. RELATED-PARTY TRANSACTIONS

License agreement

On February 17, 2026, the Company entered into a non-exclusive, perpetual license agreement with the Licensor for the use of the registered name "Shelby's Legendary Shawarma" or "Shelby's" and other trademark names (the "license agreement") in the United States of America which can be terminated under certain conditions stated on the Agreement. Pursuant to the license agreement, the Company acquired the right to sell "Shelby's Legendary Shawarma" or "Shelby's" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. The Licensor reserves the right to charge a license fee upon 90-day prior written notice, as further detailed in the license agreement. The Company was not obligated to pay the Licensor a license fee as of the date this financial statement was available to be issued.

Exhibit B

Franchise Agreement

**SHELBY’S FRANCHISE AGREEMENT**

**NAME:______________________________**

**DATE: _____________________________**

**FRANCHISE NO.:____________________**

**DESCRIPTION:______________________**

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# FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (together with all appendices, schedules, exhibits, and ancillary agreements signed in connection with the grant of the Franchise defined below and described herein, collectively referred to as the "Agreement") is effective as of the date set forth on Schedule I (the "Effective Date") for the operation of a Shelby's Restaurant (the "Restaurant") between Shelby's Franchise USA LLC, a Delaware limited liability company ("we," "us" or "our"), and the business entity and Owners (as defined in Section 3.3) set forth on the signature page to this Agreement and Schedule I ("you" or "your") (collectively, you and we are referred to as the "parties" and individually sometimes referred to as a "party") for the purpose of granting you the rights necessary to operate the Restaurant (the "Franchise").

## 1. PREAMBLE AND STATEMENTS OF UNDERLYING FACTS.

1.1 **The Shelby's System**. As a result of the expenditure of time, effort, and money, we and our affiliates have developed a unique system licensing to franchisees a business model for establishing and operating a business offering a menu of traditional Middle Eastern wraps, bowls, salads, samosas, manaeesh, desserts, beverages and other menu items and products we may develop and offer from time to time in our sole discretion (the "Products"), all prepared using certain formulas, recipes, and methods of production and marketed using certain valuable trade names in conjunction with certain color schemes, signs, equipment, layouts, and designs. Shelby's franchises sell our Products and provide ancillary services using our distinctive formats, methods, policies, procedures, standards, specifications, information, training and business relationships, all of which we, in our sole judgment, may change, alter, amend, further improve, discontinue, develop or otherwise modify from time to time (collectively, the "System").

1.2 **The Intellectual Property**. The distinguishing characteristics of the System include, but are not limited to, the name "Shelby's" together with such other trade names, service marks, and trademarks (collectively, the "Marks") and all other intellectual property, including, without limitation, all inventions, patents, patent applications, recipes, ingredients, concoctions, formulas, food preparation methods and procedures, copyrights, titles, symbols, logotypes, trade dresses, emblems, slogans, insignias, terms, know-how, methods, specifications, designations, designs, diagrams, anecdotes, artworks, worksheets, techniques, rules, ideas, course materials, advertising and promotional materials, and other audio, video and written materials developed and designated for use in connection with the System, including the URL website www.shelbys.ca or as we may hereafter acquire, develop or designate for use in connection with the System (together with the Marks, the "Intellectual Property").

1.3 **The License**. Shelby's Franchise USA IP LLC, a Delaware limited liability company ("Shelby's IP"), our affiliate, granted us a sub-license to use the Marks and certain other Intellectual Property to operate the System with the right to sublicense such Marks and Intellectual Property to qualified franchisees to own and operate a Franchise. We grant to persons who meet our qualifications and are willing to undertake the investment and effort, the right to own and operate a Franchise using the System, the Intellectual Property and the Marks.

1.4 **The Franchise**. You desire to acquire the right to operate a Franchise, using the System, the Intellectual Property and the Marks.

1.5 **Franchisee's Application**. You submitted an application to us representing and warranting that all information, including financial information, provided to us is true, complete, correct and not misleading in any material respects ("Franchise Application"). We approved the Franchise Application in reliance upon your representations and warranties set forth therein.

1.6 **Acknowledgments**. You understand and acknowledge that the terms of this Agreement are reasonably necessary to maintain our high standards of quality, appearance, and service and the uniformity of those standards among all Franchises ("System Standards"), and to protect and preserve the goodwill of the Marks, the Intellectual Property and the System.

## 2. GRANT OF FRANCHISE.

2.1 **Franchise Grant**. The grant of the Franchise hereunder is exclusively for the purpose of operating the Restaurant at an address which, if known at the time of execution of this Agreement, shall be set forth on Schedule I (the "Location") or if not known at the execution of this Agreement, shall be located within the "Designated Search Area" described on Schedule I. Subject to the terms and conditions of this Agreement, we grant, and you accept, the right and obligation for the Term (as defined in Section 2.4):

(a) to develop and open the Restaurant at the Location or within the Designated Search Area if a Location is not yet determined;

(b) to host off-site events that offer the Products and offer catering and delivery services within the Protected Territory (as defined in Section 2.3 below), but only with our prior written consent;

(c) to adopt and use the System in the operation of the Restaurant;

(d) to advertise to the public that you are a Shelby's franchisee; and

(e) to adopt and use the Intellectual Property, but only in connection with the sale of Products which have been designated by us at the Restaurant or at approved off-site events in accordance with Section 2.1(b).

2.2 **Reservation of Rights**. The rights granted under this Franchise shall only include the right to sell the menu items from the Location to retail guests for consumption on the premises or carry-out and, with our prior written consent, to host off-site events that offer the Products and/or offer catering and delivery services within the Protected Territory. We reserve and retain all rights that this Agreement does not expressly grant to you, including but not limited to:

(a) the exclusive right to own and operate Shelby Restaurant's at any location(s) outside of your Protected Territory under the Marks or using the Intellectual Property, or to license others the right to own and operate a Restaurant at any location(s) outside of your Protected Territory under the Marks and System or using the Intellectual Property;

(b) develop and establish other business systems using the Marks, or similar or other business systems using other names or marks, and grant licenses to use those systems without providing any rights to you and locate such businesses in your Protected Territory;

(c) the exclusive right to sell Products and other products, goods and merchandise, bearing the Marks through the Internet, catalog sales, telemarketing, mail order sales or other direct marketing channels or alternative channels of distribution. These products and merchandise may be similar or identical to Products sold within your Restaurant, and customers who purchase our Products through such channels may be located within your Protected Territory, and you will receive no compensation for sales to these customers;

(d) the exclusive right to distribute our Products and merchandise to wholesalers or retail businesses (such as supermarkets and specialty stores) ("Alternative Distributors") without compensation to you. Alternative Distributors may operate inside the Protected Territory; there are no geographic limitations on the territory in which we or our affiliates may distribute Products to Alternative Distributors. Further, Alternative Distributors may engage in direct competition with your Restaurant and there are no restrictions on the type of Products or merchandise Alternative Distributors may offer;

(e) the right to establish within the Protected Territory, without your consent, and without compensation to you, another Shelby's on the premises of any "Reserved Venue." Reserved Venues include, without limitation: (i) any self-contained facility (such as a shopping mall, military base, state or national park, stadium, airport, convention center, medical center, casino, YMCA, zoo, Native American reservation, public transportation facility, toll booth plaza and travel centers, corporate facility, amusement or theme park, fairground, school or university campus or sports arena, or other entertainment facility); (ii) venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; (iii) or any similar captive market locations within and outside your Protected Territory; as well as (iv) special events like street fairs, parades, sporting events, cooking competitions, food festivals, trade shows, culinary events, and similar occasions. You understand and acknowledge that if a Reserved Venue is located within the physical boundaries of your Designated Search Area or Protected Territory, then the premises of this will not be included in your Designated Search Area or Protected Territory and you will have no rights to this Reserved Venue. We, our affiliates or a licensee or franchisee of ours, may operate in any Reserved Venue on a temporary, seasonal or permanent basis; and

(f) the exclusive right to own and operate businesses under different marks inside or outside your Protected Territory, or license or grant to others the right to own and operate businesses under different marks inside your Protected Territory, so long as the business is not a retail location located in your Protected Territory which derives more than 50% of its Gross Revenue from the sale of middle eastern cuisine; and

(g) the right to use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

In addition to the rights reserved in Sections 2.2(a) through (g) above, we may acquire or merge with any existing business located inside or outside your Protected Territory and operate that business using the Intellectual Property, Marks and System.

2.3 **Scope of Restaurant Operations**.

(a) *Protected Territory.* This Franchise does not, in any way, either directly or by implication, grant any other area, market or territorial rights to you, including any rights to the geographical area defined as the Designated Search Area, except that we will not operate or license or grant franchises to third parties for the right to operate a retail Restaurant location that will provide Middle Eastern cuisine products under the "Shelby's" brand within the geographical territory described on Schedule I ("Protected Territory"). Another Restaurant may be located on the border of your Protected Territory. If you fail to satisfy our System Standards, as determined in our sole discretion, we reserve the right to modify or remove the exclusivity from all or a portion of your Protected Territory (allowing us or our affiliates to then operate, license or grant franchises to operate a Restaurant within such area).

Your Protected Territory does not apply to off-site events, catering services or delivery services. Nothing contained in this Agreement shall grant to you any area, market or territorial rights with respect to off-site events, catering services or delivery services even if we grant you our written consent under Section 2.1(b) to offer such services in your Protected Territory. You acknowledge that we, our affiliates or a licensee or franchisee of ours may provide off-site services, catering services or delivery services, or both, to a location within your Protected Territory and you will not be entitled to any compensation in connection with the provision of such services in your Protected Territory.

(b) *Delivery Service.* You acknowledge and agree that we reserve the sole right to engage, contract with, or enter into agreements with one or more delivery aggregators such as UberEats, Grubhub, DoorDash, SkiptheDishes, Postmates, Chownow, Seamless, Deliveroo, or other third party delivery service providers such as Postmates and Amazon Restaurants to provide delivery of our Products from your Restaurant and other franchisees, company-owned and affiliate-owned Restaurant's of the System ("Outside Delivery Provider(s)"). We may require your participation on the terms negotiated with the Outside Delivery Providers. You acknowledge that you have no right to grant any Outside Delivery Provider the right to use the Marks and thus are strictly prohibited from directly entering into any agreement or contract with an Outside Delivery Provider without our prior written consent, which may be withheld in our sole discretion.

(c) *Alternative Menus, Food Concepts.* You acknowledge and understand that we or our affiliates may develop, create, offer or launch new food concepts, menus or brands, directly or indirectly through distribution, licensing, franchising or other business models, which may be competitive or complementary to the Products and Services offered by your Restaurant. You understand this Agreement does not grant you any rights to offer the new products, services, or service lines described in this Section 2.3 or share in any of the revenue or proceeds generated from such sales.

(d) *Limited Menu Program and Qualification Program Requirements.* We reserve the right to require you to commence operations offering a limited or scaled menu until we determine, in our sole discretion, that you can satisfactorily and consistently provide our full menu in accordance with System Standards. We and our affiliates also reserve the right to establish or launch one or more certification or qualification requirements through which our franchisees may be authorized to provide additional menu items, dishes, services or products, including dual-branded concepts, which we may designate in connection with the System ("Qualification Program(s)"). We may condition a franchisee's participation in any Qualification Program on meeting certain standards, terms and requirements. Participation in a Qualification Program may require (1) additional purchase of equipment, inventory or supplies; (2) training for your Manager (as defined in Section 3.3) and Operating Principal (as defined in Section 3.2); (3) additional marketing requirements; and (4) other conditions, all of which you must meet at your own expense. This Section does not constitute a right of first refusal for any additional franchise programs, which we or our affiliates may now or in the future create.

2.4 **Term**. Your grant to own and operate a Franchise begins on the Effective Date and ends on the $10^{th}$ anniversary of the Effective Date (the "Initial Term"), unless sooner terminated pursuant to this Agreement. The word "Term" means this Initial Term and any Renewal Term (as defined below) or extension of that time period. This Agreement will not be enforceable until it has been countersigned by us and delivered to you.

2.5 **Re-Location**. You must submit to us a written request to approve any proposed new location for your Franchise if you desire to relocate your Franchise. If you wish to voluntarily relocate the Restaurant, you must ensure that there is no operating gap between the date you close the original Location and the date you open the new, approved Location. If you lose possession of the Location through no fault of your own due to destruction of the premises, you must apply to us within 30 days for our approval to relocate your Restaurant. If you lose possession of the Location through lease cancellation (through no fault of your own), you must apply to us within 30 days for our approval to relocate your Restaurant. We are not obligated to approve or consider any request for relocation and may, in our sole discretion, deny a request or require any conditions prior to the consideration of such proposed relocation. As a condition for our approval of a relocation request, at our election, we may require that you sign our then current Franchise Agreement. We also require that you pay our costs and expenses incurred in assisting you to relocate your Franchise, including labor, salary, travel, professional fees, demographic reports and other costs.

2.6 **Renewal**. If we are still offering and selling Shelby's franchises and operating the System at the expiration of your initial term in the state in which you are operating your Franchise, then we will renew your rights to the Franchise and the Intellectual Property in order to continue to operate a Shelby's Restaurant for 2 additional 5-year terms (the "Renewal Term"), provided you have met the following conditions and satisfied each of the requirements set forth below:

(a) You have notified us of your intention to renew this Agreement in writing at least 6 months and not more than 12 months prior to the expiration of the Initial Term;

(b) You have completed, to our satisfaction, prior to the expiration of the Initial Term, all refurbishment, maintenance, renovations, modernizations, and upgrading necessary to bring your Franchise into full compliance with our then-current System Standards, specifications, and design criteria for newly opened Restaurant's, including the design, equipment, signs, interior and exterior decor, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials;

(c) You are not in breach of any provision of this Agreement, or any other agreement with us, our affiliates, or our approved/designated suppliers and vendors, your landlord or a Distribution Cooperative (as defined in Section 11.7) or a Cooperative (as defined in Section 12.8) and you have substantially complied with all such agreements during their respective terms;

(d) You have satisfied all monetary obligations you owe us, our affiliates, the Brand Fund (as defined in Section 12.4), the Cooperative, the Distribution Cooperative and our approved/designated suppliers and vendors;

(e) You execute our then-current form of franchise agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of Franchises, the terms of which may vary substantially from the terms of this Agreement and may include, without limitation, increased royalty fees and advertising obligations;

(f) You satisfy our then-current training requirements for renewing franchisees at your sole expense, if any;

(g) You and your Owners (as defined in Section 3.1) and their respective spouses sign a general release in the form set forth on Exhibit A (or any other form required by us or as allowed under applicable law) in favor of us and our affiliates and their respective members, officers, directors, employees, agents, successors and assigns, for all claims arising out of or related to this Agreement or any related agreements with us or our affiliates;

(h) If applicable, you obtain an extension or renewal of your lease for the entire Renewal Term and demonstrate such to our satisfaction;

(i) You agree to our reasonable proposed modification of your Protected Territory boundaries, if any, due to shifts in population, commercialization or urbanization in accordance with our then-current standards; and

(j) You pay to us a renewal fee equal to 25 percent (25%) of the then-current initial franchise fee being charged by us to new franchisees of the System or $8,750 if we are no longer selling new franchises.

Upon your notice to us that you desire to renew your Franchise within the time period prescribed in subsection (a) above, we, in turn, shall provide you with any documents that you are required to execute for the renewal term, which documents may include, but are not limited to, a general release, our then current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used in granting new Shelby's franchises. You must execute and return to us, together with payment of a renewal fee no later than the expiration date of the Initial Term. If we do not receive the executed documents and renewal fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement. Further, if you fail or refuse to make the required modifications or undergo any refresher training or otherwise meet any conditions set forth above, then we shall have the right to terminate any renewal agreement.

2.7 **Extension of Term**. If you do not renew pursuant to the terms of Section 2.6 upon the expiration of the Initial Term or the Renewal Term and continue to accept the benefits of this Agreement, then, at our option, this Agreement may be treated as: (i) expired as of the date of the Initial Term's or Renewal Term's, as applicable, expiration, which will result in your operating the Franchise without a license in violation of our rights; or (ii) continued on a month-to-month basis until we provide you with notice of our intent to terminate the month-to-month term. In the latter case, all of your obligations shall remain in full force and effect as if this Agreement had not expired, and all obligations and restrictions imposed upon you upon the expiration of this Agreement shall be deemed to take effect upon the termination of the month-to-month term.

2.8 **Refusal to Renew Franchise Agreement**. We can refuse to renew your Franchise if your lease, sublease or other document by which you have the right to occupy the Location is not extended before your Renewal Term is to take effect to cover the period of such Renewal Term or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the Renewal Term. We may also refuse to renew your Franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us, our affiliates, our Approved Suppliers (as defined in Section 8.3) the Brand Fund, a Cooperative and the Distribution Cooperative when due, or your failure to cure of any defaults incurred during the Initial Term of this Agreement, if applicable.

2.9 **Renewal Under Law**. Even though we decline the renewal of your Franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the applicable law, rule, regulation, statute, ordinance or order, your Renewal Term will be subject to the conditions of the franchise agreement we are using for new franchisees at the time the Renewal Term begins. If we are not then offering new Franchises, your Renewal Term will be subject to the terms in the then-current franchise agreement that we indicate. If for any reason that is not allowed, the Renewal Term will be governed by the terms of this Agreement.

2.10 **Your Election Not to Renew**. For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the Franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us any of the renewal franchise documents required by us, together with payment of the renewal fee outlined above, or if you provide written notice to us within the final 60 days of the Initial Term, indicating that you do not wish to renew this Agreement or any renewal franchise agreement or you fail to provide notice of your intention to renew in accordance with Section 2.6(a) of this Agreement.

## 3. OWNERS, OPERATING PRINCIPAL AND GENERAL MANAGER.

3.1 **Owners' Guaranty.** Simultaneously with the execution hereof, each individual owner, shareholder, general partner or member of the entity operating the Franchise (each of whom shall be designated as an "Owner" on Schedule I), and each of their respective spouses, shall execute and deliver to us a personal guaranty, substantially in the form designated on Exhibit B attached hereto (the "Guaranty"), which Guaranty shall be a condition precedent to the grant of the Franchise hereunder and pursuant to which each individual Owner shall be jointly and severally obligated to us under this Agreement.

3.2 **Operating Principal**. You agree to appoint an individual that owns at least 10% of the voting and equity interests of the legal entity which holds the Restaurant, who shall (i) be responsible for the Restaurant and all decisions; (ii) be granted the authority by the Franchise to bind it in any dealings with us and our affiliates; and (iii) direct any action necessary to ensure compliance with this Agreement and any other agreements relating to the Restaurant (the "Operating Principal"). Any decision made by the Operating Principal will be final and binding upon Franchisee, and we will be entitled to rely solely upon the decision of the Operating Principal in any such dealings without the necessity of any discussions with any other party named in this Agreement. We will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Operating Principal. The name and address of the initial Operating Principal is set forth on Schedule I. We must approve your original and any replacement or subsequent Operating Principals in writing.

3.3 **Manager**. Your Restaurant must also have a person designated to work full time overseeing and operating the Restaurant on a day-to-day basis (the "Manager"). The Operating Principal must act as your Manager unless you designate an employee as the Manager that (i) satisfies our educational and business experience criteria as set forth in the Manual; (ii) is approved by us in writing; and (iii) completes the required training program to our sole satisfaction. All Managers and Operating Principals must complete the required training program to our sole satisfaction. We must approve in writing any replacement, additional or subsequent Managers.

3.4 **Best Efforts**. Your Manager shall diligently and fully exploit the rights granted in this Agreement by personally devoting full time and best efforts to the operation of the Restaurant and you and your Operating Principal shall perform your obligations under this Agreement faithfully and honestly and continue to exert your best efforts to promote and enhance the Restaurant and the System for the full Term of this Agreement. Each of you and your Owners, including your Operating Principal covenants and agrees that they shall make all commercially reasonable efforts to operate the Restaurant to achieve optimal sales.

3.5 **Owner Acknowledgment**. You, including each of your Owners have represented to us that you have entered into this Agreement with the intention to comply fully with the obligations to construct a Restaurant hereunder and not for the purpose of reselling the rights to develop the Restaurant hereunder. You and your Owners understand and acknowledge that we have granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by, you (including your Owners) and that this Agreement and the rights and obligations hereunder may not be transferred until after the Restaurant commences operations to the public and then only in accordance with the terms of this Agreement.

## 4. DEVELOPMENT, APPROVAL OF SITE, AND COMMENCEMENT OF OPERATIONS.

### 4.1 Locating Site and Approval of Site.

(a) You assume all cost, liability, expense and responsibility for locating, obtaining and developing a Restaurant at an approved Location and for constructing and equipping the Restaurant at such site. You shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for a Restaurant unless the site is accepted by us as set forth below.

(b) If the address of the Restaurant is not known at the time of execution of this Agreement, you shall submit a description of the proposed site which meets the site criteria set forth in our Manual (as hereafter defined) within 60 days of the Effective Date. We shall provide you written notice of approval or disapproval of the proposed site within 15 days after receiving your written site proposal package containing all of the information necessary to evaluate whether your proposed Location meets our site criteria standards. If we do not provide you written notice of approval or disapproval within said 15 days, the site is deemed disapproved. If your proposed site is not approved, then you must select an alternative site and repeat the site approval process until we have approved a proposed site for your Restaurant. Our approval of a site indicates only that we believe that the site meets our site selection criteria in place at the time you submit your proposal. Our approval of a prospective site and any rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that a Restaurant operated at that site will be profitable or otherwise successful. We disclaim all liability for the consequences of approving a particular site.

(c) You must obtain our approval of a site for the Restaurant within the Designated Search Area within 60 days of the Effective Date or we may terminate the Agreement pursuant to Section 18.2(c).

(d) If the Location is not designated, we shall use reasonable efforts to help analyze the Designated Search Area, to determine site feasibility, and to assist in the designation of the Location which we must approve. However, you acknowledge and agree that we will not conduct site selection activities on your behalf and nothing contained herein shall be interpreted as a guarantee of success for said Location nor shall any site recommendation or approval made by us be deemed a representation that any particular site is available for the Restaurant. It shall be your sole responsibility to undertake site selection activities and otherwise secure the premises for your Restaurant. We may, in our sole discretion, provide on-site Location selection assistance at your request and subject to our availability but you must pay our travel and out-of-pocket costs and expenses. Our site selection assistance does not constitute a warranty or guaranty that the Restaurant will be profitable or otherwise successful at the approved Location. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a location and premise we approve fail to meet your expectations. **You acknowledge and agree that your acceptance of the franchise and selection of the Location are based on YOUR own independent investigation of the location's suitability for a Restaurant**.

4.2 **Lease Terms**. You are required to obtain our written approval before entering into a lease (including a sublease) or purchase agreement of the Location. You must deliver a copy of your fully executed lease or purchase agreement to us within 5 days of execution. Our consent to your lease or purchase agreement is merely to confirm that the lease or purchase agreement conforms to the System Standards, but we do not provide any analysis as to the terms and conditions of the lease. We reserve the right to approve deviations from our site selection standards based on the individual factors and components of a particular site, but any such approvals shall be granted in our sole discretion. If you are unable to locate a site for your Restaurant and execute a lease for the Location within 120 days after this Agreement is executed, we may terminate this Agreement. You and your landlord must execute a Collateral Assignment of Lease in the form attached hereto as Exhibit G or a lease containing provisions substantially similar to those contained in Exhibit G. It is your responsibility to secure signature of the Collateral Assignment of Lease or to negotiate the required provisions into any lease. Our approval of any lease shall be conditioned upon inclusion in the lease of terms acceptable to us and at our option, the lease shall contain such provisions including, but not limited to:

(a) A provision reserving to us or our nominee the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the Agreement;

(b) A provision requiring our prior written approval of the lease and any subsequent renewals, extensions, modifications, and amendments;

(c) A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our sole discretion, the right (but not the obligation) to cure any deficiency under the lease within 15 days after the expiration of the period in which you had to cure any such default should you fail to do so;

(d) A provision granting us or our nominee the right of first refusal to lease the Location if the lease expires without renewal by you or terminates prior to expiration;

(e) A provision which evidences your right to display Restaurant signage and to install and operate equipment in accordance with the specifications required by the System, subject only to the provisions of applicable law;

(f) A provision that the site be used solely for the operation of the Restaurant and, if the location is in a strip shopping center, plaza, retail park, or mall, the exclusive right within the shopping center, complex, plaza, retail park, or mall to operate a business which derives 25% or more of its revenue from the sale of Middle Eastern cuisine items;

(g) A provision which expressly states that any default under the lease shall constitute a default under this Agreement; and

(h) A provision stating that you are a Shelby's franchisee that is independently owned and operated.

Upon approval of the Location and designation of a Protected Territory, you hereby authorize us to amend Schedule I to this Agreement to reflected the updated information.

4.3 **Restaurant Build-Out and Construction**.

(a) *Design.* Upon payment of the Design and Construction Plan Fee described in Section 5.17, we will provide you with design and building plans including the floor plans, layouts and schematics prepared by our architect that you must use to construct and outfit your Restaurant (the "Design and Construction Plans"). You will construct the Restaurant according to the Design and Construction Plans and other specifications we provide to you, including without limitation, the fixtures and equipment to be installed in connection with constructing, outfitting, furnishing and decorating your Restaurant, and in accordance with all applicable codes, ordinances, rules, and regulations, and pursuant to all required permits. You must use our architect and you must obtain our prior written approval of your general contractor. Your general contractor must meet the experience, reputational, and financial standards we impose for all contractors used to construct restaurant locations as outlined in the Manual or other guidelines provided by us. You acknowledge that (i) any plans and specifications we provide you may not contain the requirements of any federal, state or local law, code or regulation (including those concerning the American with Disabilities Act (the "ADA") or similar rules or regulations) governing public accommodations or commercial facilities for people with disabilities. Compliance with all federal, state and local laws and regulations is your sole responsibility. However, you must provide written notice to us, and must obtain our prior written approval, of any proposed changes to the Design and Construction Plans that we previously provided.

(b) *Construction.* You shall commence and diligently pursue construction or remodeling (as applicable) of the Restaurant, including, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises. During the time of construction or remodeling, you shall provide us with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by us. In addition, we may inspect the Restaurant during its development to ensure compliance with our System Standards. You shall notify us of the scheduled date for completion of construction or remodeling no later than 30 days prior to such date. You acknowledge and agree that you will not open the Restaurant for business without our written authorization and that authorization to open shall be conditioned upon your strict compliance with this Agreement and the Manual.

(c) *Permits and Insurance.* You shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Location. Prior to beginning the construction of the Restaurant, you shall (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Restaurant, and (ii) provide us copies of all minimum required insurance coverage evidencing it is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained.

4.4 **Commencement of Operations**. You must open the Restaurant to the public no later than the 12 month anniversary of the execution of this Agreement. If you fail to open the Restaurant in accordance with the preceding sentence, we may, at our sole option, terminate this Agreement. You must receive our prior written consent before you open the Restaurant to the public. We will authorize you to commence operations to the public once you have met all of your pre-opening obligations as set forth in this Agreement and in the Manual, including but not limited to:

(a) you, your Operating Principal and Manager attending and completing to our satisfaction the Initial Training;

(b) you certifying in writing to us that you have obtained all permits, licenses, approvals, clearances, tax IDs, and certifications required for the lawful operation of the Restaurant in compliance with all local laws, rules, ordinances or regulations;

(c) you have provided us evidence of any required minimum insurance as required under this Agreement and the Manual;

(d) you secured and paid for all required purchases, supplies, materials and equipment necessary to commence operations, including the Restaurant Opening Package, that we specify;

(e) you have provided us a copy of your lease and a fully executed Collateral Assignment of Lease; and

(f) you are current on all obligations due and owing to us, our affiliates, and our approved vendors and suppliers, and you are not in default under this Agreement or any other agreements with us or our affiliates.

You must open within 10 days of us authorizing you to commence operations of your Restaurant. We are not responsible or liable for any of your pre-opening obligations, losses, or expenses, including those you might incur for your failure to comply with these obligations or your failure to open by a particular date. Our approval of you commencing operations of your Restaurant shall not be construed as a representation, warranty, or assurance by us that you have complied with any applicable laws, regulations, or governmental requirements. You acknowledge and agree that you are solely responsible for ensuring full compliance with all legal requirements applicable to its activities, including employment, tax, consumer protection, and data privacy laws. We shall have no liability for any failure by you to comply with such laws, whether or not we were aware of or reviewed your activities.

4.5 **Reconstruction of Site**. In the event the Restaurant is damaged or destroyed by fire or any other casualty, or is required to be repaired or reconstructed by any governmental authority, you shall, at your own expense, repair or reconstruct the Restaurant within a reasonable time under the circumstances, however, in the event such time exceeds 120 days, we shall have the option, exercisable by us in our sole discretion, to terminate this Agreement. The minimum acceptable appearance for the restored Restaurant will be that which existed just prior to the casualty; however, every effort should be made to have the restored Restaurant reflect the then-current image, design and specifications of System Restaurant's. If the Restaurant is substantially destroyed by fire, or any other casualty, the parties may terminate this Agreement in lieu of you reconstructing the Restaurant.

4.6 **Remodeling**. In addition to any remodeling required by us upon the renewal or assignment of the Franchise, you shall, upon written notice from us and at your sole cost and expense, remodel, refurbish, and make improvements and alterations in and to the Restaurant and/or other items used in your Franchise as determined by us, from time to time, to be necessary to reflect our then-current specifications, standards, format, layout, image, and appearance. Such remodeling may include extensive structural changes to the Restaurant fixtures and improvements as well as such other changes as we may direct, and you shall undertake such a program promptly upon notice from us. We will provide you at least 60 days before requiring any remodeling to be completed unless such remodeling is required to comply with applicable law or for the health and safety of the public.

4.7 **Time of Essence**. Time is of the essence and failure to meet any of the deadlines specified herein shall result in our right to terminate this Agreement under Section 18.

## 5. FEES AND PAYMENT.

5.1 **Initial Franchise Fee**. In consideration of the Franchise granted to you by us, you must pay us an initial franchise fee of $35,000 for the right to develop and operate one Restaurant (the "Initial Franchise Fee"). The Initial Franchise Fee is payable in 1 full lump sum by cash, certified check or wire transfer upon the execution of this Agreement. The Initial Franchise Fee is not refundable under any circumstance.

5.2 **Royalty Fees**. In addition to the Initial Franchise Fee, you will, for the entire Term of this Agreement, remit to us a monthly fee equal to 6% of the Franchise's total monthly Gross Revenue (as defined in Section 5.5 hereof) in consideration for use of the Marks, Intellectual Property and System (the "Royalty Fee") on or before the 13th day of each month based upon Gross Revenue for the immediately preceding month. We reserve the right to change the frequency with which you pay Royalty Fees, in our sole discretion, upon written notice. Royalty Fees remitted to us will not be refundable under any circumstances.

5.3 **Brand Fund Contribution**. You must pay to us a monthly fee in the same manner as the Royalty Fee is paid in Section 5.2 above, equal to 2% of Gross Revenue for the immediately preceding month (the "Brand Fund Contribution"). The Brand Fund Contribution is in addition to the Royalty Fee and amounts you must spend under Sections 12.2 and 12.3 of this Agreement. We reserve the right to change the frequency with which you pay the Brand Fund Contribution, in our sole discretion, upon written notice. We may increase the Brand Fund Contribution in an amount not to exceed 3% of total Gross Revenue in our sole discretion. You must pay the Brand Fund Contribution directly to the Brand Fund. We may require that you use a portion or all of the Brand Fund Contribution directly for local marketing in accordance with the provisions of Section 12.2. Brand Fund Contributions remitted to us will not be refundable under any circumstances. We may periodically receive allowances, rebates or other payments from Approved Suppliers (as defined in Section 8.3) or any other supplier based on purchases from such suppliers by our franchisees, and we may elect (in our sole discretion) to contribute such allowances, rebates or other payments to the Brand Fund. You understand and acknowledge, however, that any such contribution of these amounts by us to the Brand Fund does not in any manner diminish or eliminate your obligation to pay the Brand Fund or require us to continue such contributions in the future.

5.4 **Initial Training**. "Initial Training" is provided free of charge for the Operating Principal and 2 additional trainees (which must include your Manager, if your Operating Principal is not your Manager). At your request, we will provide initial training to additional Owners or managers at our then current fee, which is currently $30 per hour, per person, per day. Any replacement Operating Principal, or Manager must be approved by us and must successfully complete Initial Training, for which you must pay us our then current fee. You agree that you are also solely responsible for all travel and living expenses of all attendees including airfare, lodging, food, wages and compensation for your attendees, and other expenses.

5.5 **Gross Revenue**. For the purposes of this Agreement, the term "Gross Revenue" means the total selling price of all services and Products, other products and all revenue and income of any kind relating to your Restaurant including, without limitation, from the sales of food, beverages, merchandise, gift cards, products and tangible personal property of every kind sold by you, in, from or through the Restaurant, proceeds as a result of any business interruption insurance policy you carry; all income from off-site events and catering or delivery services including delivery fees (regardless of whether it is approved by us); income from private parties, and all proceeds from all coin and card operated devices, including but not limited to amusement devices and vending machines, all regardless of whether such sale is conducted in compliance with or in violation of the terms of the Franchise Agreement, or whether such sale is at the Restaurant or off-site, but exclusive of (i) sales or use tax actually paid to the appropriate taxing authority; and (ii) gratuities and tips paid directly to employees by customers. Gross Revenue also include the fair market value of any services or products received by you in barter or exchange for your services and Products, other products and payments on credit (whether or not you received payment). No deductions are taken for credit card collection fees or for uncollected or uncollectible credit accounts, employee discounts or in respect of any other matter except as specifically stated. The retail value of all Products and other products sold in connection with the redemption of coupons, gift certificates, gift cards or vouchers is included in Gross Revenue; provided, that at the time such coupons, gift certificates, gift cards or vouchers are purchased, the retail price thereof may be excluded from Gross Revenue for the purpose of determining the amount of Gross Revenue upon which fees are due. If you participate in any discount program, including but not limited to Groupon, Gross Revenue will include the full retail value of the goods or services rendered to the customer before any discounts or commission, provided that you may not participate in such a program without obtaining our prior written consent.

5.6 **Gross Revenue Report**. You must submit a signed report prior to each Royalty Fee and Brand Fund Contribution payment setting forth Gross Revenue generated during the immediately preceding month, your calculation of the fees due to us and any other information we may reasonably request in the form we prescribe and at the time set forth in the Manual ("Gross Revenue Report"). We may change the form and content of the Gross Revenue Report periodically. If you do not submit a Gross Revenue Report when due, we have the right to compile and prepare a Gross Revenue Report and charge you any fees, costs and expenses for doing so that we deem reasonable plus interest on any overdue amounts in accordance with Section 5.9 below and withdraw estimated Royalty Fees and Brand Fund Contributions equal to 125% of the last Gross Revenue reported to us, and the parties will true-up the actual fees after you report Gross Revenue; provided, that nothing contained herein shall prevent us from exercising any rights we may have under this Agreement, including declaring a breach under Section 18 hereof and termination of this Agreement.

5.7 **Manner of Payment**. Unless otherwise stated in this Agreement, any fees due hereunder must be paid no later than the end of day on the 13th of each month, by an ACH electronic funds transfer under which we automatically deduct all payments owed to us under this Agreement, or any other agreement between you and us, from your bank account. We may, with written notice, designate another method or time period for payment. You must deposit all revenues from operating the Franchise into 1 bank account within 1 business day of receipt, including cash, checks and credit card receipts. Before opening the Franchise, you must provide us with your bank's name, address and account number, a voided check from such bank account, and sign and give to us and your bank, all documents, including Exhibit D to this Agreement, necessary to effectuate our ability to withdraw funds from such bank account via ACH electronic funds transfer. You must immediately notify us of any change in your banking relationship, including changes in account numbers. We reserve the right to change the structure or payment method of the Royalty Fee or Brand Fund Contribution upon a change to our practices, industry standards, or if required by applicable law.

5.8 **Insufficient Funds Fees**. If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to $50 per violation. This fee is in addition to late fees and interest on any overdue amount, as described in Section 5.9 below, and any fees charged by your bank.

5.9 **Interest on Late Payments**. If any fee or other payment due to us or our affiliates under this Agreement is not paid on or before its due date, you agree to pay us, in addition to the overdue amount, interest on any overdue payment at the lower of (i) 1.5% per month; or (ii) the highest contract rate allowable by law. Interest on any overdue amount shall accrue from the original due date until payment in full is received. Interest as enumerated in this Section 5.9 shall also apply to any understated amounts as revealed by an audit of your financial records. You acknowledge that this Section 5.9 is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, your Franchise. You further acknowledge that your failure to pay all amounts that you owe us when due constitutes grounds for our terminating this Agreement under Section 18, notwithstanding this Section.

5.10 **No Right to Set-Off**. You agree that you shall not, on grounds of the alleged nonperformance or default by us of any of our obligations under this Agreement, withhold payment of any fee or other amount payable to us under this Agreement or otherwise. Notwithstanding any designation you may make, we have the right to apply any of your payments to any of your past due indebtedness to us.

5.11 **Technology Fee**. You are required to utilize the website, technology, email, information system and software we have or will create, develop and maintain for use by our franchisees and other technology we may require (the "Required Technology"). The Technology Fee is intended to defray our maintenance and administrative costs and is not connected to any particular service or deliverable. You must pay us our then-current monthly maintenance fee for the use of the Required Technology. The monthly maintenance fee is currently none, but we reserve the right to increase the technology fee ("Technology Fee"). The Technology Fee shall be remitted with the first Royalty Fee and Brand Fund Contribution for each month. The Technology Fee provides you with the Required Technology and the related ongoing support and maintenance we determine in our discretion, however, we reserve the right to increase the Technology Fee in the event we or our affiliates (i) develop and license to you additional software or other technology (including if we sublicense software our technology to you under a master agreement and pass through administrative costs or expenses to you); (ii) modify, improve, replace or enhance proprietary software or technology already licensed to you (as applicable); (iii) furnish you with other technology or e-commerce related software, maintenance and support services, such as ordering systems, loyalty programs, customer portals, phone and email systems; or (iv) incur increased costs or expenses related to the Required Technology. The Technology Fee is in addition to software fees, costs or expenses you must pay directly to our Approved Suppliers (as hereafter defined).

5.12 **Accounting Software License Fee**. During the Term, you are required to pay certain designated third-party provider a monthly fee associated with the licensing and use of certain accounting software as required by the third-party. The monthly fee is currently $100 per month. We reserve the right to collect this fee from you or have you pay us this fee directly so we can administer the process and then remit to the third-party provider. We have the right to increase this fee based on our costs to administer, changes in providers or licensing terms, and third-party provider fee increases.

5.13 **Management Fee**. In the event that (i) you fail to cure a default within the applicable cure period or (ii) you are unable to provide oversight of the Franchise to prevent harmful interruption of your Restaurant due to your death, disability or prolonged absence, we have the right to operate your Restaurant. In the event we operate your Restaurant, you must pay us 20% of Gross Revenue plus expenses for the management of the Restaurant (the "Management Fee"). The reimbursable expenses include our and our representatives' wages, travel, lodging and meals. During any management period, you will still be required to pay to us all recurring fees.

5.14 **Non-Compliance Fee**.

(a) We may charge you a $25 fee for any instance where you fail to submit any required report or information due to us under this Agreement or pursuant to the Manual (including but not limited to, any Gross Revenue Report, financial statements or evidence of amounts spent to satisfy any Local Advertising Requirement). If such non-compliance is ongoing, we may charge you $150 per week until such report is submitted and the non-compliance is cured. This fee is a reasonable estimate of our internal cost of personnel time and other costs and expenses attributable to addressing the reporting non-compliance, and is not a penalty or estimate of all damages arising from your breach. The non-compliance fee is in addition to all of our other rights and remedies.

(b) If you fail to comply with any operational and System Standards, then we may charge you a non-compliance fee equal to our reasonable estimate of our internal cost of personnel time and other costs and expenses attributable to addressing the non-compliance starting at $450 up to $1,000 per occurrence. This fee is a reasonable estimate of our internal cost of personnel time attributable to addressing the non-compliance, and is not a penalty or estimate of all damages arising from your breach. The non-compliance fee is in addition to all of our other rights and remedies.

5.15 **Restaurant Opening Package Fee**. Upon signing a lease for the Location of your Restaurant and prior to opening the Restaurant, you must purchase a package of signage, equipment and hardware (including point-of-sale systems) from us or an affiliate ("Restaurant Opening Package"). The fee for the Restaurant Opening Package will depend on the size of your Restaurant, the Location of your Restaurant, and the then current availability and costs of the equipment, materials, goods and items comprising the Restaurant Opening Package. The current approximate cost of the Restaurant Opening Package is $350,000. The Restaurant Opening Package does not include any construction costs or expenses. We reserve the right to have you pay the fee for the Restaurant Opening Package directly to the vendor.

5.16 **Site Inspections and Project Coordinating Fee**. We will charge you a fee in connection with us (or our affiliates, approved suppliers, vendors or representatives) providing site inspections and real estate project coordinating services to you prior to opening (the "Site Inspections and Project Coordination

Fee"). We will invoice you for the services based on upon the number of site visits, the distance traveled, the personnel completing the work and our third-party costs, but will range between $10,000 to $15,000. We reserve the right to have you pay for the Site Inspections and Project Coordination Fee (or a portion of such fee) directly to the vendor.

5.17 **Design and Construction Plan Fee**. Prior to beginning construction of your Restaurant, you must pay us a fee of $10,000 to $15,000 in connection with the Design and Construction Plans prepared by our third party service provider for your Restaurant ("Design and Construction Plan Fee"). We reserve the right to have you pay for the Design and Construction Plan Fee directly to the vendor.

5.18 **Reimbursement**. To protect the reputation and goodwill of the brand, we may (but are never obligated to) pay on your behalf any amount that you owe to an Approved Supplier or other third party. If we do so, then you shall reimbursement us such amount plus an additional 10% of the amount as an administrative charge within 15 days' of invoice by us accompanied by reasonable documentation evidencing payment.

## 6. **TRAINING**.

6.1 **Initial Training**. Prior to the opening of your Franchise, your Operating Principal and Manager (if you have a Manager), and one other attendee must attend and complete to our satisfaction Initial Training as set forth and described in the Manual. Furthermore, any replacement Operating Principal or Manager must be approved by us and must successfully complete Initial Training, for which you must pay us our then current fee, which is currently $30 per hour, per attendee, per day. You must pay all expenses incurred in connection with such Initial Training, including, without limitation, travel, lodging, meals, local transportation expenses and wages for your attendees. Actual dates of Initial Training are subject to change at any time, and we assume no responsibility for any costs incurred by you or your attendees as a result of such changes. You must complete the Initial Training to our satisfaction at least thirty (30) days prior to the opening of the Restaurant. If the Operating Principal or Manager (if you have a Manager) fails to complete the Initial Training to our satisfaction, then we may, in our sole discretion, (i) terminate this Agreement; or (ii) require such trainee repeat training at your cost (not ours) until we determine, in our sole discretion, that the Initial Training has been successfully completed.

6.2 **Continuing, Additional or On-Site Training**.

(a) We may require your Operating Principal, Manager, or any Owner or employee to attend mandatory additional, periodic or refresher training courses on site, at locations we designate from time to time or by webinar or videoconference ("Continuing Training"). If we require Continuing Training, then we may charge you a Continuing Training fee not to exceed $30 per hour, per attendee per day. We may increase the Continuing Training fee in an amount not to exceed $75 per hour, per attendee per day upon 30 days' advance written notice to you. You are also responsible for all of your and your attendees' wages, travel, living and miscellaneous expenses incurred in connection with such Continuing Training and we reserve the right to impose reasonable charges for training materials. We will notify you of any additional charges before you or your employees enroll in a course. You may request that additional personnel attend Continuing Training (in addition to those individuals that we require) and we will provide such Continuing Training at the existing Continuing Training fee if there is room in an already scheduled training course. This does not include Additional Training or Mandatory Additional Training, for which we can charge a fee, as outlined in Section 6.2(b) and (c) below.

(b) You may request additional training, which we may agree to provide in our sole discretion ("Additional Training"). If we provide Additional Training, you will pay us our then current fee, currently $30 per hour, per attendee, per day, plus you are responsible for all of your and your attendees' wages, travel, living and miscellaneous expenses incurred in connection with such Additional Training. We may increase the Additional Training fee in an amount not to exceed $75 per hour, per attendee per day upon 30 days' advance written notice to you.

(c) If we require any additional training ("Mandatory Additional Training") (which may include On-Site Training, as defined below) (i) that we determine is necessary or appropriate, in our sole discretion, to protect the quality, integrity and/or reputation of the System, Marks and/or Intellectual Property, including, without limitation, because you are in default or breach under this Agreement or otherwise in violation of our System Standards; (ii) upon renewal of this Agreement; (iii) upon a change in your Operating Principal or Manager; or (iv) upon your failure to comply with System Standards as determined during our first 6 months operational support visits and audits, then we will charge you our then-current fee, which is currently $30 per hour, per attendee, per day, to conduct such Mandatory Additional Training, plus you and your attendees' wages, travel, living and miscellaneous expenses incurred in connection with such mandatory additional training. We may increase the Mandatory Additional Training fee in an amount not to exceed $75 per hour, per attendee per day upon 30 days' advance written notice to you.

(d) We may provide Additional Training or Mandatory Additional Training at your Location or within your Protected Territory ("On-Site Training") subject to availability of personnel and other factors in our sole discretion. If we provide On-Site Training, you will pay us the then current fee per trainer or per day or hours as we determine (which fee will not exceed $30 per hour, per attendee, per day), to conduct the On-Site Training plus the trainers' wages, travel, living and miscellaneous expenses.

(e) We provide to you opening assistance by a trained representative of us or our designee. Such training will include pre-opening and opening training, supervision, and assistance for a period of one (1) week immediately following the opening of the Restaurant. The cost of providing such opening assistance, including but not limited to, travel, lodging and meals, shall be the sole responsibility of you. This section will not apply if you have previously opened and are currently operating another Shelby's location.

(f) Additional Training, Mandatory Additional Training, and On-Site Training fees are fully earned and non-refundable when paid.

6.3 **Conventions, Meetings, Retreats and Conference**. We may, in our discretion, hold seminars, meetings, retreats, conferences or conventions for our franchisees ("Required Conference(s)") at a location to be selected by us. We may require your Operating Principal and Manager to attend any Required Conference. We currently do not hold Required Conference(s), but we may do so in the future. We presently do not charge a registration or other fee to attend any Required Conferences, but we reserve the right to charge a registration or other fee to attend the Required Conference in an amount not to exceed the cost of per person attendee for attending. In addition, all expenses, including transportation to and from any Required Conference, and lodging, meals, and salaries during any Required Conference, are your sole responsibility. If your Operating Principal and Manager does not attend any required conference, you will be responsible for making up any training offered at the conference at a time and location we designate in our sole discretion and at your sole expense, which expense may exceed the cost to attend the Required Conference.

## 7. EMPLOYEES.

7.1 **Personnel Development**. You will have the sole authority and control over the day-to-day activities of your employees. You will be solely responsible for recruiting, training and developing all employees, staff, workers, independent contractors, and any other personnel as may be needed

("Personnel"). You are responsible for making sure all Personnel are capable of performing their duties in accordance with System Standards. When hiring Personnel, you shall use your best efforts to hire qualified and competent employees. You are solely responsible for the supervision of your employees. You will decide the compensation to be paid to your Personnel. We will not be responsible for payment of any compensation to you or your Personnel. At no time will you or your employees be deemed to be employees of us or our affiliates.

You shall take such steps as are necessary to ensure that your Personnel do not violate any System policies relating to the use of Social Media Platforms (as defined in Section 10.1), including prohibiting employees from posting any information relating to us, the System, the Marks, or the Restaurant that is inconsistent with such policies. You shall not, however, prohibit or restrict any social media communications or activity by your employees which prohibition or restriction violates your employees' right to engage in protected concerted activity under the National Labor Relations Act.

7.2 **Owners and Staff Confidentiality Agreements**. Your Owner(s), Operating Principal, Manager, each of your Owner's spouses, and all Personnel who attend any training we provide or who have access to our Confidential Information (as defined in Section 17.1), as allowed under applicable law, must sign a Non-Compete, Confidentiality and Non-Solicitation Agreement in the form attached to this Agreement as Exhibit C-1 ("Restrictive Covenant Agreement"). All other Personnel must sign a Confidentiality and Non-Solicitation Agreement in a form approved by us, a current sample which is attached as Exhibit C-2 ("NDA Agreement"). You shall modify the NDA Agreement in consultation with your counsel to ensure it complies with applicable state and local law. With respect to all Personnel, such agreements must be signed on or before the date such person is hired. You must retain copies of all Restrictive Covenant Agreements and NDA Agreements for the length of the Personnel's employment or engagement plus 5 years after resignation or termination. We may require that you provide us with a copy of each Restrictive Covenant Agreement and NDA Agreement upon demand.

7.3 **Taxes and Related Matters**. You shall be responsible for income and other taxes required to be withheld and hereby assume full responsibility for payment of the employer's portion of any social security, federal and state taxes and any other taxes required to be withheld for your Personnel. You shall also pay and/or withhold taxes and premiums for unemployment and workers' compensation insurance for your Personnel, as required by state and/or federal law.

7.4 **Indemnification**. You will indemnify us, hold us harmless from, and defend us against any and all liabilities, losses, expenses, and obligations that we may incur related to any of your Personnel (or any person assisting or working on behalf of the Franchise) arising out of any claim, cause of action, complaint, proceeding (in litigation, arbitration, mediation, administrative process, regulatory proceeding or otherwise) relating to your obligations to pay them any compensation or remuneration or otherwise relating to an employment relationship. You understand and acknowledge that we are under no obligation or liability to any of your Personnel for any remuneration, compensation, commission, employment or any other duty, responsibility, liability or obligation. Your indemnification obligations: (i) include reimbursement to us of any and all of our attorneys' fees and costs in defending any such claim from your Personnel, (ii) survive expiration or termination of this Agreement, and (iii) extend to our affiliates, representatives and agents.

## 8. MANUAL AND FRANCHISOR GUIDANCE.

8.1 **Manual**. During the Term, we will grant you electronic (or other) access to our Manual or other writings in which we designate our System Standards (such Manual, and any written guidelines, bulletins, descriptions, instructions, videotapes, audiotapes, magnetic media, and computer software concerning System Standards, including updates, amendments and supplements, however communicated by us, our affiliates or our designees, the "Manual"). The Manual may be modified by us from time to time to reflect changes in the System Standards. Our revisions to the Manual will be effective on delivery to you (including via electronic format), unless we specify a later effective date for a particular revision. If the Manual is lost, stolen or damaged, you must obtain a replacement from us and we may charge you for such replacement. If a dispute develops with respect to the contents of the Manual, the master copy we maintain at our principle office (or the electronic version of the Manual we designate) will be controlling. You must keep the Manual in a secure location which allows access only to those who have signed a Restrictive Covenant Agreement or NDA Agreement. The Manual is our property and must be returned to us upon our request.

8.2 **Guidance and Assistance**. During the Term of this Agreement, we will, from time to time, furnish you guidance and assistance with respect to the System Standards as we determine necessary in our discretion. This guidance and assistance may be furnished in the form of the Manual, bulletins, written reports and recommendations, other written or electronic materials, telephone consultations, electronic mail, training programs, meetings, conferences, videos and/or personal consultations at our offices, your Location or at a mutually convenient place as we determine necessary in our sole discretion. In addition to any obligations otherwise specifically set forth in this Agreement, our guidance and assistance consists of:

(a) Providing supervision and assistance for you and your employees prior to and including the grand opening of your Restaurant to ensure that you are operating in compliance with the Manual as we deem necessary and appropriate in our discretion.

(b) Providing Continuing Training, Additional Training, Mandatory Additional Training, periodic or refresher training or additional On-Site Training as we deem necessary subject to our then-current training fees as we deem necessary.

(c) Providing you with any updates to the Manual and any other manuals prepared by us for use by our franchisees in the operation of their Franchises.

(d) Advising and consulting with you periodically in connection with the operation of the Restaurant and upon your reasonable request, at other reasonable times.

(e) Providing you, from time to time and in our sole discretion, with new recipes, advice and written materials concerning techniques of managing and operating the Restaurant, including new developments in the System, equipment, food products, services, pricing of Products (as allowed by applicable law), packaging, and preparation and mandating the use of such new techniques and developments as applicable.

(f) Making reasonable efforts to make available to you all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which we generally make available, from time to time, to all franchisees operating Shelby's.

(g) Conducting periodic testing, from time to time, of Products as we deem advisable.

(h) Providing you with an email address and designing, updating and maintaining our Website.

(i) Issuing, modifying and supplementing System Standards for Shelby's franchisees as we deem necessary.

(j) Modifying the System, as we deem necessary, including, but not limited to, the adoption and use of new or modified techniques, supplies, equipment, products, trade names, trademarks, service marks, copyrighted materials, and information technology tools.

(k) Maintaining updated lists of approved items and other equipment, fixtures, inventory (as and if applicable), retail merchandise and branded materials (as and if applicable), and supplies and updated lists of Approved Suppliers (as defined in Section 8.3) for such items and provide the lists to you, as we deem appropriate.

(l) Conducting inspections of your Restaurant, evaluating Products sold at your Restaurant and recommending changes to enhance your Restaurant to ensure that it fully complies with the System and the Manuals as we deem necessary and appropriate in our discretion.

(m) Providing you with access to any proprietary software programs as may be developed by us or on our behalf for use in the System in the future.

Notwithstanding the foregoing, if this is not your first Restaurant we may, in our sole discretion, provide you with less assistance and guidance. Any assistance described above is at all times subject to our sole discretion, schedule and personnel availability.

8.3 **Approved Equipment and Supplies**.

(a) We may designate or require our approval of the types, models, brands, formats, providers, performers or suppliers of any Products or services, and any of the ingredients, components, menu items, equipment, supplies, goods, uniform apparel, insurance carriers, financial services, employee benefit plans, merchant accounts and gateway services, and other services, assets, products, or materials utilized by you to operate your Franchise, which we may change, alter, or amend from time to time.

(b) We may require you to order through us certain Products or materials, as we may specify from time to time. We reserve the right to derive revenue from your required purchases ordered through us. We may designate or require our approval of suppliers, vendors, manufacturers and providers of Products or services ("Approved Suppliers"). We, Shelby's, or our affiliates may, directly or indirectly, develop products, including private label products or other merchandise bearing our Marks and require that you purchase these products for use or for resale at your Restaurant.

(c) If you propose to use any supplies or supplier which is not then approved, you must notify us in writing and submit sufficient information, samples, and specifications to allow us to determine if the supplier and/or supplies meet our approved criteria. It is in our sole discretion whether to test additional supplies and/or suppliers you propose. You will be responsible for our out-of-pocket expenses plus the then current per diem charges for our personnel or third parties to test and evaluate your proposed supplier and/or supplies. We currently maintain a list of Approved Suppliers and criteria for approving suppliers in our Manuals. We may modify this list on written notice to you.

(d) **WE AND OUR AFFILIATES MAKE NO WARRANTY WITH RESEPCT TO ANY PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDIGN IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT, SUPPLIES, OR OTHER APPROVED ITEM.**

8.4 **Retail Prices**. We may, from time to time, establish prices for the Products offered through your Franchise, which may vary depending on the geographic region in which the Protected Territory is located. Except with respect to maximum prices set forth below, you are not bound in any way bound to adhere to any such recommended or suggested price. In determining prices, you must consider the general image and reputation of the Restaurant and System. You shall have the right to sell your products and provide services at any price that you may determine, except that we reserve the right to establish maximum prices for any given product or service nationwide or within a market or for use with special price or advertisement programs (as determined by us). You shall not exceed any maximum price established by us, but at all times remains free to charge any price below the maximum established by us. You understand and acknowledge that we do not represent, warrant, or guarantee that you will earn any level of sales or profitability. You agree that nothing contained in this Section 8.4 shall be deemed a representation by us that if you follow our pricing or promotion requirements you will generate a profit. You agree that any pricing and promotional requirements designated by us may or may not optimize the revenues or profitability of your Restaurant. You waive any and all claims related to our establishment of prices charged at your Restaurant.

## 9. SYSTEM TECHNOLOGIES.

### 9.1 Computer System.

(a) You agree to purchase the Point-of-Sale System ("POS System") we designate. You shall use the POS System to collect all of the sales, inventory, and financial data of the Restaurant which will provide us independent access to the information collected through the POS System. You agree to not interfere, in any way, with our ability to access the Restaurant information through the POS System. You are required to maintain your credit card processing hardware and software in compliance with the Payment Card Industry (PCI) Data Security Standard. You must also acquire, license and use a financial reporting software, such as QuickBooks and other various software (collectively, the "Software") and general purpose computer, all designated or approved by us from time to time and as outlined in the Manual (collectively," the "Computer System"). You must use a certified public accountant for preparing your financial statements. You shall not use or download any software on your Computer System unless it has been authorized by us in writing. In the event that you use or download any unauthorized software, you shall be liable for all damages and problems caused by such unauthorized software in addition to the other remedies provided under this Agreement. We may require you to obtain as part of the Computer System specified computer and communications hardware, equipment, components or software in addition to the Software and services and may modify our specifications for and required components of the Computer System from time to time. You agree to make such modifications and meet such requirements which may require you to incur additional costs. We may require that the Computer System or POS System or both (i) be capable of connecting with our computer system; (ii) perform the functions we designate; (iii) permit us to review the results of your Franchise's operations; and/or (iv) be capable of engaging in any e-commerce (as defined below) activities that we designate or approve.

(b) You agree to purchase, install and maintain a security, surveillance, and camera system to provide 24/7 monitoring. You are responsible for ensuring that the operation of the security and surveillance system complies with all applicable local, state, and federal laws, including privacy and data protection regulations. You shall post signage or notices, as required by law, indicating the use of video surveillance on the premises. You shall grant us reasonable access to recorded surveillance footage and system data for purposes of compliance, investigation, or quality assurance. Upon request, you shall provide us with copies of recorded footage or grant temporary remote access to live camera feeds. You shall position cameras and other surveillance equipment in locations designated by Franchisor to maximize coverage of key areas, including but not limited to entrances, exits, cash handling areas, and stock storage locations. We reserve the right to review the placement of security equipment and to request adjustments to ensure sufficient surveillance, but you acknowledge and agree that you are solely responsible for compliance with all safety and security at your Restaurant.

(c) You also agree to purchase, install and maintain an approved music and sound system, including but not limited to speakers, amplifiers, control systems, and related equipment, in accordance with our specifications, if required. You acknowledge that the music and sound system is an essential component of the customer experience and agrees to operate the system in a manner that aligns with our brand standards. You shall adhere to any guidelines provided by us regarding volume, music genre, playlists, and broadcast times to ensure a cohesive brand ambiance across all locations.

(d) You may be required to invest in and implement new technology initiatives at your own expense, which may include, but will not be limited to, music, Internet, TV broadcast, software management applications and other various software applications and surveillance systems and mobile applications designed to better manage business functions and control costs. We may designate the supplier you use for any goods and services associated with these initiatives.

(e) You are responsible for ensuring that all music, announcements, and other audio content broadcasted within the premises complies with applicable licensing laws and regulations, including obtaining and maintaining any required music licenses or rights. You shall bear all costs associated with such licenses.

(f) We or our affiliates, or business partners may develop technology, software, hardware programs or mobile applications or other new technology solutions and require that you use such new technology at your expense and in accordance with our System Standards. We reserve the right to pass through these costs as part of our Technology Fee or charge you a one-time fee for use or development of any such new technology. Additionally, you may be required to purchase additional hardware to ensure the full functionality of the technology that we, our affiliates or business partners develop.

9.2 **Websites**. Due to the importance of maintaining a uniform presence on the internet, we have the right to control all use of URLs, domain names, websites, addresses, meta-tags, links, key words, e-mail addresses and any other means of electronic identification or origin ("e-names") related to the Franchise. Neither you, nor any of your Owners or Personnel, are permitted to use an e-mail address that is not associated with our https://www.shelbys.ca URL for the Franchise. We may require you, at your expense, to operate certain aspects of the Franchise that we designate through e-commerce methods that we designate, and in the manner we designate from time to time. We also have the right to designate, approve, control or limit all aspects of your use of the Internet, intranet system, World Wide Web, wireless technology, digital cable, use of e-names, virtual worlds, social media, portals, search engine optimization, pay-per-click advertising, home pages, bulletin boards, chat rooms, linking, framing, blogs, text messaging, on-line purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software (collectively, "e-commerce"). Further, you shall, at your sole expense, participate in our websites on the internet or other on-line communications, including an intranet system that we may develop in the future unless we provide otherwise. You must follow all of our policies and procedures for the use and regulation of e-commerce. You acknowledge that certain information obtained through your participation on our websites may be considered Confidential Information, including access codes and identification codes. Your right to participate in our Websites or any intranet system we may develop terminates when this Agreement expires or terminates. You shall assign and transfer to us or our designee any and all interest you may have in any e-commerce in connection with the Franchise by executing the Internet Website and Listings Agreement attached hereto as Exhibit E. We may require that you provide photographic, written or other forms of content to us for use in e-commerce activities associated with the Marks, the Intellectual Property or the System which we may designate. We may restrict your use of e-commerce, or your customer's use of e-commerce in connection with the Product purchases to a centralized website, portal or network or other form of e-commerce designated by us operated by us or our designee. We may require that you provide information to us and arrange Product sales or distribution via e-commerce. We may require you to coordinate your e-commerce activities with us. We may require that your customers be provided access to certain e-commerce activities that we designate from time to time. You recognize and agree that between you and us, we own all rights to all interest in and to any data collected via e-commerce related to the System, the Intellectual Property and the Marks, including any customer data, click-stream data, cookies, user data, hits and the like. All such information constitutes our Confidential Information (as defined in Section 17.1).

9.3 **Customer Data and Data Security**. Any information on customers of your Restaurant that identifies or can be used to identify, contact, locate, or be traced back to the specific person to whom such information pertains, or from which identification or contact information of an individual person can be derived, including but not limited to, personally identifiable information ("Customer Data") and all information, mailing lists and data bases of Customer Data from whatever source derived, industry standards must be used only in connection with your Restaurant in accordance with this Agreement. You agree to comply with all applicable laws, regulations and with respect to Customer Data; in addition, you agree to comply with all data privacy and security requirements we may establish from time to time and to exert your best efforts to prevent the unauthorized use, dissemination or publication of Customer Data, subject in all instances to applicable laws. It is your responsibility to determine the data privacy laws applicable to you and your Restaurant. We expressly disclaim knowledge of the data privacy laws applicable to you. You shall promptly notify us if you become aware of or suspect any unauthorized access to the Customer Data, or if you become the subject of any governmental, regulatory or other enforcement or private proceeding relating to your data handling practices. You shall promptly carry out any request from us with respect to Customer Data that is reasonably necessary to allow us to comply with data privacy laws applicable to us regarding processing, storage, handling, collection, use, transfer and transmission of Customer Data.

9.4 **PCI Compliance**. It is your responsibility to maintain and report your PCI compliance, which encompasses operational policies and practices as well as networks and POS Systems hardware/software used to process credit card transactions, as well as attesting that you are abiding by (i) the PCI Data Security Standards enacted by the applicable card associations (as they may be modified from time to time or as successor standards are adopted); and (ii) all other security standards and guidelines that may be published from time to time by payment card companies and/or enacted by law, and are applicable to customer credit card and debit card information. If you know or suspect a security breach, you must immediately notify your credit card transaction acquirer, insurance carrier and us. You assume all responsibility for providing notice of breach or compromise, along with duties and costs associated with fraudulent transactions, penalties, and ongoing fees for monitoring customer credit card histories and/or transactions for affected customers of your Restaurant.

9.5 **Artificial Intelligence Usage**. You acknowledge and agree that in order to protect the goodwill of the System, the Intellectual Property and the Marks, the use of artificial intelligence ("AI") in the Restaurant must be conducted in a safe, thoughtful, and ethical manner. You shall adhere to the following guidelines when employing AI technologies within the Restaurant operations as well as any other guidance set forth in the Operation Manual:

(a) *Permitted and Prohibited Use of AI.* You may implement AI solutions within the permitted business scope of operating your Restaurant, focusing on tasks such as process automation, customer service optimization, data analysis, and targeted marketing. You are strictly prohibited from using AI solutions to: (i) access, use, or transmit Confidential Information or Intellectual Property and the Marks without our prior written authorization; (ii) collect, store, or otherwise utilize Intellectual Property and Confidential Information in any way not expressly permitted under this Agreement and applicable data privacy laws; (iii) engage in any activity that could harm the System or our brand reputation or expose it or us to legal or regulatory risk; and (iv) develop or deploy AI solutions that violate applicable laws or regulations, including those pertaining to discrimination, data privacy, and consumer protection.

(b) *Data Security, Confidentiality, and Privacy*. You must implement and maintain appropriate technical and organizational measures to protect the security and privacy of all data processed or stored through AI solutions. You shall not use, disclose, or permit the use or disclosure of any Confidential Information, including but not limited to trade secrets, business strategies, and proprietary processes, in connection with the development, implementation, or operation of AI technologies. Under no circumstances shall you use any Intellectual Property and Confidential Information, whether obtained through the System or otherwise, in connection with AI technologies. You must promptly notify us of any potential data security breaches or privacy violations involving your AI solutions.

(c) *Ethical AI Practices*. You agree to employ AI technologies in accordance with industry best practices and highest ethical standards. This includes, but is not limited to, ensuring transparency, fairness, and accountability in AI decision-making processes.

(d) *Monitoring and Reporting*. We reserve the right to periodically audit your use of AI solutions to ensure compliance with this provision. Upon request or as otherwise directed in the Manual, you agree to provide us with regular reports on the performance and impact of your AI solutions, including metrics relevant to data security, privacy, and compliance in the form set forth in the Manual.

(e) *Consequences of Breach*. Any violation of this provision constitutes a material breach of this Agreement and entitle us to all remedies available under law and this Agreement, including termination of the Franchise Agreement. Notwithstanding anything set forth in these guidelines or the Manual, you are solely responsible for ensuring your use of AI solutions and technologies comply with all applicable laws, rules and regulations, industry best practices, and any vendor supplier contracts. In no event will we be responsible for your use of AI solutions or technologies, and you shall defend and indemnify us in accordance with Section 7.4 of this Agreement for any losses and expenses incurred as a result of your use of AI solutions and technologies.

## 10. <u>INTELLECTUAL PROPERTY AND MARKS</u>.

### 10.1 <u>Shelby's Intellectual Property</u>.

(a) You acknowledge that Shelby's IP or us are the exclusive owner of the Intellectual Property, Marks, System Standards, and other elements of the System. You further acknowledge that any modifications to the System or any substitutions or additions to the Intellectual Property suggested or developed by you shall be owned exclusively by Shelby's IP or us and may be incorporated by Shelby's IP or us into the Intellectual Property without any compensation to you. As such, you hereby assign and transfer to Shelby's IP or us (as instructed) all of your entire right, title and interest in and to any improvements, modifications, substitutions, or additions to the Intellectual Property suggested or developed by you and in and to any and all works of authorship and processes embodied therein, and in all goodwill signified thereby, and any and all intellectual property rights and any legal equivalent thereof, including the right to apply for, register, or claim priority to, letters patent, copyrights, trademark, trade secret and other intellectual property protection, and the right to enforce such rights, title and interest by lawsuit or otherwise. Additionally, all processes, ideas, concepts, methods, techniques or materials relating to a Restaurant, whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your Principals in connection with the development or operation of your Restaurant, will be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and part of the System and deemed to be works made for hire for us. In addition, you hereby agree and covenant from time to time to execute and deliver such other documents or agreements and to take such other action as may be necessary or reasonable for the implementation of any assignment and the consummation of the transactions contemplated hereby. You hereby appoint us your true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete the assignment of any interest in any intellectual property rights described herein. This power of attorney shall survive the expiration or termination of this Agreement.

(b) You shall use the System, the Marks, and the Intellectual Property only in connection with the operation of the Restaurant and strictly in accordance with the terms of this Agreement and all policies set forth from time to time in the Manual. Any unauthorized use of the System, the Marks and/or the Intellectual Property is and shall be deemed to be an infringement of Shelby's and our rights.

(c) Except as expressly provided in this Agreement, you acknowledge and agree that: (i) you shall acquire no right, title or interest to the System, the Marks or the Intellectual Property, (ii) all goodwill associated with the System, the Marks and the Intellectual Property used by you shall inure exclusively to Shelby's IP or our benefit, and (iii) upon the termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System, the Marks or the Intellectual Property.

(d) You acknowledge that the use of any computer or electronic medium, or social networking website, including but not limited to Facebook, LinkedIn, Twitter, Pinterest, Instagram, Tumbler, SnapChat, TikTok, Yelp!, OpenTable, Zomato, TripAdvisor, Resy, YouTube, Groupon, Google, or any blogs or other bulletin boards, or chat rooms, other networking and share sites and any other Internet or social media site which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Intellectual Property is our sole property and you may not establish any such website, blog, Facebook page, LinkedIn account, Twitter account, Pinterest account, Snapchat account, email distribution list, or other Internet account or presence, which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Intellectual Property without our prior written consent and without granting us primary administrative rights to such account, site or page. We do not have to agree to any use of Social Media Platforms (as defined below) by you and we may, in our sole discretion, prohibit any use of Social Media Platforms by you or all of our franchisees. If we consent to your use of any Social Media Platforms, once we have approved the content of the material to be posted online and obtained primary administrative rights to the website, account, or page, then we will provide you with subordinate administrative access to, and guidelines for your use of such online mediums, such that you may promote, advertise, and market your Franchise locally. We retain ownership of the materials posted on any webpage or site. You have no right, title or interest to any webpage on any of your networking and websites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Marks or Intellectual Property even if such webpage is established by you or otherwise held in the name of the Franchise or your Operating Principal or any of your owners and you agree to execute the Internet Website and Listings Agreement attached hereto as Exhibit E. Upon expiration or termination of this Agreement, we retain all ownership of all content created during the Term and will remove your administrative access. In addition, you shall promptly submit to us all passwords for such site(s) and any changes to a password shall be submitted to us within 3 days of the change. Your expenditures towards web based platforms such as Facebook, Twitter, LinkedIn, Instagram, blogs and other networking and sharing sites ("Social Media Platforms") or towards any material on any Social Media Platform that makes use of our Intellectual Property, Marks, name, brand, Products, or your Franchise whether created by us, you or a third-party ("Social Media Materials") may count towards your required Local Advertising Requirement or grand opening advertising requirement pursuant to Sections 12.2 and 12.3 below.

(e) You shall at no time take any action whatsoever to contest the validity, ownership, distinctiveness or enforceability of the Marks or Intellectual Property and the goodwill associated therewith. You agree that your use of all or any part of the System or the Intellectual Property contrary to any provision of this Agreement, or your use of any confusingly similar method, format, procedure, technique, system, name, trade dress, mark, symbol, emblem, slogan, insignia, term, designation, design, diagram, promotional material or course material, during or after the Term, shall cause irreparable injury to Shelby's and us and shall constitute a material breach of this Agreement, and shall entitle Shelby's and us to obtain temporary, preliminary or permanent injunctive relief from a court or agency of competent jurisdiction, and to recover court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate remedies.

(f) You assign and transfer to us all rights or interests that you have or may have in any previous or current customer lists, lists of potential customers, and lists of referral sources, compiled by you during the Term of this Agreement (the "Lists"), with the result that the Lists are and remain our sole property. We grant you the right and license to use the Lists during the Term solely for the purposes contemplated by this Agreement.

10.2 **Infringements and Claims**. You must notify us immediately in writing of any apparent (including suspected) infringement of or challenge to your use of any Mark or Intellectual Property, or claim by any person of any rights in any Mark or Intellectual Property or similar copyright, trade name, trademark or service mark of which you become aware. You must not communicate with anyone except us and our attorneys in connection with any such infringement, challenge or claim. We have the sole discretion to take whatever action we deem appropriate. We have the sole right to control exclusively any U.S. Patent and Trademark Office, U.S. Copyright Office, litigation or other proceeding or any other litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark or Intellectual Property. You must sign any documents, give any assistance, and do any acts that our attorneys believe are necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks or Intellectual Property or otherwise to protect and maintain our interests in the Marks or Intellectual Property. You may not, at any time, contest the validity or ownership of any of the Marks or Intellectual Property, or assist any other person in contesting the validity or ownership of any of the Marks or Intellectual Property.

10.3 **Discontinuance of Use**. If it becomes advisable at any time in our sole judgment for your Franchise or the System to modify or discontinue the use of any of the Marks or for your Franchise or the System to use one or more additional or substitute trademarks or service marks, you agree, at your sole expense to comply with our directions to modify or otherwise discontinue the use of such Mark or Intellectual Property, or use one or more additional or substitute trademarks or service marks, within a reasonable time after our notice to you.

10.4 **Franchisee Name.** You may not use the words "Shelby's" or any derivation thereof, in your legal entity's name. You will hold yourself out to the public as an independent contractor operating a Shelby's Franchise. Whenever practical, you will clearly indicate on your business checks, stationery, business cards, invoices, receipts, advertising, public relations and promotional materials, website, Social Media Platforms, and other written materials that you are a franchisee. You will file for a certificate of assumed name (d/b/a) in the manner required by applicable state and/or law to notify the public that you are operating as an independent business pursuant to this Agreement. Prior to adoption of your corporate and assumed name (if any), you shall obtain the written approval of such name(s) from us.

10.5 **Further Reservation Rights.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole and unrestricted discretion and as we may deem to be in the best interests of the applicable parties in any specific instance, to vary standards for any franchisee or franchisees based upon the peculiarities of a particular territory, density of population, business potential, business practice or other condition important to the successful operation of such Franchise. We may grant to 1 or more franchisees variations from standard specifications and practices as we determine in our sole and unrestricted discretion, and we shall have no obligation to grant you like or similar variations. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement does not affect our or your duties to comply with the terms of this Agreement.

## 11. DUTIES AND RESPONSIBILITIES.

11.1 **Compliance with System Operations**. You acknowledge that every component of the System is important to the operation of the Restaurant as a Shelby's Franchise, including a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service. You shall comply with the entire System, including, but not limited to:

(a) operating your Restaurant for at least those months, hours and days that we specify in the Manual;

(b) operating the Restaurant in a clean wholesome manner in compliance with System Standards prescribed by us;

(c) complying with all business policies, practices, and procedures imposed by us (including but not limited to, all food safety, storage, preparation and handling standards); serving at the Restaurant only those Products now or hereafter designated by us; and maintaining the building, fixtures, equipment, signage, seating and decor, and parking area (if applicable) in a good, clean, and well-lit condition, free from disrepair, and in compliance with designated System Standards;

(d) purchasing kitchen fixtures, lighting, seating, signs, computer systems, security systems and other equipment in accordance with equipment specifications and layout approved by us and, promptly after the Restaurant premises are ready for occupancy, cause the installation thereof;

(e) keeping the Restaurant constructed and equipped in accordance with the Design and Construction Plan, and ensuring that the Restaurant conforms at all times to local ordinances, buildings codes, and laws;

(f) abstaining from, without our prior written consent, making any design conversion, alterations, or additions to the building, equipment, or parking area (if applicable);

(g) making repairs or replacements required: (i) because of damage or wear and tear, or (ii) in order to maintain the building and parking area in good condition and in conformity to the Design and Construction Plan;

(h) maintaining sufficient supplies of ingredients, Products, paper products, and other inventory as is sufficient to meet reasonably anticipated customer demand;

(i) employing adequate personnel so as to operate the Restaurant at its maximum capacity and efficiency and implementing a training program for employees in accordance with training standards and procedures prescribed by us and staffing the Restaurant at all times during the Term of this Agreement with a sufficient number of trained employees including at least 1 manager (who may be the

Operating Principal or the Manager) who has, prior to becoming manager, successfully completed Initial Training;

(j) causing all employees of the Restaurant, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as we may designate from time to time, (ii) present a neat and clean appearance, and (iii) render competent and courteous service to Restaurant customers;

(k) purchasing all of your requirements for supplies, ingredients, components, products and goods in accordance with our specifications and System Standards and, if applicable, from only our Approved Suppliers and in the dispensing and sale of Products: (i) using only containers, cups, cartons, bags, napkins, other paper goods, packaging, flavorings, garnishments, and food and beverage ingredients which meet the System Standards, and (ii) employing only those methods of food handling and preparation which meet the System Standards;

(l) participating in our gift card program for all Shelby's Restaurants operating under the System, as prescribed in our Manual or otherwise in writing from time to time, including but not limited to, selling and offering for sale gift cards which may be redeemed at any Shelby's Restaurant for menu items or Products as well as permitting customers who purchased gift cards from another Shelby's Restaurant or us to redeem their gift cards for menu items or products at your Restaurant;

(m) subject to Section 4.4, improving, altering and remodeling the Restaurant to bring it into conformance with the national and local plans, specifications and/or other standards for new or remodeled Shelby's Franchises as may hereafter be reasonably changed and defined from time to time by us;

(n) permitting our representatives to conduct unannounced inspections of the Restaurant at any time during normal business hours and remedying any issues identified therein at your expense;

(o) maintaining full and accurate records related to the Restaurant, including but not limited to, records related to (i) Gross Revenue, sales and expenses; (ii) Personnel and employment files; (iii) workplace incident reports; (iv) any other records required by law; and (v) any records required under the Manual;

(p) at your own expense, complying with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant. You must furnish to us, within 2 days after receipt thereof, a copy of any violation or citation which indicates your failure to maintain local health or safety standards; and

(q) affixing a decal or placard to an exterior window or display containing the following statement "An Independently Owned and Operated Franchise". If we request, you must display prominently a "franchise opportunity" display to promote awareness of Shelby's franchises;

(r) complying with any online or digital media ordering program, whereby your customers submit orders online or through a mobile application, if and when, developed and paying any fees or costs associated with participating in such program; and

(s) complying with all the terms of your lease and using your best efforts to maintain a good and positive working relationship with your landlord and/or lessor and refraining from any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Location.

11.2 **Liability Insurance**.

(a) Utilizing an Approved Supplier or insurance carrier acceptable to us, you are required to procure and maintain at all times the insurance policies listed on Schedule B to this Agreement at your expense, which must additionally meet the standards and requirements set forth in the Manual.

(b) The cost of the insurance policies will vary depending on the insurance carrier charges, terms of payment and your history. The standards and specifications for insurance coverage as set forth in the Manual are intended as "minimum" standards and you must review your insurance coverage and policies, and you should consult with your insurance agents, brokers, attorneys or other insurance advisors, to determine if additional coverage is necessary, desired or appropriate for your Franchise in addition to the coverage and limits required by us. If you fail to obtain or maintain the required insurance coverage, we may purchase it for you and charge you the premium, plus our costs, and require you to pay to us an administrative fee equal to 20% of the insurance policy premium for doing so. We may change these insurance requirements, upon reasonable notice to you, to conform to reasonable business practices. Each insurance policy required under the Manual must contain a provision that the policy cannot be cancelled, amended, renewed or expired without at least 30 days' prior written notice to us. The insurance must be primary coverage without the right of contribution from any of our insurance. We do not represent or warrant that any insurance that you are required to purchase, or which we procure on your behalf, will provide adequate coverage for you. The requirements of insurance specified in this Agreement and in the Manual are for our protection. If you believe that you should not be required to carry an identified type of insurance or otherwise comply with our minimum insurance requirements, you must submit a written waiver request and obtain a waiver from us. Until such time as we notify you in writing of our approval, you are obligated to comply with all minimum insurance requirements. The policies must also contain a waiver of subrogation.

(c) Each insurance policy required under this Agreement and/or the Manual must contain an endorsement approved in writing by us naming us as additional insureds and an additional insured endorsement approved in writing by us naming us, our affiliates and our respective officers, directors, managers, partners, members, affiliates, subsidiaries and employees as additional insureds. Additional insured status shall include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-29 or any other form approved in writing by us that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) the negligent acts, errors or omissions of us or other additional insureds. You shall maintain such additional insured status for us and the additional insureds outlined above on your general liability policies continuously during the Term.

(d) Your obligation to obtain and maintain the insurance policies in the amounts specified in the Manual shall not be limited in any way due to any insurance that may be maintained by us, nor shall your procurement of required insurance relieve you of liability under the indemnification provisions set forth in this Agreement. Your insurance procurement obligations under this Section 11.2 and as specified in the Manual are separate and independent of your indemnification obligations under this Agreement.

(e) Prior to the time any insurance is required to be carried by you, and thereafter prior to the renewal of any such policy, you must submit to us a copy of the certification of insurance evidencing such coverages that are required by this Section 11.2 and the Manual. Within 5 days after the policy is issued, you shall provide the declarations page for each of the required coverages, all additional insured endorsements and evidence of premium payment. Certificates of insurance alone are not acceptable. Our review and verification of certain elements of your insurance does not in any way reduce or eliminate your obligations to fully comply with all of the insurance requirements set forth in this Agreement and/or in the Manual. It is your sole obligation to fully comply with these insurance requirements and it is your sole obligation to confirm with your insurance providers that your policies are in compliance.

11.3 **Compliance with Laws and Good Business Practices**. You will secure and maintain in force all required licenses, permits, approvals and certificates relating to the operation of the Franchise at your sole cost (the "Required Licenses"). You must promptly and diligently do all things necessary (including providing prompt, thorough, professional and complete responses to any local, state or federal regulatory or administrative body with oversight responsibilities for any Required Licenses) to facilitate obtaining the Required Licenses prior to the opening of your Franchise and maintain and renew such Required Licenses when needed. You must operate the Franchise in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to food preparation and serving, occupational hazards and health, safety, privacy, workers' compensation insurance, unemployment insurance, workplace safety, data protection (such as credit card data protection under the FACTA) and privacy laws, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You will, in all dealings with customers, suppliers, brokers, us and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the System, the Marks and other Franchises. You expressly acknowledge that we have not researched the specific laws and regulations applicable to your Restaurant, and that you are solely responsible for compliance with such laws and regulations.

11.4 **Menu and Authorized Products and Services**. You must serve all Products that we deem appropriate to take full advantage of the potential market and achieve standardization in the System and You shall not serve any items which are not set forth in the Manual or have not been otherwise authorized and approved by us in writing. You must adhere to all specifications contained in the Manual or as otherwise prescribed by us as to ingredients, methods of preparation and service, weight and dimensions of Products served, and standards of cleanliness, health and sanitation. You shall offer for sale all Products which we designate for the System, including any additional Products we may now or in the future specify and any other ancillary products and services which we prescribe. You further agree to only sell those Products which we prescribe or otherwise authorize. On a timely basis, you must comply fully and on a timely basis with any changes that we implement, including the introduction or cessation of any Products. We do not make any express or implied warranties with respect to any Products or goods we recommend or require for your use.

11.5 **Sales Methods.** You must follow our System Standards when marketing and selling the Products and ancillary services. You must not make any misrepresentations to anyone regarding the quality of the Products or concerning the Franchise or System. Moreover, you must not alter, modify, change or misrepresent the Products in any manner whatsoever. Accordingly, you will not disseminate any information, or represent to anyone, any information that conflicts with any of the materials we provide you to assist in the sale of the Products or we approve for use by you in the marketing and selling of such Products.

11.6 **Modification of System.** You expressly acknowledge that the System must continue to evolve in order to reflect changing market conditions and to meet new and changing customer demands. Therefore, variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and to improve the continuing operating efficiency of all franchisees. Accordingly, you agree that we may from time to time, upon written notice, add to, subtract from or otherwise change the System, including, without limitation, adopting new or modified Marks, Products, equipment and techniques and methods relating to the sale, promotion and provision of the Products. We may also require you to make changes or updates and upgrades to your Restaurant signage, displays and similar trade dress ("Trade Dress Upgrades"). **You agree to promptly accept, implement, and use in the operation of the Franchise all such additions, modifications and changes at your sole cost and expense.**

11.7 **Distribution Cooperatives; Purchases**.

(a) We may, in the future, approve the formation of distribution cooperatives, which may provide for regional production of Products to service Shelby's in that region as well as other services relating to production and distribution. If we authorize the formation of any distribution cooperative or similar organization ("Distribution Cooperative") for our franchisees then you agree to participate and join such Distribution Cooperative, agree to be bound by the organizational, charter and other documents of the Distribution Cooperative (which documents we must approve) and pay any fees determined by the Distribution Cooperative. We do not make any express or implied warranties with respect to any Products or goods we recommend or require for your use.

(b) We may, in our sole discretion, negotiate discounted prices for us and franchisees. We may receive compensation from suppliers for our procurement and purchasing services. We may also purchase certain items from suppliers in bulk and resell them to you at our cost, plus shipping fees and a reasonable markup.

(c) We may also enter into arrangements with our manufacturers and acquire inventory in bulk for cost savings and quality control. Thus, we may purchase in bulk certain inventory and either resell those items to, or have suppliers sell direct to, you at discounted prices that we negotiate (subject to any rebates the suppliers pay to us for our purchasing and sourcing services). We make no representations or warranties (and specifically disclaim all warranties including the implied warranty of merchantability or fitness for a particular purpose) and shall have no liability to you with respect to the items that you purchase from us.

11.8 **Evaluation and Analysis**. We shall have the right to conduct unannounced inspections and otherwise inspect the Restaurant at all reasonable times to ensure that your operation thereof is in compliance with System Standards. This right shall include: (a) evaluating the Products, (b) questioning your landlord, customers and Personnel, and (c) conducting secret shopper or mystery shopper evaluations from time to time and without prior notice. You must reimburse us the then current service fee for the mystery or secret customer. Our representatives will use reasonable efforts to minimize interference with the operation of the Restaurant. If we reasonably determine that the Restaurant is not being operated in compliance with this Agreement or the Manual or that the Restaurant is otherwise not being operated efficiently and effectively, then we may, at our discretion, place one or multiple representatives at the Restaurant to oversee the operation of the Restaurant. We will charge the Management Fee for such oversight.

11.9 **Payment of Debts**. You are solely responsible for selecting, retaining and paying your employees, the payment of all invoices for the purchase of goods for use in the Restaurant, and determining whether, and on what terms, to obtain any financing or credit which you deem advisable or necessary for the conduct of the Restaurant. You shall pay all current obligations and liabilities to suppliers, lessors and creditors on a timely basis. We have the right, but not the obligation, to pay any such obligations or liabilities on your behalf. You shall indemnify us in the event that we elect to pay any of your liabilities and obligations in order to preserve the relationship between Approved Suppliers and System franchisees. You shall make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes, arising from your operation of the Restaurant. You shall indemnify us in the event that we are held responsible for these taxes.

11.10 **Notification of Legal Proceedings and Crisis Management Events**. You will notify us in writing (which includes email authorized by us for this purpose and sent in accordance with Paragraph 19) as soon as possible but in no event more than 24 hours of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, of which you become aware and which may adversely affect the operation or financial condition of your Restaurant. Upon the occurrence of a Crisis Event (defined below), you will immediately inform us by telephone and email (or other electronic medium authorized by us for this purpose). You will cooperate fully with us with respect to our response to the Crisis Management Event. In the event of the occurrence of a Crisis Management Event, we may also establish emergency procedures, which may require you to temporarily close the Restaurant to the public, in which event we shall not be liable to you for any loss or costs, including consequential damages or loss profits occasioned thereby.

For purposes of this Section, a "Crisis Event" is any event or business interruption that runs the risk of (1) escalating in intensity; (2) adversely impacting Shelby's Franchised Business's financial position; (3) causing harm to Customers, Personnel or the public or damage to their respective property or the environment; (4) falling under close media or governmental or regulatory scrutiny; (5) interfering with normal operations and wasting significant management time and/or financial resources; (6) adversely affecting Personnel morale; or (7) jeopardizing the Restaurant, the Marks or the System's reputation, image, products, brand, intellectual property, or management and therefore negatively impacting its future. Without limiting the foregoing, a Crisis Event shall include food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance, which may damage the System, Marks, or our image or reputation.

11.11 **Press Releases**. You will not issue any press release or conduct any media interviews regarding your Restaurant without our prior express written approval.

11.12 **Contributions and Donations**. 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 on any organization) in the name of the Restaurant or otherwise associate with any Mark, without our prior express written consent.

11.13 **Market Tests/Surveys**. Upon notice by us, you are required to participate in market tests or surveys. This may require you expend time and effort to: (1) respond to questions and provide information and data and statistics about the operation of your Restaurant, customers, marketing and promotion efforts, or business partners; (2) test, evaluate and assess ingredients, recipes, menu items, service techniques, Products, suppliers, vendors; or (3) provide feedback, opinions and comments on System Standards, the Brand Fund, our personnel, training, Manual, technology or other components of the System.

11.14 **Best Efforts and Personal Conduct.** You shall refrain from committing any act or pursuing any course of conduct that tends to bring the Marks or System into disrepute. You shall use best efforts to promote and increase the demand for the Products of the Restaurant. All of your advertising and promotion shall be completely factual and shall conform to the highest standards of ethical advertising. You shall refrain from any business or advertising practice which may be injurious to the Restaurant or the goodwill associated with the Marks and System.

11.15 **Automobiles**. If we permit you to provide catering or delivery services, we reserve the right to require you to have temporary signage placed on each delivery vehicle. We expect that all vehicles, including the interior, exterior and mechanical parts, used in connection with the operation of the Restaurant (whether providing delivery services or otherwise) will be kept clean, in good working order, regularly maintained and serviced, and be properly insured. You must have each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles and you are solely responsible for ensuring your drivers comply with such requirements.

11.16 **Industry Certifications**. In addition to our training requirements, we may require you, your Manager, other managers and additional employees we designate to maintain industry certifications from an approved food safety and handling program (ServSafe or a similar program). These training and certification programs will be at your sole expense, including program fees, travel, lodging, meals and applicable wages. Recertification may be necessary based on the specific requirements of each industry certification program.

## 12. ADVERTISING AND PROMOTION.

12.1 **Generally**. All your advertising must conform to all provisions of this Agreement and the System Standards. All advertising, promotion and marketing must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and promotion policies that we prescribe from time to time. In no event will your advertising contain any statement or material which may be considered: (a) in bad taste or offensive to any group or person, (b) defamatory on any person or an attack on a competitor, (c) inconsistent with our public image, or (d) not in accord with System Standards. We have the right to direct all advertising and promotional programs and activities, and the right to control and approve all the concepts, materials and media used in such programs and activities. We may periodically provide you, at your expense, with consumer marketing plans and related materials for use at the local or regional level. We may periodically furnish you with samples of advertising, marketing and promotional formats and materials templates which you will then have the right to copy at your expense. We and our affiliates reserve the right to be the exclusive suppliers of the advertising materials used in the System. We may modify any of our advertising specifications on reasonable written notice to you. Samples of all advertising, promotional and marketing materials, or your proposed modifications to any of our specifications for advertising, which we have not prepared or previously approved must be submitted to us for approval before you use or modify them. Unless a shorter time period or alternative method is specifically set forth in this Agreement, if you do not receive our written disapproval or approval within 15 days after our receipt of such materials, the materials are deemed not approved. You must promptly discontinue use of any advertising, marketing or promotional plans, specifications or materials, whether or not previously approved, on notice from us. We reserve the right to require you to include certain language in your local advertising materials, such as "*Franchises Available*" and the addresses of our Website and phone number. You are required to work with us and our designated marketing agency for your Local Advertising Requirement.

12.2 **Local Advertising**.

(a) You are required to spend a minimum of $6,000 per year on local advertising and promotion in accordance with the parameters, specifications and standards outlined in the Manual (the "Local Advertising Requirement"). We may increase the Local Advertising Requirement in an amount not to exceed $12,000 per year upon 30 days' advance written notice to you.

(b) The Local Advertising Requirement must be expended within your Protected Territory. You acknowledge and agree that your Local Advertising Requirement must be expended regardless of the amount(s) spent by other Restaurant franchisees on local advertising. You may spend any additional sums you wish on local advertising.

(c) Upon our request, you must send us proof of these expenditures on a monthly basis, or in any other manner as we may specify. We may increase the Local Advertising Requirement in our sole discretion upon 30 days' advance written notice. We may require you to place advertising in specific media, such as print, social media and direct mail, and determine what percentages of your advertising should be allocated to each medium. You cannot use the following expenditures towards the Local Advertising Requirement: (a) grand opening advertising required under Section 12.3 below, or (b) telephone listings required under Section 12.9 below. You may count expenditures paid for Social Media Platforms or Social Media Materials towards your Local Advertising Requirement.

(d) Within 30 days after the end of each fiscal year, you must submit a detailed report on the local advertising initiatives you deployed in the Protected Territory and the requisite spend allocated for each initiative for the previous fiscal year.

12.3 **Grand Opening Advertising**. You must spend a minimum of $10,000 for grand opening advertising and on advertising and promotion as prescribed in our Manual beginning no earlier than 30 days prior to the opening of the Restaurant and ending no later than 60 days after the opening of the Restaurant. You may spend any additional sums you wish on grand opening advertising. At least 5 days prior to use, you must submit samples of all grand opening advertising and promotional materials, not prepared or previously approved by us, for approval. If you do not receive our written disapproval or approval within 5 days after our receipt of such materials, the materials are deemed not approved. Upon our request, you must send us proof of these expenditures within 3 days of our request. The following expenditures may not be calculated as part of your grand opening advertising expenditures: (a) the Local Advertising Requirement required under Section 12.2 above and/or (b) telephone listings required under Section 12.9 below.

12.4 **Brand Fund**. Recognizing the value of advertising and marketing to the goodwill and public image of the System and the Franchises, we reserve the right to establish a Brand Fund (the "Brand Fund") for such advertising, marketing and public relations programs and materials we deem necessary or appropriate. We reserve the right to defer or reduce the Brand Fund for your Franchise and, upon 30 days' prior written notice to you, to reduce or suspend contributions to and operations of the Brand Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Brand Fund, or designate a portion of the Brand Fund Contribution to your Local Advertising Requirement. If the Brand Fund is terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the Brand Fund during the preceding 12-month period.

12.5 **Use of the Funds**. We or our designee will direct all programs financed by the Brand Fund, including the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. You agree that the Brand Fund may be used to pay any and all costs of maintaining, administering, directing and preparing advertising and promotional activities, including, among other things, the costs of (a) preparing and producing video, e-commerce, website or software enhancements, audio and written advertising, marketing, or promotional materials; (b) professional service fees to our designer and other marketing professionals and salary costs of in-house marketing staff; (c) exploratory marketing and advertising campaigns whether or not ultimately acted upon; (d) operation or marketing techniques; (e) research and development of marketing materials; (f) administering regional and multi-regional advertising programs, including, without limitation, purchasing e-commerce rights, services, direct mail and other media advertising and employing advertising, promotional and marketing agencies; and (g) supporting public relations and market research. We reserve the right to include "*Franchises Available*" or similar language along with our contact information on any advertising purchased through the Brand Fund. The Brand Fund may periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost, which you may duplicate at your own cost. Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

12.6 **Accounting for the Fund**. The Brand Fund will be accounted for separately from our other funds, but does not need to be in a separate account, and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Brand Fund and its programs, including, without limitation, conducting market surveys, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Brand Fund. We may spend, on behalf of the Brand Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Franchises to the Brand Fund in that year, and the Brand Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Brand Fund will be an asset of the Brand Fund. We are not required to provide franchisees with periodic accounting of the Brand Fund, including the fees paid into the Brand Fund by franchisees, but if we do prepare an accounting of the Brand Fund, it will not be audited and we will make it available to you upon your written request that must be submitted to us. We have the right to cause the Brand Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in this Agreement.

12.7 **Brand Fund Limitations**. You acknowledge that the Brand Fund is intended to maximize recognition of the Marks, Intellectual Property and patronage of Franchises. We undertake no obligation to ensure that expenditures by the Brand Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Fund by Franchises operating in that geographic area or that any Franchise will benefit directly or in proportion to its contribution to the Brand Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to the Brand Fund.

12.8 **Advertising Cooperatives**. We have the right, in our sole discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"). We may also approve of the formation of a Cooperative by our franchisees. If a Cooperative has been established applicable to your Franchise at the time you open your Franchise, then you shall immediately become a member. If a Cooperative is established that is applicable to your Franchise at a later time during the Term, then you shall become a member no later than 30 days after the date on which the Cooperative commences operations. If established:

(a) each Cooperative shall be organized, governed, and administered in a form and manner, and shall commence operation on a date, approved in advance by us in writing;

(b) each Cooperative shall be organized for the exclusive purposes of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising and promotion;

(c) each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the Cooperative by majority vote, but no greater than 1% of Gross Revenue, and your failure to make any such payments is a breach of this Agreement;

(d) each member shall submit to the Cooperative its contribution in the manner set forth in the Manual or in the Cooperative's bylaws, which must be approved in advance by us in writing; and

(e) you may offset your Local Advertising Requirement by any amounts paid by you to the Cooperative.

12.9 **Telephone Directory Advertisements**. At your expense, you must obtain a telephone number that will only be used for the Franchise. Upon termination or expiration of this Agreement you will assign such telephone number to us. You must execute the Telephone Listing Agreement attached hereto as Exhibit F which will assign us all rights to your telephone number.

12.10 **Advisory Council.** We reserve the right to form a franchisee advisory council. Any advisory council created will act in an advisory capacity only and will not have decision making authority. We will have the right to form, change, merge and dissolve any advisory council at any time. The membership of any advisory council may be determined in our sole discretion and you have no right to sit on an advisory council. If you are chosen and agree to participate on an advisory council, you will pay all costs and expenses you incur related to your participation, including travel, lodging and meals expenses for attending council meetings.

12.11 **Promotional, Gift Card, Membership and Loyalty Programs.** You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty, customer retention, or special promotional program that we implement for all or part of the System. You agree to sign the forms and take the other action we require for you to participate in these programs, including but not limited to, selling and offering for sale gift cards which may be redeemed at any Shelby's Restaurant as well as permitting customers who purchased gift cards online or from another Shelby's Restaurant or us to redeem their gift cards for Products at your Restaurant.

12.12 **Photo/Video Release**. You acknowledge and authorize us to use your likeness in a photograph or video in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph or video using your likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish, or distribute any photograph or video of you for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph or video of you. You agree to hold harmless and forever discharge us from all claims, demands, and causes of action that you may have in connection with this authorization. For purposes of this Section, "you" shall refer to your owners if you are a legal entity.

## 13. RELATIONSHIP OF THE PARTIES.

13.1 **Independent Contractors**. We do not have a fiduciary relationship with you. Neither you nor we are general or special agents, representatives, joint venturers, partners or employees of the other for any purpose whatsoever. You are not entitled to workers' compensation, unemployment compensation, or any other statutory or regulatory benefit or right predicated on an employer-employee relationship. We have no obligation to carry workers' compensation coverage or pay unemployment compensation taxes or withhold any amounts from payment to you for federal income taxes or for federal social security taxes, unless otherwise required by applicable laws and regulations. We have no obligation to provide you with any employment and fringe benefits that we may provide to employees, such as health insurance, for example. The foregoing also applies to any relationship with your Personnel. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of any of your Personnel, nor vice versa.

13.2 **Taxes**. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or your Owners, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your responsibility.

## 14. INDEMNIFICATION.

14.1 **By You**. You agree to indemnify, defend and hold harmless us, our affiliates and us and our affiliates' respective members, managers, directors, officers, owners, employees, agents, attorneys, accountants, contractors, advisors, successors and assignees (the "Indemnified Parties") against and to reimburse any 1 or more of the Indemnified Parties for all losses, expenses, judgments, settlements, claims, liabilities, attorneys' fees, costs (including, without limitation, expert witness fees, court costs, accountants' fees, travel and living expenses) and damages arising out of any claim directly or indirectly (i) related to the operation of your Franchise; (ii) related to on-site training, assistance or support provided to you by our employees or personnel; (iii) arising out of a breach of this Agreement or any other agreement with us or any of our affiliates; or (iv) any and all taxes described in this Agreement provided, however, that you shall not be required to hold harmless or indemnify us for any losses relating to any claim to the extent such losses arise out of our gross negligence or willful misconduct. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

14.2 **By Us**. We agree to hold harmless and indemnify you against any claim for copyright, service mark or trademark infringement, including reasonable attorneys' fees and court costs in connection with such claims, arising out of your authorized use of our materials, the Intellectual Property, or the Marks, provided, that such use was in accordance with the terms of this Agreement and the Manual as determined by us in our sole discretion and you notify us in writing within 10 days, or within such shorter period as is necessary to avoid prejudice, after learning of any claim, and also provided we have the right to control the defense and any litigation or proceeding resulting from any such claim. If we exercise our right to control the litigation or proceeding, we will cease to reimburse you for any legal fees after the date of assumption of control. You must fully cooperate with us in connection with the defense or settlement of any third-party claim that we take control of under this Section.

## 15. REPORTS, FINANCIAL STATEMENTS, INSPECTIONS AND AUDITS.

15.1 **Our Right to Inspect the Shelby's Franchise**. To determine whether you are complying with this Agreement and all System Standards, we and our designated agents have the right at any time when the Restaurant is in operation or you or your Personnel are working at the Restaurant to:

(a) inspect the Restaurant, including but not limited to, conducting secret shopper evaluations from time to time and without prior notice;

(b) observe, photograph and videotape the operations of the Restaurant, the production methods of your Personnel and any Products provided thereby for such consecutive or intermittent periods as we deem necessary;

(c) remove, or otherwise receive or obtain, samples of any Products, materials, ingredients or supplies for testing, evaluation or analysis;

(d) interview Personnel and customers of the Restaurant; and

(e) inspect and copy any books, records, computer data and documents relating to your operation of the Franchise.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal, service testing and interviews. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf. Our access to your POS System and any other tablet or computer used for the Restaurant includes access to any information or data stored which is related to the Restaurant, including, but not limited to, (i) data stored in bookkeeping software; (ii) information in online bank accounts and credit card accounts used for the operation of the Restaurant; and (iii) Customer Data. You must immediately correct or repair any unsatisfactory conditions we specify.

15.2 **Our Right to Audit**.

(a) We have the right to conduct 4 quarterly Internal Quality Assurance Audits ("IQAA audits") at the Restaurant, in any rolling 12 month period, at any time during your business hours, to inspect and audit, or cause to be inspected and audited, your Franchise, bookkeeping, accounting and invoicing records, sales and income tax records and returns, online bank accounts, online credit card accounts and any other records related to the Franchise. Any costs incurred by us related to the IQAA shall be borne by you. The passing grade is currently ninety-five percent (95%) for the first three (3) months, and eighty percent (80%) for the remainder of the Term.

(b) You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if we determine that Gross Revenue or any other fees are understated by 3% or more, you agree to reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys, independent accountants, and employees and their travel expenses, room and board. You also must immediately pay us any shortfall in the amounts you owe us, including interest as described in Section 5.9. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

(c) We have the right to conduct monthly Shawarma Man Audits, without prior notice to you, as per the standard operating procedures contained in the Manual. The passing grade is currently ninety-five percent (95%). Any costs incurred by us related to the Shawarma Man Audit shall be borne by you.

15.3 **Books and Records**. You shall establish and maintain, at your expense, a bookkeeping, accounting, and record keeping system conforming to the requirements prescribed by us from time to time including, but not limited to providing us (a) within 15 days after the end of each month, a balance sheet and profit and loss statement; and (b) within 30 days after the end of the fiscal year a profit and loss statement, balance sheet, and cash flow statement for the immediately preceding fiscal year reflecting all year-end adjustments. We reserve the right to require that your annual financial statements be audited or reviewed, at your expense, by an independent certified public accountant approved by us. You shall furnish us with copies of all federal and state income and sales tax returns the Franchise files with respect to the Franchise's business income or sales within 30 days after the date they are filed.

15.4 **Distribution of Franchisee Information**. You acknowledge and agree that we have the right to share any information about your Restaurant collected by us or our affiliates or agents to any third party, including, but not limited to, other franchisees, prospective franchisees, financial institutions, legal and financial advisors, for any purpose. This information may include, but is not limited to, data regarding your sales, revenues, costs, taxes, profit margins or customer service survey results. Without limiting the foregoing, you hereby grant us and our affiliates permission to report and distribute your gross revenues, gross sales mix, COGS, cost of material and labor and other expense information including your Restaurant Location and other identifying information to current or prospective franchisees. You agree to hold us and our affiliates harmless against and from any and all claims, liabilities, or suits resulting from or in connection with any acts or omission related to the reporting of information described in this section.

## 16. **TRANSFER**.

16.1 **By Us**. This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests. We may assign our interest in this Agreement, directly or indirectly, by merger, assignment, pledge or other means, without your approval or consent.

16.2 **By You**. We have granted the Franchise to you in reliance upon our perceptions of your and your Owners' individual or collective character, skill, aptitude, business ability and financial capacity. Accordingly, you may make no Transfer (as defined below) without our prior written approval. Any purported Transfer without such approval will be a breach of this Agreement and will entitle us to terminate this Agreement.

16.3 **Definition of Transfer**. As used in this Agreement, the term "Transfer" means you or your Owners' voluntary, involuntary, direct or indirect assignment, sale, gift, pledge, mortgage, disposal or other disposition of any legal or beneficial interest in: (a) this Agreement, (b) any material asset of the Franchise, or (c) more than 25% of the ownership interest in the Franchise entity, whether in the form of equity or voting interest (provided that a Transfer of less than 25% of an Owner's ownership interest in the Franchise entity, whether in the form of equity or voting interest, may occur in accordance with the requirements of Section 16.4 below). "Transfer" also includes (i) the merger or consolidation of your Franchise entity; and (ii) the issuance of additional securities or other ownership interests of the Franchise entity comprising more than 25% of the ownership interest whether in the form of equity or voting interest. It includes transfers resulting from proceedings under the U.S. Bankruptcy Code or any similar law, and transfers resulting from divorce.

16.4 **Transfer of Less than 25% of Franchise Entity**. Prior to the transfer of 25% or less of the total ownership interest in the Franchise by an Owner:

(a) the transferee and its Owners must meet or exceed the approval criteria applied to new franchisees of the System, including, without limitation, passing a background check and having sufficient business experience, aptitude and financial resources to operate the Franchise, all determined by us in our sole discretion;

(b) all transferring Owners and each Owner's spouse must sign a general release in the form attached to this Agreement as Exhibit A (or any other form required by us or as allowed under applicable law) of any and all claims against us and our affiliates and us and their respective members, owners, officers, directors, employees, consultants, advisors, and agents;

(c) we must have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the operation of the Franchise;

(d) if applicable, the new Operating Principal of the transferee must successfully complete our standard Initial Training program;

(e) the transferee and its Owners and their spouses must execute and agree to be bound by all the terms and conditions of the Guaranty, Restrictive Covenant Agreement and any other agreements reasonably required by us;

(f) you reimburse us for any reasonable legal and administrative costs we incur in connection with the transfer outlined in this Section 16.4; and

(g) you have paid all amounts owed to us, our affiliates, Approved Suppliers, or to third-party creditors and have submitted to us all required reports and statements.

16.5 **Notice of Transfer.** You agree to notify us of any purported Transfer and provide us with any information we may reasonably request in order to permit us to evaluate such Transfer. If we do not exercise our right of first refusal under Section 16.10, we agree not to unreasonably withhold our approval of a Transfer, provided you have complied with the conditions in Section 16.6. If we approve the Transfer, then you will be free, for 30 days following such approval, to effect the Transfer approved by us.

16.6 **Conditions for Approval of Transfer**. If you are in full compliance with this Agreement, then subject to the other provisions of this Agreement, we will approve a Transfer that meets all the applicable requirements of this Section:

(a) the transferee and its Owners meet or exceed the approval criteria applied to new franchisees of the System, including, without limitation, passing a background check and having sufficient business experience, aptitude and financial resources to operate the Franchise, all determined in our sole discretion;

(b) you have paid all amounts owed for purchases from us or our affiliates and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;

(c) if applicable, the new Operating Principal of the transferee completes our standard Initial Training program;

(d) the transferee has entered into our then-current form of franchise agreement and any required related agreements for a term ending on the expiration date of this Agreement and requiring no Initial Franchise Fee, provided, that if the Transfer is for an ownership interest in the Franchise, the transferee or transferees of such ownership interest, sign the Guaranty, Restrictive Covenant Agreement and any other related agreements reasonably required by us;

(e) the transferee agrees to upgrade the Franchise to conform to our then-current System Standards including making any Trade Dress Upgrades we require;

(f) you or the transferee pay us a transfer fee equal to 25% of our then-current initial franchise fee or $8,750 if we are no longer selling new franchises;

(g) you and all transferring Owners and each Owner’s spouse have signed a general release in the form attached to this Agreement as Exhibit A (or any other form required by us or as allowed under applicable law) of any and all claims against us and our affiliates, and us and their respective members, owners, officers, directors, employees, consultants, advisors, and agents;

(h) we have approved the material terms and conditions of such Transfer and determined that the price and terms of payment will not adversely affect the transferee’s operation of the Franchise;

(i) if you or your Owners finance any part of the sale price of the transferred interest, you and/or your Owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your Owners have reserved in the Franchise are subordinate to the transferee's obligation to pay Royalty Fees, Brand Fund Contributions and other amounts due to us and otherwise to comply with this Agreement; and

(j) upon our request, you have agreed that you will provide guidance and support related to the operation of the Restaurant and compliance of System Standards at the discretion of the transferee for a period of no less than 30 days from the day the transferee satisfactorily completes all required training.

16.7 **Your Assignment to an Entity**. If you meet the following conditions, you may assign this Agreement without payment of a transfer fee (but we may charge a document preparation and review fee not to exceed $2,500) to an entity in which you hold at least a fifty-one percent (51%) controlling interest in the entity if you actively manage the entity and the Franchise; and

(a) the entity is newly organized and it is a single purpose entity whose activities are confined exclusively to acting as a Franchise under this Agreement; and

(b) the entity submits the entity papers we request, and executes our required documentation and returns it to us within thirty (30) days from the date we send it; and

(c) each of your Owners sign a Guaranty agree to remain personally liable for all obligations in this Agreement;

(d) you and each of your Owners and signatories to this Agreement sign a General Release; and

(e) you are in full compliance with this Agreement and with all collateral agreements.

16.8 **Transfer Upon Death or Disability**. Upon the death or disability of an Owner owning a controlling interest in you, we may require you or such Owner (or such Owner's executor, administrator, conservator, guardian or other personal representative) to Transfer such interest to a third party. Such disposition (including, without limitation, transfer by bequest or inheritance) must be completed not more than 120 days from the date of death or disability. Such disposition will be subject to all of the terms and conditions applicable to Transfers contained in this Section 16. A failure to transfer the ownership interest of the deceased or disabled controlling Owner within this period of time constitutes a breach of this Agreement. For purposes of this Agreement, the term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent an Owner of a controlling interest in you from managing and operating the Franchise.

16.9 **Operation Upon Death or Disability**. Upon the death or disability of your Operating Principal, you or your Operating Principal's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a new Operating Principal with the authority to bind the Franchise who must be approved by us. Such Operating Principal will be required to complete Initial Training at your expense and must be approved by us. In the event the Restaurant was being managed by the deceased or disabled Operating Principal and not a Manager then, pending the appointment of an Operating Principal as provided above or if, in our judgment, the Franchise is not being managed properly any time after the death or disability of the Operating Principal, we have the right, but not the obligation, to appoint a manager to act as the manager for the Franchise. All funds from the operation of the Franchise during the management by our appointed manager will be kept in a separate account, and all expenses of the Franchise, including compensation, other costs and travel and living expenses of our manager, will be charged first to this separate account and then to your Restaurant's general bank account. We also have the right to charge the Management Fee. Operation of the Franchise during any such period will be on your behalf, provided, that we only have a duty to utilize commercially reasonable efforts and we and our appointed manager will not be liable to you or your Owners for any debts, losses or obligations incurred by the Franchise or to any of your creditors for any products, materials, supplies or services the Franchise purchases during any period it is managed by our appointed manager.

16.10 **Effect of Consent to Transfer**. Our consent to a Transfer of this Agreement and the Franchise or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Franchise or transferee, a waiver of any claims we may have against you (or your Owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

16.11 **Our Right of First Refusal**. If you or any Owner receives a bona fide arm's length offer to purchase its interest in this Agreement, in any material assets of the Franchise or in the Franchise entity or you or any Owner proposes to Transfer any interest in this Agreement, in any material assets of the Franchise or in the Franchise entity, in whole or in part, to a person other than an entity of which your Owners are the sole owners, shareholders, members, or partners, you must first offer to sell said interest and/or asset(s) to us. You must provide us the terms of the offer received or made by you, within 20 days of receipt, and we shall have 3 months after notice, to purchase the transferred interest, valued at 80% percent of the Restaurant's previous years' Gross Revenue provided that we may substitute cash in place of any finance terms. Acceptance by us must be at the same price and on the same terms set forth in the written statement submitted by you, provided, that we may, in our sole discretion, substitute cash in place of any finance terms set forth in the written offer statement. If we fail to accept the offer within the 30 day period, you are free to effect the disposition described in the statement upon the exact terms set forth in the statement delivered to us, provided, that nothing in this Section may be interpreted as limiting the requirements of this Agreement relating to transfer of rights under this Section 16. If the sale to such transferee is not completed within 120 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30 day period following either the expiration of such 120 day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option. Furthermore, if you are insolvent, or upon the filing of any petition by or against you under provisions of any bankruptcy law, we have the first right to purchase the Franchise, for the amount and pursuant to terms established by an independent appraiser selected by us. Unless such sale is to us or an Restaurant franchisee, all Marks must be removed and completely de-identified from any assets sold to a third party and the real estate de-identified of all Marks and tradedress.

16.12 **Waiver of Interference Claims.** You acknowledge that we have legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with you. You also acknowledge that our contact with potential transferees for the purpose of protecting our business interests will not constitute wrongful conduct, including without limitation, unlawful interference with your business or contracts. You expressly authorize us to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to economically questionable transactions. Without limitation of the foregoing, you waive any claim that any action we take in relation to a proposed transfer to protect our business interests constitutes tortious interference with contractual or business relationships.

## 17. RESTRICTIVE COVENANTS.

17.1 **Confidential Information**. During the Term, we will give you, and you will have access to, a variety of information concerning us, our affiliates, our business and the System including, without limitation: the Manual; System Standards; Products; the Intellectual Property; methods for operating, managing and developing the Franchise; Product sales, marketing, distribution, performance, methods, techniques, equipment or supplies; recruitment, training, coordination, marketing or compensation methods; reporting methods, and techniques; advertising, marketing, promotion, recruitment, human resourcing, training, sales and merchandising strategies, techniques and initiatives; any related underlying materials, analyses, compilation, forecasts, research or market studies; our prototype and layout of our Restaurant and our Product display; proprietary software (if applicable); customer lists; referral sources; billing and collection methods; training materials; recipes; know-how; procedures and methods of food preparation (including the methods of serving our Product); financial information; Computer System; other information about us and information about our Approved Suppliers; strategic partners, master franchisees, regional developers, unit franchisees, employees, and independent contractors (collectively, the "Confidential Information"). We consider the Confidential Information to be confidential and our trade secrets. You acknowledge that we and our affiliates have expended and continue to expend great amounts of time, money and effort in devising and processing the Confidential Information.

17.2 **Restrictions On Use**. You will use your best efforts and diligence both during and after the Term to protect the Confidential Information and our goodwill. You will not, directly or indirectly, use (for yourself or others) or disclose any of the Confidential Information to any other person or entity except as is necessary for the operation of your Franchise in accordance with our System Standards.

17.3 **Mandatory Requests for Information**. If you or anyone to whom you transmit the Confidential Information becomes legally compelled (by court order, interrogatories, discovery requests for information or documents, subpoenas, civil investigative demands or similar process) to disclose any Confidential Information, you must immediately notify us in writing so that we may, if we so choose, seek a protective order or other remedy. You will reasonably cooperate with us in our efforts to seek such protective order or other remedy. In any event, you will furnish only that portion of the Confidential Information which is legally required and exercise your best efforts to obtain reliable assurance that confidential treatment will be accorded to the Confidential Information.

17.4 **Return**. Upon termination, expiration or non-renewal of this Agreement, or any other time at our request, you must promptly deliver to us, or destroy at our request, any and all documents or other materials (including documents or notes created by you and information embodied in intangible form, e.g., in computer memory) in your possession or control relating, directly or indirectly, to any Confidential Information and all copies of it without retaining any copies, duplicates, extracts or portions of it. Your Operating Principal shall certify, within 5 days of our request, as to the return or destruction of all such information.

17.5 **In-Term – Competitive Activities**. You acknowledge our legitimate business interest in the Confidential Information and goodwill associated with our System. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you and each of your Owners and each of their respective spouses shall not, directly or indirectly (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on your own account).

(a) Divert or attempt to divert any business or customer to any competitor, by direct or indirect inducement or otherwise, to do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks, Intellectual Property and the System; or

(b) Own, maintain, engage in, be employed by, lease real estate to, finance, or have any interest in any other Restaurant company that creates, develops, or markets Middle Eastern cuisine or a retail business that derives more than ten percent (10%) of its revenue from the sale of Middle Eastern cuisine (other than a Franchise under an effective Franchise Agreement with us).

17.6 **Post-Term Competitive Activities.** For a period of 2 years following the expiration or termination of this Agreement for any reason, unless we otherwise permit in writing, you shall not, directly or indirectly (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on your own account):

(a) Participate in the development of, or engage in, or market, sell, distribute, render, provide, perform or sell the Products or similar products or services, or contribute your knowledge to, or have any financial interest in, any work or activity that relates to or involves any of the Confidential Information or is in any way engaged in the operation, licensing, franchising or consulting, developing, marketing, organizing, providing, promoting, coordinating of a fast casual restaurant that creates, develops, or markets Middle Eastern cuisine or a retail business that derives more than ten percent (10%) of its revenue from the sale of Middle Eastern cuisine (a "Competitive Business"): (i) within the Protected Territory, (ii) within any geographic territory that we have assigned to a Franchise or in which we directly operate, market or sell, (iii) via the Internet or other form of e-commerce, wherever located, or (iv) within 6 miles of the Protected Territory or any Protected Territory described in clause 17.6(a)(ii) above in existence or under development as of the end of the Term;

(b) Induce or attempt to induce, or solicit any of our or other Shelby's strategic partners, customers, referral sources, brokers, Personnel or other independent contractors to accept employment or an affiliation with you; or

(c) Solicit, divert, contact, take away or interfere with any of our business, customers, referral sources, brokers, insurers, suppliers, trade or patronage with whom we (or our affiliates or franchisees) do business or whom you know we have contacted or solicited for business relationships, or those of any of our affiliates or franchisees, as of the date of termination or expiration of this Agreement.

17.7 **Non-Disparagement.** You agree not to take any action or make any statement the effect of which would be to directly or indirectly impair our goodwill or our rights to our Intellectual Property or the goodwill of our affiliates, or be materially detrimental to us, our affiliates, any company or affiliate owned Shelby's or our franchisees or other Franchises, including, but not limited to, any action or statement intended, directly or indirectly, to benefit any of our competitors. This provision survives forever.

17.8 **Equitable Relief**. Due to our and our affiliates' interest in the Confidential Information and customer goodwill, you agree that damages cannot fully compensate us if you breach this Section 17 of this Agreement. Thus, if you breach Section 17 of this Agreement, we are entitled to an injunction from any court with jurisdiction and/or arbitrator restraining you from any further breach and other equitable relief. You agree that the court or arbitrator may issue such injunction without bond and without notice, and you waive any objection to same. You further agree that we shall be entitled to an award of our reasonable attorneys' fees and costs in any case where an injunction issues. Your only remedy if such an injunction is issued is its dissolution, if warranted, upon an appropriate hearing. You waive any claims for damages as a result of the obtaining of any such injunction.

17.9 **Extension of Time Period**. The time period during which you are to refrain from the activities described in this Section, will be extended by any length of time during which you are in breach of the relevant provisions of this Section 17.

17.10 **Modification of Provision.** If any court determines that any of the covenants set forth in this Section 17, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable. Furthermore, if any of the restrictions set forth in Sections 17.5 or 17.6 are deemed entirely unenforceable or invalid under any local, state or federal law, rule, regulation, administrative decision or finding, then you will not be bound by such unenforceable or invalid provision(s), as the case may be, but you shall continue to be bound by all other provisions of these Sections which are valid and enforceable.

## 18. TERMINATION.

18.1 **By Franchisee.** You may not terminate this Agreement prior to the expiration of its Term except in the event we commit a material breach of this Agreement and we fail to take steps to cure such material breach within 90 days from the date of receipt of such written notice from you specifically enumerating all alleged deficiencies by us.

18.2 **By Franchisor - Non-Curable Defaults.** We may, at any time, terminate this Agreement effective immediately upon written notice if you or any of your Owners:

(a) either (i) fail to observe or comply with the requirements of Section 16 in connection with any sale, assignment or Transfer, or (ii) make a material misrepresentation in any Transfer request or document in support of a request for our consent to the Transfer of this Agreement;

(b) do not commence operations in accordance with the timeline outlined in Section 4.5 of this Agreement;

(c) fail to arrange for the purchase or lease of a suitable Location within 6 months of the Effective Date.

(d) fail to cure any default under this Agreement or compliance with System Standards issue after 10 days opportunity to cure (which includes failure to correct any deficiencies found during a Shawarma Man Audit);

(e) fail to pass two (2) or more IQAA audits in any rolling twelve (12) month period

(f) abandon or fail to operate the Franchise for five (5) consecutive business days during which you are required to operate the Franchise under the terms of this Agreement or the Manual, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Franchise (unless such failure to operate is due to fire, flood, earthquake, or similar causes beyond your control);

(g) violate or breach any provision of Section 10 or Section 17 of this Agreement;

(h) become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by 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 assets or property, 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 30 days or longer (unless a supersedeas bond is filed); if you are dissolved; if execution is levied against your

Franchise or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the Franchise shall be sold after levy thereupon by any sheriff, marshal, or constable; or

(i) fail to successfully complete Initial Training and you fail to submit a replacement for such person or fail to attend Mandatory Additional Training, Required Conferences or other Continuing Training 2 or more times during the Initial Term of this Agreement;

(j) have any judgment or judgments aggregating in excess of $10,000 levied against you or any lien in excess of $10,000 against your property which remains unsatisfied or unbonded of record in excess of 30 days;

(k) cause, suffer, or permit (voluntarily or involuntarily) your right of possession as lessee or sub lessee of the premises on which the Restaurant is located to be terminated prematurely for any cause whatever;

(l) knowingly sell food or beverage products other than those designated by us or which fails to conform to System specifications for those Products, or which are not prepared in accordance with the methods or recipes prescribed by us, or fail to sell all Products designated by us;

(m) knowingly fail to report accurately the Gross Revenue of the Franchise; or you commit any act or omission constituting fraud, misrepresentation or similar act or omission, whether with respect to us, any related entities and/or any third party;

(n) (i) default, on 3 or more separate occasions within any period of 12 consecutive months, in any obligation(s) (whether the same or different), whether or not such defaults are timely corrected, to us, any of our affiliates, a Cooperative, a Distribution Cooperative or any of your suppliers, vendors, brokers, landlords, or other third parties; (ii) commit any default, or violate any material obligation to us, any of our affiliates, a Cooperative or a Distribution Cooperative, which is incurable whether under this Agreement, the Manual, any other agreement with us, any of our affiliates, a Cooperative, a Distribution Cooperative or any of your suppliers, vendors, brokers, landlords, or other third parties, or otherwise; or (iii) commit any material default, or violate any material obligation to any of your suppliers, vendors, brokers, landlords, or other third parties which remains uncured after any applicable cure period.

(o) engage in any misconduct which unfavorably affects your reputation or that of any of your Owners or the goodwill associated with the Marks or the System (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, sexual harassment, discrimination or allowing unlawful activities or unauthorized or illegal items to be used or distributed in connection with the Franchise);

(p) are convicted by a trial court of, plead no contest or enter into a consent decree in connection with any violation of the rules or regulations of franchise laws, federal or state securities laws, or any felony or any other crime or offense that is likely to adversely affect your reputation, our reputation or otherwise involving any fraud or breach of trust, or to any crime or offense that may adversely affect the reputation of the goodwill associated with the Marks or the System; or

(q) fail to pay any taxes when due which you are not contesting in good faith.

18.3 **By Franchisor - Curable Breaches**. The occurrence of any of the following events shall constitute a curable default under this Agreement. You may cure such default by taking appropriate remedial action within a prescribed time after we demand remedial action. Unless you cure such default before the end of the indicated remedial period, we may terminate this Agreement or take any other actions as this Agreement permits effective immediately if you or any of your Owners:

(a) submit a financial report or other data, information or supporting records which understate by more than 3% the Franchise's Gross Revenue, or other fees due for any reporting period, and you are unable to demonstrate within 5 business days that such understatements resulted from an inadvertent error;

(b) fail to maintain and operate the Restaurant in a good, clean, wholesome manner and in compliance with the System Standards, and fail to cure such breach within 5 business days after written notice;

(c) deny, our representative or our designees the right to inspect the Restaurant at reasonable times and fail to cure such breach within 3 business days after such denial;

(d) sell food or beverage products or use ingredients which fail to conform to System Standards or which are not prepared in accordance with the methods or recipes prescribed by us and fail to cure such breach within 24 hours after written notice;

(e) fail to operate the Restaurant in accordance with the Manual, or fail to conform to our specifications and standards, or fail in any other way to maintain our standards of quality in the operation of the Restaurant and fail to cure such breach within 30 calendar days after written notice;

(f) fail to remit any payments immediately when due to us or an affiliate of ours and fail to cure such breach within 2 days after written notice;

(g) fail to remit any payments immediately when due to a supplier, vendor, broker, landlord, a Cooperative, a Distribution Cooperative or any other third party owed by the Franchise and fail to cure such breach within 10 days after written notice;

(h) fail to submit to us any financial, reports or other information required under this Agreement and fail to cure such breach within 10 business days after written notice;

(i) fail to maintain the required insurance and fail to cure such breach within 7 business days after written notice;

(j) interfere with our ability to access information on the POS Software or if you close or interfere with our ability to access the account used to electronically transfer Royalty Fees, Brand Fund Contributions and other payments, and fail to cure such breach within 5 business days after written notice;

(k) operate the Restaurant in a manner that presents a health, sanitation or safety hazard to your customers, employees, or the public or you receive a report from a customer or government agency regarding same, which is not cured within 24 hours after written notice;

(l) fail to obtain or to maintain any Required License or fail to comply with any federal, state, or local law or regulation applicable to the operation of the Restaurant and fail to cure such breach within 5 business days after written notice; or

(m) to the extent not covered by Sections 18.2 or 18.3, breach any other obligation, covenant or representation under this Agreement (other than the non-curable defaults described in Section 18.2 above) and fail to remedy such breach within 30 days after written notice from us specifying the breach alleged to have occurred and the action to be taken by you curing the same, including but not limited to: (i) your failure to operate the Franchise in accordance with the Manual and/or other manuals, (ii) your failure to conform to our System Standards, or failure in any other way to maintain our standards of quality in the operation of the Franchise, (iii) your taking for your own personal use any assets or property of the Franchise, (iv) you acting in any inappropriate manner towards any employee or other Personnel, or (v) you failing to make payroll.

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

18.4 **Cross Defaults, Non-Exclusive Remedies, Etc.**. Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any affiliate of ours) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates), Cooperative, or a Distribution Cooperative may be regarded as a default under this Agreement unless specifically agreed otherwise in writing. Any default by you (or any person/company affiliated with you) under any loan agreement, security agreement, lease, supply or service agreement or otherwise, whether with us, any of our affiliate and/or any third party which is not cured by the time period specified in such agreement may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

18.5 **Rights upon Default**. Except in the case of death or disability which is governed by Section 16.8 hereof, if we determine in our sole judgment that the operation of your Franchise is in jeopardy, or if you are in default under this Agreement, then in order to prevent an interruption of the Franchise which would cause harm to the System or potentially lessen the value of the Franchise, you authorize us to operate your Franchise for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement ("Step-In Rights"). We shall keep in a separate account all monies generated by the operation of your Franchise, less the expenses of the Franchise, including the Management Fee. If this separate account does not have sufficient funds then we may deduct our expenses, including the Management Fee and the reasonable attorneys' fees and costs described below, from your Franchise's general operating bank account. In the event of the exercise of the Step-In Rights by us, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of our Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

18.6 **Obligations Upon Termination/Expiration**. Upon any expiration or termination of this Agreement for any reason, you must, at your cost and expense:

(a) immediately cease selling the Products and using any of the Confidential Information, the Intellectual Property and the Marks and immediately return to us (or destroy upon our request) all of your copies of any materials containing any of the Confidential Information or any materials bearing the Intellectual Property or the Marks, including without limitation, the Manual;

(b) upon our request, cooperate in assigning to us or to a person or entity designated by us any and all vendor agreements or sales or service contracts for the Products with customers (as applicable) of your Franchise, which will be automatic at our option as a result of the termination or expiration;

(c) immediately cease all use of our Marks and Intellectual Property including any marketing or advertising materials, flyers, business cards, brochures and immediately cease holding yourself out to the public as associated with us in any way including de-identifying the Restaurant by removing all trade dress, signs or other items bearing our Marks and other Intellectual Property;

(d) immediately cease using all Social Media Platforms and return to us all Social Media Materials, e-names and passwords and do all things necessary to permanently remove your administrative access to any Social Media Platforms;

(e) immediately terminate your access to the e-commerce activities we designate and assign to us all email addresses, telephone numbers, e-name and directory listings associated in any way with the Shelby's Franchise and our Marks, and direct the telephone company to transfer all such numbers and listings to us or our designee pursuant to the Internet Website and Listings Agreement attached hereto as Exhibit E and Telephone Listing Agreement attached hereto as Exhibit F;

(f) immediately pay us all unpaid fees and pay us, our affiliates, and our Approved Suppliers, all other monies owed; and

(g) comply with the post-termination covenants set forth herein, all of which will survive the transfer, termination or expiration of this Agreement and cease any and all contact with customers, suppliers, vendors, employees or our agents without our prior written consent.

Alternatively, we may elect in our sole discretion, to undertake the obligations set forth in subsection (a)-(g) above and charge you for our costs and expenses. You hereby appoint us as your duly appointed agent and attorney-in-fact with the absolute right (but not the obligation) to perform the acts specified in this Section at your sole cost and expense including, without limitation, the right to execute any assignments or contracts or file any documents with any third parties necessary to effectuate these obligations. The appointment of us as your agent and attorney-in-fact for the purposes set forth herein is declared and acknowledged to be coupled with an interest and is irrevocable. The grant of power of attorney herein shall include full powers of substitution. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by us pursuant to this Agreement as conclusive evidence of our rights to the Identifiers and our authority to direct their transfer.

18.7 **Right to Purchase Assets.** If this Agreement expires or is terminated by either party for any reason whatsoever, then we have the right, but not the obligation, to purchase your Franchise, including supplies, inventory and equipment, and all other assets owned by you in your Franchise and to acquire your lease or other contract rights (hereinafter referred to in this provision as the "Franchise Assets") at book value (cost less depreciation, with depreciation being determined by the shorter of (a) 5 years; or (b) the time period used by you in connection with the preparation of the financial statements for your Franchise) without considering any value for goodwill associated with the name "Shelby's." We will have the right, but not the obligation, to purchase any or all of the Franchise Assets from you for cash within 30 days after the occurrence of the event triggering our right of first refusal to purchase the Franchise Assets. Nothing in this provision may be construed to prohibit us from enforcing the terms and conditions of this Agreement, including the covenants not to compete contained in Section 17.

18.8 **Liquidated Damages**. Upon termination of this Agreement by us for cause, you agree to pay to us within 15 days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages for lost Royalty Fees and Brand Fund Contributions. Liquidated damages are determined by multiplying the combined monthly average of Royalty Fees and Brand Fund Contributions (without regard to any fee waivers or other reductions) for each Restaurant you open under this Agreement that are owed by you to us, beginning with the date you open each Restaurant through the date of early termination, multiplied by the lesser of: (i) 24, or (ii) the number of full months remaining in the Term. 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 and Brand Fund Contributions due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees and Brand Fund Contributions 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. The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees and Brand Fund Contributions. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee and Marketing Fund sections. You and each of your Owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee and Brand Fund sections.

**19.** **NOTICE**. All notices, requests, consents and other communications required hereunder shall be in writing and shall be duly given if hand delivered and a signed receipt obtained, sent by registered or certified mail, postage prepaid, return receipt requested, sent by overnight express type service, or sent by telecommunication with confirmed delivery, including electronic mail, addressed:

If to us:
Shelby's Franchise USA LLC
2630 Bristol Circle, Unit 300
Oakville, Ontario Canada L6H 6Z7
Attn: Ashley Khan
Email: legal@shelbys.ca

with a copy to:
Fox Rothschild, LLP
Attn: Eleanor Vaida Gerhards, Esq.
980 Jolly Road, Suite 110
Blue Bell, PA 19422-3001
Tel. 215.918.3642
Email: egerhards@foxrothschild.com
Facsimile: (610) 397.0450

If to you, to the address and email indicated on Schedule I to this Agreement. In the alternative, notice shall be sent to such other address as you or we shall have specified in a written notice given to the other party. Each such notice shall be deemed delivered (a) on the date delivered, if by personal delivery; (b) 1 day after notice is sent, if by overnight express type service; (c) on the date of transmission by telecommunication with confirmed delivery, if by electronic mail or other electronic method; and (d) on the first occurring of: (i) 3 business days after mailing, postage prepaid, or (ii) the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed. Any notice provided by electronic mail or other electronic method shall be confirmed by 1 of the delivery methods listed under subsection (a), (b), or (d) although this shall not affect the time notice is deemed given hereunder.

## 20. **BUSINESS ORGANIZATION**.

20.1 You must be a business organization (like a corporation, limited liability company or partnership) (a "Business Entity"). You agree and represent that:

(a) You have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state where you are located and of your incorporation or formation;

(b) Your organizational or governing documents will recite that you will only conduct the business of a Shelby's Franchise and no other, the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) At our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of you, your Owners and your agents (like articles of incorporation or organization and partnership, operating or shareholder agreements); and

(d) Your entity name does not include the words: "Shelby's".

## 21. **DISPUTE RESOLUTION**.

21.1 **Governing Law**. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 and the sections following it) or other federal law, this Agreement and the Franchise shall be enforced and governed by and under the substantive law of the State of Delaware, without regard to choice of law rules, unless otherwise provided herein.

21.2 **Jurisdiction**. Except as otherwise set forth herein, the exclusive venue and exclusive forum for all disputes between the parties shall only be any court of general jurisdiction located in Delaware and/or the United States District Court for the District of Delaware, and each party hereby submits to the exclusive jurisdiction of those courts for purposes of any such proceeding.

21.3 **Internal Dispute Resolution**. You must first bring any claim or dispute between you and us to our CEO, after providing notice as set forth in Section 19 above. We must respond to your notice inquiry within 10 business days of receipt or otherwise it is deemed denied ("IDR"). You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third party. You agree that we have 60 days to attempt to resolve your claim or dispute with IDR (the "IDR Period") and the parties shall use commercially reasonable efforts to resolve the dispute via IDR during the IDR Period. This agreement to first attempt resolution of disputes internally through IDR will survive termination or expiration of this Agreement.

21.4 **Mediation.** At our sole discretion, any disputes and claims arising out of or relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any claims between any of the above listed parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement or that is any way related to your Franchise, may be submitted to non-binding mediation conducted before a single neutral mediator selected either jointly by the parties or pursuant to the then-existing Commercial Mediation Procedures of the American Arbitration Association ("AAA"). Mediation shall be conducted in Delaware. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between you and us. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. We will notify you of our election to submit any dispute to non-binding mediation within 30 days of the end of the IDR Period or at the time we provide you with notice of a dispute, claim, or alleged cause of action, as applicable.

21.5 **Arbitration**. At our sole discretion, any disputes and claims arising out of or relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and any guarantors and/or transferees of this Agreement, or any claims between any of the above listed parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement or that is in any way related to the Franchise, may be resolved by submission to binding arbitration by and before a neutral attorney with substantive background in franchising referred by AAA and selected by the parties in accordance with the Federal Arbitration Act ("FAA") and the then-existing Commercial Arbitration Rules of the AAA. All hearings and other proceedings shall take place in Delaware. We will notify you of our election to submit any dispute to arbitration within 30 days of a non-binding mediation determination pursuant to Section 21.4 above, or if we do not elect mediation under Section 21.4, within (i) 30 days after the end of the IDR Period; or (ii) at the time we provide you with notice of a dispute, claim, or alleged cause of action, as applicable.

(a) The following shall supplement and, in the event of a conflict with any law or rule, including but not limited to the AAA Commercial Arbitration Rules, shall govern any dispute submitted to arbitration: The parties shall select one (1) arbitrator from the proposed list of arbitrators provided by the AAA, as applicable, who must have a substantive background in franchising. If the parties are unable to agree upon an arbitrator, each party to the dispute shall have 15 days from the transmittal date of the proposed list in which to strike names objected to, number the remaining names in order of preference, and return the list to the AAA. If a party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, and in accordance with the designated order of mutual preference, the AAA, as applicable, shall invite the acceptance of an arbitrator to serve. If the parties fail to agree on any of the persons named, or if acceptable arbitrators are unable to act, or if for any other reason the appointment cannot be made from the submitted lists, the process of submitting lists shall continue until a suitable arbitrator is selected. In all aspects of conducting the arbitration and in rendering his or her decision, the arbitrator shall enforce and apply the substantive laws of the State of Delaware for interpretation of this Agreement, without regard to choice of law rules. The parties may conduct one seven-hour discovery deposition of a designated representative of the opposing party. Any party wishing to take such a deposition must describe with reasonable particularity, in the notice of deposition, the matters to be inquired into at the deposition, and the party producing the designated representative must designate 1 or more officers, directors, or managing agents who consent to testify on its behalf. No other discovery depositions shall occur, unless the arbitrator were to find such additional depositions to be necessary after written request and an opportunity to be heard. Each party shall be permitted up to 10 interrogatories and reasonable requests for production of documents. Each party shall be entitled to file a motion to dismiss, a motion for summary judgment and reasonable motions *in limine*. The arbitrator shall permit a responding party a reasonable period of time to respond in writing to any such motions. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The arbitrator's award shall include an award of pre-hearing interest from the date upon which any damages were incurred, and from the date of the award until paid in full, at a rate to be fixed by the arbitrator, but in no event less than 1.5% per month, or part of a month (unless a lower rate is required by law). The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator's fee, interest, and costs of investigation. In addition, the prevailing party shall be entitled to an award of its reasonable and necessary attorneys' fees and costs, including expert witness fees. The arbitration hearings shall be completed within 150 days of the filing of the arbitration demand, unless the arbitrator, for good cause, must extend this deadline.

(b) The arbitrator shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the District of Delaware, or any other court of general jurisdiction located in Delaware and, if confirmed, may be subsequently entered, transferred, and/or docketed, including as a judgment, in any court having competent jurisdiction. Similarly, any appeals from and/or relating to any arbitration which may be brought in accordance with this Section 21.5 shall be heard before the United States District Court for the District of Delaware, or any other court of general jurisdiction located in Delaware.

(c) The arbitration provisions of this Agreement shall survive any termination or expiration of this Agreement.

21.6 **Injunctive Relief.** Nothing contained in this Agreement shall prevent us from applying to and/or obtaining, from any court having competent jurisdiction, a writ of attachment, injunctive relief, including without limitation a temporary injunction or preliminary injunction, and/or other emergency relief available to safeguard and protect our interests. We are entitled to seek this relief without the posting of any bond or security and, if a bond is nevertheless required by a court of competent jurisdiction, the parties expressly agree that the sum of $1,000 is a sufficient bond.

21.7 **Third Party Beneficiaries**. Our affiliates, any Cooperative, any Distribution Cooperative, the Brand Fund and each of our and their respective officers, directors, members, agents, representatives and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation and arbitration provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate/litigate claims asserted against such person(s) by you or asserted in relation to this Agreement.

21.8 **Prior Notice of Claims**. As a condition precedent to commencing an action for damages or for our violation or breach of this Agreement, you must notify us in writing within 90 days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

21.9 **Cumulative Remedies**. The remedies available to any party if the other party breaches this Agreement are cumulative. The exercise of any remedy will not limit any other remedies that may be available. Both parties will also be entitled to any and all remedies available under applicable law.

21.10 **Waiver of Punitive Damages**. WITHOUT LIMITING YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO THIS AGREEMENT, BOTH PARTIES EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO, OR CLAIM OF, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE

LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS AND ANY OTHER DAMAGES AWARD SPECIFICALLY REFERENCED IN THIS AGREEMENT.

21.11 **Limitations of Claims**. ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP BETWEEN AND/OR AMONG YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) INDEMNIFICATION; (B) UNAUTHORIZED USE OF THE MARKS, INTELLECTUAL PROPERTY OR CONFIDENTIAL INFORMATION; OR (C) VIOLATION OF ANY DATA PRIVACY LAW. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

21.12 **Waiver of Jury Trial**. BOTH PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US.

21.13 **Waiver of Class Actions**. Each of the parties hereby irrevocably waives the right to litigate on a class action basis, in any action, proceeding, or counterclaim, whether at law or in equity, brought by any party.

21.14 **Arbitration/Litigation Expenses**. In any action or dispute, at law or in equity, that may arise under or otherwise relate to the terms of this Agreement, the prevailing party shall be entitled to full reimbursement of its arbitration or litigation expenses from the other party. Litigation or arbitration expenses include reasonable attorneys' fees, arbitrator's fee, defense costs, witness fees including expert witness fees and costs and other related expenses including paralegal fees, administrative costs, investigative costs, court reporter fees, sales and use taxes, if any, travel and lodging expenses, court or arbitration costs, and all other charges billed by the attorneys to the prevailing party. Reimbursement is due within 30 days of written notice of an award or other notice of the expenses due. If we engage legal counsel for your failure to pay when due any monies owed under this Agreement or to submit when due any reports, information or supporting records, or for any failure otherwise to comply with this Agreement, you must reimburse us on demand for all of the above-listed expenses we incur during the Term or hereafter.

21.15 **Business Judgment Rule**. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably in good faith (or where such obligation is otherwise imposed on us), we will satisfy our obligations whenever we exercise "Reasonable Business Judgment". Our decisions or actions will be deemed to be the result of "Reasonable Business Judgment", even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or in part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest, for example, by protecting or improving the goodwill of the brand, uniformity, quality, efficiency, modernization, or our competitive position in the marketplace.

## 22. SECURITY INTEREST.

22.1 **Collateral**. You grant to us a security interest ("Security Interest") in all of the equipment, signage, décor, inventory, assets and realty of the Franchise, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchise. All items in which a security interest is granted are referred to as the "Collateral".

22.2 **Indebtedness Secured**. The Security Interest is to secure payment of the following (the "Indebtedness"): (a) all amounts due under this Agreement or otherwise by you; (b) all sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorney fees that we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and Indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Franchise including, but not limited to, a real property mortgage and equipment leases.

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

22.4 **Possession of Collateral**. Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral

22.5 **Our Remedies in Event of Default**. You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of the state in which your Franchise is located (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

22.6 **Special Filing as Financing Statement**. This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

## 23. MISCELLANEOUS.

23.1 **Severability**. If any of the provisions of this Agreement are held invalid for any reason, the remainder will not be affected and will remain in full force and effect in accordance with its terms.

23.2 **Waivers**. Waiver of any provision of this Agreement will not be valid unless in writing and signed by the person against whom such provision is sought to be enforced. The failure by either party to insist upon strict performance of any provision will not be construed as a waiver or relinquishment of the right to insist upon strict performance of the same provision at any other time, or any other provision of this Agreement.

23.3 **Entire Agreement**. This Agreement, including any schedules, amendments, addenda, and exhibits compose the entire Agreement between the parties relating to its subject matter, and supersedes all prior agreements, proposals, representations and commitments, oral or otherwise; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. This Agreement may only be amended by an instrument signed by the authorized officers of both parties.

23.4 **Construction**. The headings of sections are for convenience only and do not define, limit or construe the contents of such sections. All words used in this Agreement, regardless of the number or gender in which they are used, will be construed to include any other number, singular or plural, in any other gender, masculine, feminine or neuter, as the context of this Agreement may require.

23.5 **Counterparts**. This Agreement may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

23.6 **Timing**. Time is of the essence of this Agreement. However, whenever the time for the performance of any action or condition contained in this Agreement falls on a Saturday, Sunday or legal holiday, such time will be extended to the next business date. Indications of time of day mean time in New York.

23.7 **Compliance with Anti-Terrorism Laws**. You and your Owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your Owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

23.8 **Survival**. All obligations under this Agreement (whether yours or ours) which expressly or by their nature survive the expiration or termination of this Agreement, specifically including but not limited to Paragraph 18.6, will continue in full force and effect after and notwithstanding the expiration or termination of this Agreement until such provisions are satisfied in full or by their nature expire.

23.9 **Interpretation.** Each of the parties agrees that they have been or have had the opportunity to have been represented by their own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. None of the parties can, while this Agreement is effective or after its termination, assert that any provisions of this Agreement or any of the other documents should be construed against the drafter of this Agreement or any of the other documents.

23.10 **Acknowledgement**.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The below acknowledgment and statements that are contrary to the North American Securities Administrators Association, Inc.'s Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments shall not apply to prospective franchisees who are residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin or who seek to purchase a franchise located in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

| | |
|---|---|
| We have made no promise or representation to you as to the renewal of this Agreement or the grant of a new franchise after the end of the Initial Term set forth in Section 2 hereof. | INITIAL HERE:<br>_____________ |
| This Agreement and our Franchise Disclosure Document, or "FDD", have been in your possession for at least 14 days before you signed this Agreement and before your payment of any monies to us, refundable or otherwise, and that any unilateral, material changes to this Agreement were memorialized in writing in this Agreement for at least 7 days before you signed this Agreement, or as otherwise required by state law. | INITIAL HERE:<br>_____________ |
| (a) You have read and understand this Agreement and our Franchise Disclosure Document; (b) We have advised you to consult with your own attorneys, accountants, or other advisers about the potential benefits and risks of entering into this Agreement; (c) You have had ample opportunity to consult with advisors of your own choosing; and (d) Our attorneys have not advised or represented you with respect to this Agreement or the relationship created hereby. | INITIAL HERE:<br>_____________ |
| You have conducted an independent investigation of the business contemplated by this Agreement, and you acknowledge that, like any other business, an investment in the Franchise involves unavoidable business risks. You acknowledge that the success of the Franchise is primarily dependent upon the business abilities and efforts of you and your Implementer and Personnel. | INITIAL HERE:<br>_____________ |
| You have not received any representation, warranty or guarantee, express or implied, from us or any of our officers, directors, shareholders, employees, or agents, as to the potential revenues, income, profits, volume, or success of the business venture contemplated by this Agreement. You acknowledge that you have read this Agreement and our Franchise Disclosure Document, and that you have no knowledge of any representation by us or any of our officers, directors, shareholders, employees, or agents that are contrary to the statements made in our Franchise Disclosure Document or contrary to the terms hereof. We expressly disclaim the making of any warranty, guarantee, or representations of this type. | INITIAL HERE:<br>_____________ |
| This Agreement, the documents referred to herein, the attachments hereto, and other agreements signed concurrently with this Agreement, if any, constitute the entire, full and complete agreement and understanding between | INITIAL HERE: |

us and you and supersede any and all prior agreements, no other representations, promises, warranties or agreements have induced you to execute this Agreement. You further acknowledge and agree that there are no oral or written representations, promises, assurances, warranties, covenants, “side-deals”, rights of first refusal, options or understandings other than those expressly contained in this Agreement. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter, and any oral or written representations, including those that are inconsistent with the terms of this Agreement or our Franchise Disclosure Document.

_____________

You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

INITIAL HERE:

_____________

[*Signature Page to Follow*]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Franchise Agreement as of the date listed below each party's name.

| "YOU" | | "WE" | |
|---|---|---|---|
| ______________________________ | | Shelby's Franchise USA LLC | |
| By: | ______________________ | By: | ______________________ |
| Name: | ______________________ | Name: | ______________________ |
| Title: | ______________________ | Title: | ______________________ |
| Date: | ______________________ | Date: | ______________________ |

______________________________
Owner Operating Principal

______________________________
Owner

______________________________
Owner

**Schedule I**
**Franchisee Information, Location of Restaurant and Protected Territory**

| | |
|---|---|
| Effective Date of Franchise Agreement: | ________________________________ |
| Name of Franchisee: | ________________________________ |
| Name of Operating Principal: | ________________________________ |
| | ________________________________ |
| Name of Manager (if applicable): | ________________________________ |
| Names of All Franchise Owners and Percentage Ownership: | ________________________________ |
| | ________________________________ |
| | ________________________________ |
| Protected Territory: | ________________________________ |
| | ________________________________ |
| | ________________________________ |
| | ________________________________ |
| Location (address): | ________________________________ |
| | ________________________________ |
| | ________________________________ |
| Designated Search Area: (if applicable) | ________________________________ |
| | ________________________________ |
| | ________________________________ |
| Address for Notice under Section 19: | ________________________________ |
| | ________________________________ |
| | ________________________________ |
| Email Address For Notice under Section 19: | ________________________________ |

**Schedule II**

**List of Minimum Insurance**

As of the Effective Date of the Franchise Agreement, our minimum insurance requirements are as follows:

| Insurance Agreement | Minimum Limits |
|---|---|
| Comprehensive general liability insurance and comprehensive product liability insurance with blanket contractual products and completed operations liability, against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of the Franchise or your conduct of business pursuant to this Agreement | primary and excess limit of not less than $1 million per occurrence and aggregate of not less than $3 million aggregate |
| Builder's Risk for any construction, renovation, remodeling or build-out of the Restaurant | |
| "All Risk" property insurance covering the premises, all improvements and fixtures and tangible property for the full replacement cost, including flood and earthquake protection and plate glass coverage (including business interruption coverage with an indemnity period of at least 12 months) including broad form boiler and machinery insurance covering all equipment | Amount sufficient to cover the full replacement value of all property and equipment (including all contents, signs, glass, tenant improvements and betterments |
| Business automobile liability insurance on all owned and/or leased vehicles, including non-owned and hired auto liability | a combination of primary and excess limits of not less than $1 million |
| Workers' Compensation | Statutory Minimums required by statute or rule in the state in which your Franchise is located or operates |
| Employer Practices Liability Insurance | $1 million per claim and $1 million aggregate (including a $100,000 Wage and Hour Defense Limit) |
| professional liability insurance (errors and omissions) covering all services provided by your franchise and its employees, personnel, independent contractors and staff | NOT REQUIRED AT THIS TIME |
| Cyber Security and Data Privacy which includes first party and third party coverage for multimedia liability, security and privacy liability, privacy breach response (including compliance with notice requirements and credit monitoring), cyber extortion, network asset protection and privacy regulatory coverage | $1 million |

| | |
|---|---|
| Comprehensive Employee Dishonesty and Employee Theft coverage which includes a Client's Property Endorsement | $25,000 per occurrence and money and securities coverage of not less than $25,000; |
| A follow forms umbrella policy providing excess insurance over the schedule of underlying insurance which must include the commercial general liability policy, automobile coverage, employers' liability and errors and omissions | $1 million |
| Such other insurance policies as we may determine from time to time and as required by landlord and lenders. | |

We may designate limits of any deductibles or self-insured retentions under any policies. We may change these insurance requirements, upon written notice to you, to conform to reasonable business practices. We do not represent or warrant that any insurance that you are required to purchase, or which we procure on your behalf, will provide adequate coverage for you. If you believe that you should not be required to carry an identified type of insurance or otherwise comply with our minimum insurance requirements, you must submit a written waiver request and obtain a waiver from us. Until such time as we notify you in writing of our approval, you are obligated to comply with all minimum insurance requirements.

**Exhibit A**

**General Release**

This General Release Agreement (the "Release") is made by the undersigned ___________________ (the "Releasor") for the benefit of Shelby's Franchise USA LLC, a Delaware limited liability company, and all of its affiliates ("Franchisor"), on this ____ day of __________________, 202_.

RECITALS

WHEREAS, Releasor is a Shelby's Franchisee, Owner or spouse of an Owner of a Shelby's Franchise operating a Shelby's Franchise (the "Franchise") under that certain Franchise Agreement dated __________________ (the "Franchise Agreement");

WHEREAS, Releasor desires to transfer or renew the Franchise or an ownership in the Franchise in accordance with the Franchise Agreement; and

WHEREAS, all capitalized terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

NOW, THEREFORE, in consideration of the consent by Franchisor to the transfer (the "Transfer") or renewal ("Renewal") of the Franchise and for other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged, Releasor hereby covenants and promises as follows:

(1) Releasor hereby absolutely and forever releases and discharges Franchisor from any and all claims, demands, damages, debts, liabilities, accounts, costs, expenses, liens, losses, charges, actions, suits, proceedings and causes of action of every kind and nature whatsoever ("Released Matters"), whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor-franchisee relationship in connection therewith or the operation of the Franchise.

(2) Releasor hereby understands and agrees that this Release shall extend to and be binding upon any and all of Releasor's attorneys, officers, members, managers, directors, owners, employees, agents, representatives, spouses, heirs, estate executors, administrators, successors, affiliates, associates and assigns, and their respective insurers and underwriters. If more than one party shall execute this Release, the term "Releasor" shall mean all parties executing this Release, and all parties shall be bound by its terms.

(3) Releasor hereby understands and agrees that this Release shall extend to and inure to the benefit of any and all of Franchisor's members, managers, attorneys, officers, directors, owners, employees, agents, representatives, legal representatives, successors, affiliates, subsidiaries, associates and assigns, and its and their respective insurers and underwriters.

(4) Releasor hereby understands and agrees that this Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made with respect to this Release, other than those set forth herein, and that in executing this Release, Releasor is not relying upon any representations, warranty, agreement or covenant not set forth in this Release.

(5) This Release and all acts and transactions under it shall in all respects be interpreted, enforced and governed by the internal laws of the State of Delaware.

This Release may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

IN WITNESS WHEREOF, the undersigned hereto have executed this Release effective as of the date first set forth above.

RELEASOR

________________________________________

Name of Franchisee

BY:____________________________________

Name:__________________________________

Title:___________________________________

| | |
|---|---|
| ________________________________________ | |
| Individually (Owner) | Spouse |
| ________________________________________ | ________________________________________ |
| Individually (Owner) | Spouse |
| ________________________________________ | ________________________________________ |

**AGREED AND ACKNOWLEDGED:**

Shelby's Franchise USA LLC

BY:____________________________________

Name:

Title:

## Exhibit B

## Personal Guaranty

This Guaranty must be signed by the owners (referred to as "you" or "your" for purposes of this Guaranty only) of _____________ (the "Business Entity") under the Franchise Agreement dated ____________, 20___ (the "Franchise Agreement" and each and every agreement signed by Business Entity and us or any affiliate of ours, including the Franchise Agreement, the "Franchise Agreements") with Shelby's Franchise USA LLC ("us," or "our" or "we"). Terms not defined herein shall have the meaning set forth in the Franchise Agreement.

1. **Scope of Guaranty**. In consideration of and as an inducement to our signing and delivering the Franchise Agreements, each of you signing this Guaranty personally and unconditionally: (a) guarantee to us and our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreements; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreements.

2. **Waivers**. Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

3. **Consents and Agreements**. Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Franchise Agreements upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Franchise Agreements and, for obligations surviving the termination or expiration of the Franchise Agreements, after their termination or expiration.

4. **Enforcement Costs**. If we are required to enforce this Guaranty in any judicial proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', paralegals', mediators', arbitrators and expert witness fees, costs of investigation and proof of facts, court costs, filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Effectiveness**. Your obligations under this Guaranty are effective on and from the Franchise Agreement Effective Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Franchise Agreements.

6. **Governing Law**. This Guaranty shall be deemed to have been made in and governed by the laws of the State of Delaware, which laws shall prevail in the event of any conflict of law.

7. **Internal Dispute Resolution**. You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Guaranty to our CEO. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Guaranty.

8. **Dispute Resolution**. At our option, all claims or disputes between you and us arising out of, or in any way relating to, this Guaranty or the Franchise Agreement or any other agreement by and between you and us, or any of the parties' respective rights and obligations arising from such agreements or your operation of the Franchise must be submitted first to internal dispute resolution, then mediation and finally arbitration as set forth in the Franchise Agreements. This agreement to mediate and arbitrate at our option shall survive the termination or expiration of this Guaranty.

9. **Third Party Beneficiaries**. Our officers, directors, owners, members, agents, representatives, affiliates, the Cooperative and/or employees are express third party beneficiaries of the Franchise Agreements and this Guaranty, and the mediation and arbitration provisions incorporated by reference herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.

10. **Injunctive Relief**. Nothing contained in this Guaranty shall prevent us from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interest prior to the filing of any mediation proceeding or pending the arbitration or handing down of a decision or award pursuant to any mediation or arbitration conducted hereunder.

11. **Jurisdiction and Venue**. With respect to any proceeding not subject to mediation or arbitration, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in the State of Delaware and the jurisdiction and venue of the United States District Court for the District of Delaware.

12. **Jury Trial Waiver**. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS GUARANTY OR THE FRANCHISE AGREEMENTS, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM US OF THE FRANCHISE.

13. **Waiver of Punitive Damages**. You waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages, and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable, for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

14. **Waiver of Class Actions**. Each of the parties hereby irrevocably waives the right to litigate on a class action basis, in any action, proceeding, or counterclaim, whether at law or in equity, brought by any party.

15. **Limitation on Action**. You agree that no cause of action arising out of or under this Guaranty or any of the Franchise Agreements may be maintained by you unless brought before the expiration of 1 year after the act, transaction or occurrence upon which such action is based or the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

16. **Counterparts.** This Guaranty may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Signature Page to Follow]

Each of you now sign and deliver this Guaranty effective as of the date of the Franchise Agreement regardless of the actual date of signature.

| PERCENTAGE OF OWNERSHIP INTEREST IN BUSINESS ENTITY | GUARANTORS |
|---|---|
| PERCENTAGE: ____________ % | NAME: ________________________________<br>SIGNATURE: __________________________<br>DATE: ________________________________ |
| PERCENTAGE: ____________ % | NAME: ________________________________<br>SIGNATURE: __________________________<br>DATE: ________________________________ |

## Exhibit C-1

## Non-Compete, Confidentiality and Non-Solicitation Agreement

I, ___________________ agree that during my association with ______________ ("Franchisee") and Shelby's Franchise USA LLC, and its affiliates (collectively referred to as "Shelby's") and for 24 months immediately thereafter, I will not (whether as owner, partner, associate, agent, consultant, employee, independent contractor, member, stockholder, officer or otherwise of another or on my own account):

(a) Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of business or revenue or any customer, referral source, broker, insurer, vendor, supplier, trade or patronage with whom Franchisee, Shelby's, any affiliate of Shelby's or any other franchisee does business or whom I know Franchisee, Shelby's, any affiliate of Shelby's or any other franchisee has contacted or solicited for business relationships; or

(b) Within the Non-Compete Area (defined below), participate in the development of, or engage in, or market, sell, distribute, render, provide, perform or sell (including through licensing or franchising) products, goods, or services the same or similar to the products, goods, or services offered by the Franchisee or Shelby's, or contribute my knowledge or have any financial interest in any work or activity that relates to or involves or is in any way engaged in the operation, licensing, franchising or consulting, developing, marketing, organizing, providing, promoting, coordinating or selling Middle Eastern cuisine or a retail business that derives more than ten percent (10%) of its revenue from the sale of Middle Eastern cuisine; or

(d) Induce or attempt to induce, or solicit any of Franchisee's, Shelby's or other Shelbys' affiliates' or franchisees' strategic partners, customers, referral sources, brokers, personnel or other independent contractors to accept employment or an affiliation of any kind with me or any third party; or

(e) Perform or contribute to any other act injurious or prejudicial to the goodwill associated with Shelby's or its trademarks, trade names or other intellectual property.

In addition to the above, I agree to at all times during and after this Agreement, treat as confidential all manuals and materials designated for use by Shelby's with a Restaurant business (including without limitation the Manual), and such other information as Shelby's or the Franchisee may designate from time to time for confidential use with the Restaurant business (as well as all trade secrets and confidential information, knowledge and know-how concerning the operation of the Franchise that may be imparted to, or acquired by, me from time to time in connection with my relationship with Shelby's and the Franchisee), and shall use all reasonable efforts to keep such information confidential and shall not use the confidential information for any other purpose other than in connection with the operation of the Franchise. I acknowledge that the unauthorized use or disclosure of such confidential information (and trade secrets, if any) will cause incalculable and irreparable injury to Shelby's and the Franchisee. I accordingly agree that I shall not, at any time, without Shelby's and the Franchisee's prior written consent, disclose, use or permit the use (except as may be required by applicable law or authorized by this Agreement) of such information, in whole or part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about Shelby's System Standards (as that term is defined in the Franchise Agreement) and such other information or material as Shelby's or the Franchisee may designate as confidential, shall be deemed confidential for purposes of this Agreement.

The "Non-Compete Area" means: (1) in Franchisee's territory as granted by Shelby's to Franchisee under their Franchise Agreement and 6 miles of such Franchisee's territory, (2) within any other Shelby's

Franchisee territory or other business which is franchised, owned, operated or managed by Shelby's (3) business conducted via the Internet or other form of e-commerce, wherever located; or (4) within 6 miles of any territory in existence or under development as of the end of the term of the Franchise Agreement between Shelby's and Franchisee.

Because of my significant responsibilities and access to proprietary information of the Restaurant and the Franchisee, I acknowledge that each of my obligations in this Agreement is reasonable and necessary to protect the Franchisee's, Shelby's and its franchisees' legitimate business interests. I understand that breaking any of my promises or obligations will irreparably and continually damage Franchisee, Shelby's, and Shelby's Franchisees for which money damages may not be adequate.

Consequently, if I violate any of my promises in this Agreement, or Shelby's and/or Franchisee has reason to believe that I am about to violate this Agreement, without limitation to other available remedies, Shelby's and Franchisee will be entitled to both: (1) a preliminary or permanent injunction to prevent the continuing harm to Shelby's (and/or any of its franchisees) and/or Franchisee, and (2) money damages insofar as they can be determined. An injunction ordering me to stop any activities that may violate this Agreement will not prevent me from earning a living. I will pay Shelby's and/or Franchisee its costs and expenses resulting from any enforcement of this Agreement resulting from my violation of the terms hereof, including reasonable attorneys' fees.

If any court determines that any of the covenants set forth in this Agreement, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable. This Agreement shall be enforced and governed by and under the substantive law of the State of Delaware, without regard to choice of law rules, unless otherwise provided herein.

This Agreement may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

______________________________ ______________________________
Name: , Individually Date
Title:

AGREED AND ACKNOWLEDGED:
Shelby's Franchise USA LLC

______________________________
Name:
Title:

## Exhibit C-2

## Confidentiality and Non-Use Agreement

I, by my signature set forth below, agree to comply with and to be bound by this Confidentiality and Non-Use Agreement (the "Agreement").

I am an owner, operator, employee or independent contractor ("Signatory") of ____________________________ (the "Employer"). Employer is a franchisee of Shelby's Franchise USA LLC ("Franchisor"). Franchisor owns certain confidential information and trade secrets; and, in order to induce Franchisor to disclose such Confidential Information to Franchisee, Franchisor and Franchisee have required me to execute this Agreement. I acknowledge and agree that I will receive consideration from my agreement to comply with and to be bound by this Agreement, in that without this Agreement, Franchisee would not employ me.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of all of which I hereby acknowledge, I agree as follows:

1. **Definitions**. As used in this Agreement:

1.1 "Confidential Information" means any information related to Franchisee or Franchisor that Franchisee or Franchisor discloses to me that either designates as confidential; or that, by its nature, would reasonably be expected to be held in confidence or kept secret. Without limiting the definition of "Confidential Information", all the following shall be conclusively presumed to be Confidential Information whether or not Franchisee or Franchisor designates them as such: (1) the Confidential Manual; (ii) cost information, recipes and ingredients to the extent not considered a Trade Secret; (iii) materials describing Franchisor's franchise system; (iv) training materials and any information learned at any training; and (v) other information Franchisee or Franchisor gives to me in confidence.

1.2 "Trade Secret" means information that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. Without limiting the definition of "Trade Secrets," all the following shall be conclusively presumed to be Trade Secrets whether or not Franchisee or Franchisor designates them as such: (i) Franchisee's or Franchisor's strategies, methods, recipes, and procedures; (ii) sources of supply, vendors and distributors; and (iii) Franchisee's or Franchisor's advertising, marketing, and public relations strategies.

1.3 The terms "Confidential Information" and "Trade Secret" do not include, regardless of the means of disclosure: (i) information generally known to the trade or the public at the time Franchisee or Franchisor disclose it to me; (ii) information that becomes known to the trade or the public after Franchisee or Franchisor disclose it to me, unless it becomes known due to my breach of this Agreement; or (iii) information I can prove was known to me at the time Franchisee or Franchisor disclosed it to me.

2. **Protection of Confidential Information and Trade Secrets**. I acknowledge and agree that the Confidential Information and Trade Secrets are not, by definition, generally known in the trade; that they are beyond my present skill and experience; and that for me to develop such Confidential Information and Trade Secrets on my own would be expensive, time consuming, and difficult. I further acknowledge and agree that the Confidential Information and Trade Secrets would, if disclosed to a third party or used by me in violation of this Agreement, provide the third party or me with a competitive advantage, and that they would be economically valuable to the third party or me in the development of a

competing business or otherwise. Accordingly, in consideration of Franchisee's or Franchisor's disclosure of the Confidential Information and Trade Secrets to me, I covenant, warrant, and agree that:

2.1 I will not, during the term of this Agreement: (i) appropriate or use any Confidential Information or Trade Secret for any purpose other than at those designated by Franchisee, in furtherance of Franchisee's business, and pursuant to Franchisee's direction; (ii) use any Confidential Information or Trade Secret at any place except at Franchisee's Shelby's Franchised Business; (iii) disclose or reveal any portion of the Confidential Information or Trade Secrets to any person, other than to Franchisee's directors, officers, owners, management employees, or others who have a legitimate business need to know of them in order to further Franchisee's business; or (iv) divulge or use any Confidential Information or Trade Secrets for the benefit of any other person or entity except as Franchisee or Franchisor expressly authorize.

2.2 I will not, for a period of five (5) years after the termination or expiration of my employment or engagement with Franchisee for any reason: (i) appropriate or use any Confidential Information for any purpose; or (ii) divulge or use any Confidential Information for the benefit of any other person or entity.

2.4 I will not copy, duplicate, record, or otherwise reproduce any of the Confidential Information or Trade Secrets, in whole or in part; store such Confidential Information or Trade Secrets in a computer retrieval or data base; or otherwise make such Confidential Information or Trade Secrets available to any third party, except as set forth in this Agreement or as Franchisee or Franchisor specifically authorize.

2.5 I will make all reasonable efforts and take all reasonable precautions required to prevent unauthorized copying or disclosure of any Confidential Information or Trade Secrets.

2.6 On termination or expiration of my employment or engagement or cessation of my business relationship with Franchisee for any reason, or when I am no longer assigned to work with any Confidential Information or Trade Secrets, I will promptly surrender to Franchisee all copies of any Confidential Information or Trade Secrets and any notes, memoranda, and like material concerning or derived from the Confidential Information or Trade Secrets.

3. **Unfair Competition**. I acknowledge and agree that: (i) any breach by me of Section 2 of this Agreement shall may be conclusively presumed to constitute unfair competition; and (ii) Sections 1 and 2 of this Agreement are a reasonable effort under the circumstances to maintain the confidentiality of Franchisee's or Franchisor's Confidential Information and the secrecy of their Trade Secrets.

4. **Works Made for Hire**. If Franchisee directs me to create works derived from any Confidential Information or Trade Secrets, such works shall be deemed works made for hire and Franchisee shall own all copyrights in such works, subject to its obligations to assign such rights to Franchisor.

5. **Remedies**. I agree that I shall be liable to Franchisor for any and all damage, damages, loss, losses, costs, and expenses, including reasonable attorneys' fees, caused by my willful or negligent use or disclosure of any Confidential Information, Trade Secret, or information contained therein, in violation of this Agreement. I acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement and is entitled to enforce any provision of this Agreement.

6. **Limitation**. I understand that this is not an employment agreement of any kind, and that I am an "at-will" employee unless otherwise provided in a written employment agreement with Franchisee.

7. **Construction**. This Agreement shall be governed for all purposes by the laws of the State of Delaware, and shall be construed to maximize protection for Franchisor's rights in the Confidential Information, Trade Secrets, and goodwill. If any provision of this Agreement is declared void or unenforceable, such provision shall be deemed severed, and the balance of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, agreeing to be legally bound hereby, I have duly set my hand and seal to this Confidentiality Agreement and have duly executed and delivered this Confidentiality Agreement as of the date set forth below.

________________________________________

Signatory

________________________________________

Print Name

Date: ____________________________________

Address:

________________________________________

________________________________________

**Exhibit D**

**Electronic Funds Transfer (EFT) Authorization**

| | |
|---|---|
| Franchisee Information: | |
| Franchisee Name | |
| Franchisee Mailing Address (street) Franchise Phone No. | |
| Franchisee Mailing Address (city, state, zip) | |
| Bank Account Information: | |
| Bank Name Bank Account No. | |
| Bank Mailing Address (street) Bank Routing No.<br>[: [:<br>(9 characters) | |
| Bank Mailing Address (city, state, zip) Bank Phone No. | |
| Payee Information<br>Shelby's Franchise USA LLC | |

Authorization:
The Franchisee hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to the Payee. The amount of such charge shall be set forth in a notice from the Payee presented to the Bank on Tuesday of each week. The Franchisee agrees to execute such additional documents as may be reasonably requested by the Payee or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until the Payee has received written notification from the Franchisee in such time and manner as to afford the Payee and the Bank to act on such notice. The Franchisee understands that the termination of this authorization does not relieve the Franchisee of its obligations to make payments to the Payee.

Signature: Date:

INDEMNIFICATION OF BANK

In consideration of the Bank's compliance with the foregoing request and authorization, the Payee agrees with respect to any action by the Bank in compliance with the foregoing request and authorization to indemnify the Bank and hold the Bank harmless for, from and against any loss the Bank may suffer as a consequence of the Bank's actions from or in connection with the execution and issuance of any electronic fund transfer or draft, whether or not genuine, purporting to be executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, except to the extent such loss caused by the negligence or willful misconduct of the Bank.

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

**Exhibit E**

**Internet Website, Digital, Social Media and Listing Agreement**

**INTERNET WEB SITES AND LISTINGS AGREEMENT**

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the "Internet Listing Agreement") is made and entered into as of the _____ day of___________, 20___ (the "Effective Date"), by and between Shelby's Franchise USA LLC (the "Franchisor"), and _____________________________, a_________________________ (the "Franchisee").

**W I T N E S S E T H:**

**WHEREAS**, Franchisee desires to enter into a Franchise Agreement with Franchisor (the "Franchise Agreement"); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

**NOW**, **THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## 1. DEFINITIONS

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

## 2. TRANSFER; APPOINTMENT

2.1 Interest in Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, social media platforms such as social networking website, including but not limited to Facebook, SnapChat, LinkedIn, Twitter, Pinterest, or any blogs or other bulletin boards, or chat rooms, other networking and share sites and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the "Internet Web Sites and Listings") related to the Franchise or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Internet Web Sites and Listings to: (i) transfer all of Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, (ii) provide us with primary administrative access to such Internet Web Sites, and (iii) execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and

Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs. In the event that Franchisor accepts one or more Internet Web Sites and Listings, Franchisor agrees to assume and be responsible for all obligations and liabilities with respect to such Internet Web Sites and Listings.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under this Internet Listing Agreement, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation, this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor, in such case Franchisor shall assume and be responsible for all obligations and liabilities with respect to the Internet Web Sites and Listings;

2.3.2 Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee shall use its best efforts to direct the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Franchisee's Interest (and Franchisor shall become liable for any sums to be paid to the Internet Companies for obligations incurred on and after the date Franchisor duly accepted the transfer of such Interest), or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

## 3. MISCELLANEOUS

3.1 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement provided that Franchisor prevails in its efforts to enforce this Agreement, which reasonable costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee shall indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations to the extent that they are related to or are based on Franchisee's breach of this Internet Listing Agreement, unless the claims, obligations or damages are determined to be caused in whole or in part by Franchisor's gross negligence or willful misconduct. Franchisor shall indemnify, defend, and hold harmless Franchisee and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors of any and all of them, from and against, and will reimburse Franchisee and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations to the extent that are related to or are based on Franchisor's breach of this Internet Listing Agreement, including, but not limited to, Franchisor's failure to assume or pay any claim or obligation to the Internet Companies incurred on and after the date Franchisor duly accepted the transfer of such Interest, unless the claims, obligations or damages are determined to be caused in whole or in part by Franchisee's negligence, fault or willful misconduct.

3.2 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.3 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee shall perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.4 Successors and Assigns. All of Franchisor's rights and powers, and all of Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors and assigns as if they had duly executed this Internet Listing Agreement.

3.5 Effect on Other Agreements. Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.6 Survival. This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.7 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.8 Governing Law. This Internet Listing Agreement shall be governed by and construed under the laws of the State of Delaware without regard to the application of Delaware conflict of law rules.

3.9 Counterparts. This Internet Listing Agreement may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Internet Listing Agreement as of the Effective Date.

| | |
|---|---|
| FRANCHISOR:<br>Shelby's Franchise USA LLC | FRANCHISEE |
| By:______________________________ | By:______________________________ |
| Name: ___________________________ | Name: ___________________________ |
| Title: _____________________________ | Title: _____________________________ |

**Exhibit F**

**TELEPHONE LISTING AGREEMENT**

**THIS TELEPHONE LISTING AGREEMENT** (the "Telephone Listing Agreement") is made and entered into as of the ______ day of _______________, 20____ (the "Effective Date"), by and between Shelby's Franchise USA LLC (the "Franchisor"), and __________________ , a ________________(the "Franchisee").

**WITNESSETH:**

**WHEREAS**, Franchisee desires to enter into a Franchise Agreement with Franchisor (the "Franchise Agreement"); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement.

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings") related to the Franchise or the Marks (all of which right, title, and interest is referred to herein as "Franchisee's Interest").

2.2 Transfer. On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee shall immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Numbers and Listings to: (i) transfer all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, and (ii) execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs. In the event that Franchisor accepts one or more Telephone Numbers and, Franchisor agrees to assume and be responsible for all obligations and liabilities with respect to such Telephone Numbers and Listings.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under this Telephone Listing Agreement, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor, in such case Franchisor shall assume and be responsible for all obligations and liabilities with respect to the Telephone Numbers and Listings;

2.3.2 Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.3.3 Execute the Telephone Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee shall use its best efforts to direct the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all of Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Franchisee's Interest (and Franchisor shall become liable for any sums to be paid to the Telephone Companies for obligations incurred on and after the date Franchisor duly accepted the transfer of such Interest), or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

## 3. MISCELLANEOUS

3.1 Indemnification. Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement provided that Franchisor prevails in its efforts to enforce this Agreement, which reasonable costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee shall indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations to the extent that they are related to or are based on Franchisee's breach of this Telephone Listing Agreement unless the claims, obligations or damages are determined to be caused in whole or in part by Franchisor's gross negligence or willful misconduct. Franchisor shall indemnify, defend, and hold harmless Franchisee and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors of any and all of them, from and against, and will reimburse Franchisee and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations to the extent that are related to or are based on Franchisor's breach of this Telephone Listing Agreement, including, but not limited to, Franchisor's failure to assume or pay any claim or obligation to the Telephone Companies incurred on and after the date Franchisor duly accepted the transfer of Franchisee's Interest, unless the claims, obligations or damages are determined to be caused in whole or in part by Franchisee's negligence, fault or willful misconduct.

3.2 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

3.3 Further Assurances. Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

3.4 Successors and Assigns. All of Franchisor's rights and powers, and all of Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors and assigns as if they had duly executed this Telephone Listing Agreement.

3.5 Effect on Other Agreements. Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.6 Survival. This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

3.7 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

3.8 Governing Law. This Telephone Listing Agreement shall be governed by and construed under the laws of the State of Delaware, without regard to the application of Delaware conflict of law rules.

3.9 Counterparts. This Telephone Listing Agreement may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

| FRANCHISOR: Shelby's Franchise USA LLC | FRANCHISEE |
|---|---|
| By:______________________________ | By:______________________________ |
| Name: ___________________________ | Name: ___________________________ |
| Title: ____________________________ | Title: ____________________________ |

## Exhibit G

## COLLATERAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned ("Assignor") assigns, transfers and sets over to Shelby's Franchise USA LLC, a Delaware limited liability company ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease" a copy of which is attached as Exhibit A respecting premises commonly known as ________________________________. This assignment is for collateral purposes only and, except as specified in this document, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease. This assignment is intended only for non-affiliated third-party leases and shall have no effect if the Assignor or any of Assignor's affiliates own the property subject to the lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor's default under the Lease or under the "Franchise Agreement" for a Shelby's business between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises, the Lease demises, and expel Assignor from the premises. In that event, Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing and upon Assignor's failure to elect to extend or renew the Lease as required Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

| ASSIGNEE: | ASSIGNOR: |
|---|---|
| Shelby's Franchise USA LLC | ______________________________ |
| By:__________________________ | By:__________________________ |
| Name:________________________ | Name:________________________ |
| Title:_________________________ | Title:_________________________ |
| Date:_________________________ | Date:_________________________ |

**CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the Lease:

(a) Agrees to notify Assignee in writing of and upon Assignor's failure to cure any default by Assignor under the Lease;

(b) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within 30 days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30 day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Shelby's business.

Dated: ____________________________

__________________________________
__________________________________, Lessor

**Exhibit H**

**On-Site Training Agreement**

Dates of Training: ____________________________________________________________

Franchisee: ________________________________________________________________

Franchisor Operating Principal: ______________________________________________

Terms not defined herein shall have the meaning set forth in the Franchise Agreement dated ___________________. Franchisee agrees that all pre-opening obligations have been met and all requirements for training are complete, including but not limited to:

1. Franchisor has provided you with a Design and Construction Plan, assistance including site selection, site evaluation and lease review, as we have outlined in our Manual.

2. Franchisor has provided you a copy of the Manual, which may include audio and video media, compact disc media, computer software, other electronic media, and/or written materials.

3. Your Operating Principal and Manager have been provided all training, including initial training, classroom training and on-site training.

4. Franchisor provided you with specifications for all initial and replacement furniture, fixtures, equipment, inventory, and supplies required to operate your Franchised Business.

5. Franchisor counseled you on necessary pre-opening procedures and assisted you with inventory ordering of products, equipment and supplies, through our affiliate or other suppliers, as applicable, which are necessary for commencement of operations

6. Franchisor provided you with a list of our approved items, services and suppliers, and consultation on required purchases as we deemed necessary and appropriate.

7. Franchisor provided you with templates for certain promotional and advertising materials and consultation in connection with the grand opening marketing for your Shelby's Restaurant Business.

8. You have completed the following:

______ Proper Inventory of Products ordered
______ All fixtures, set-ups, displays, models and demos
______ All licenses and certificates obtained
______ All Personnel been hired
______ Employees notified of training dates and times (all staff that is available MUST be present during designated training times)

I, _________________________, the Operating Principal of the Franchisee named above, understand there may be additional costs incurred to me if the support team has to extend their stay as a result of my unpreparedness. All costs associated with the extended stay (hotel, meals, airfare costs, car rental) will be billed directly to me upon the support team's return after completing the on-site training.

It will be at the support manager's discretion, upon arrival, if it is feasible to perform a complete and valuable training session.

I have read, acknowledge and agree to this document.

Please print name: ______________________________________ Date: ________

Signature: _____________________________________________

**Exhibit I**

**MULTI-STATE FRANCHISE AGREEMENT AMENDMENTS**

**ILLINOIS AMENDMENT
TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated ______, 20__, will be amended as follows:

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. The last sentence of Section 5.1 of the Franchise Agreement is hereby amended and restated in its entirety as follows: "Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition."

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| COMPANY: | Franchisee: |
|---|---|
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________ | By: ______________________ |
| Its: ______________________<br>(title) | Its: ______________________<br>(title) |

## INDIANA AMENDMENT TO FRANCHISE AGREEMENT

Company and Franchisee hereby agree that the Franchise Agreement dated ___ , 20_, will be amended as follows:

1. The laws of the State of Indiana supersede any provision of the Franchise Agreement or Delaware Law if such provisions are in conflict with Indiana law. The Franchise Agreement will be governed by Indiana law.

2. The following language is added to 16.4 of the Franchise Agreement:
   "', except that the general release provisions shall not apply to any liability under the Indiana Deceptive Franchise Practices Law."

3. Choice of forum for litigation will not be limited to the State of Delaware.

| COMPANY: | Franchisee: |
|---|---|
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________ (title) | Its: ______________________________ (title) |

**MARYLAND AMENDMENT**
**TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated ___ , 20__, will be amended as follows:

1. The following language is added to Section 16.4 of the Franchise Agreement:
“, except that the general release required as a condition of renewal, sale and assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. The following language is added to Section 21 of the Franchise Agreement:
“Franchisee may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law. All claims arising under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg., Sections 14-201 through 14-233) shall be commenced within three (3) years after the grant of the franchise.”

3. The following language is added to Section 21.5 of the Franchise Agreement:
“All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

4. 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.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| | |
|---|---|
| COMPANY: | Franchisee: |
| Shelby’s Franchise USA LLC | ______________________________ |
| By: ____________________ | By: ___________________________ |
| Its: _____________________<br>(title) | Its: ___________________________<br>(title) |

**MINNESOTA AMENDMENT**
**TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

Company and Franchisee hereby agree that the Franchise Agreement dated _____________, 20__, will be amended as follows:

1. Section 14 of the Franchise Agreement is amended to add the following language:

   "The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

2. Section 21 of the Franchise Agreement is amended to read as follows:

   "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

3. Franchisor will protect the Franchisee's right granted hereby to use the Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

4. Section 21 of the Franchise Agreement is amended as follows:

   "Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

5. Minn. Rule 2860.4400J. prohibits waiver of a jury trial. Accordingly, Section 21.12 of the Franchise Agreement is amended as follows:

   "Nothing contained herein shall limit Franchisee's right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J. Any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, subd. 5."

6. Section 21.6 is amended to read as follows:

> "Company may seek injunctive relief, without bond if determined by the court of competent jurisdiction that a bond is not required, against Franchisee restraining the unauthorized use of any Mark or Copyrighted Materials, or the unauthorized use or disclosure of Company's confidential information.

7. Section 21.6 is amended to read as follows:

> "Company may, at its option, seek injunctive and other equitable relief against Franchisee from any court of competent jurisdiction;"

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| COMPANY: | Franchisee: |
| --- | --- |
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________<br>(title) | Its: ______________________________<br>(title) |

**NEW YORK AMENDMENT**
**TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated _______, 20____, will be amended as follows:

Section 18.1 of the Franchise Agreement is amended by adding a subsection (e) stating:

> "Franchisee may terminate this Agreement upon any grounds available at law."

The following is added to Section 21 of the Franchise Agreement:

> "This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder."

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| COMPANY: | Franchisee: |
|---|---|
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________ (title) | Its: ______________________________ (title) |

**NORTH DAKOTA AMENDMENT**
**TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated ______, 20____, will be amended as follows:

1. Section 17.6 of the Franchise Agreement is amended to add the following:
   "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

2. Any provision in the Franchise Agreement which requires the Franchisee to sign a general release upon renewal of the Franchise Agreement is hereby deleted from any Franchise Agreement issued in the State of North Dakota.

3. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or Delaware law if such provisions are in conflict with North Dakota law. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement issued in the State of North Dakota.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| | |
|---|---|
| COMPANY: | Franchisee: |
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________<br>(title) | Its: ______________________________<br>(title) |

**OHIO AMENDMENT**
**TO FRANCHISE AGREEMENT**

Ohio Notice of Cancellation

(FOR OHIO FRANCHISEES ONLY)

________________________(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Yazan El-Shalabi, at 50 Rockefeller Plaza, New York, NY 10020, not later than midnight of (enter date).

I hereby cancel this transaction.

______ ____________________
(Date) (Purchaser's signature)

**RHODE ISLAND AMENDMENT**
**TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated ______, 20____, will be amended as follows:

1. The laws of the State of Rhode Island supersede any provisions of the Franchise Agreement, the other agreements or Delaware law if such provisions are in conflict with Rhode Island law.

2. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of Rhode Island, is deleted from any Franchise Agreement issued in the State of Rhode Island.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| COMPANY: | Franchisee: |
|---|---|
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________ (title) | Its: ______________________________ (title) |

**WASHINGTON AMENDMENT**
**TO FRANCHISE AGREEMENT**

Company and Franchisee hereby agree that the Franchise Agreement dated _______, 20____, will be amended as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in Franchisee's relationship with the Company, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.

2. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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

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

5. The undersigned hereby acknowledges receipt of this amendment.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

| COMPANY: | Franchisee: |
|---|---|
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________<br>(title) | Its: ______________________________<br>(title) |

Exhibit C
Area Multi-Unit Agreement

**MULTI-UNIT AGREEMENT**

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## MULTI-UNIT AGREEMENT

**THIS MULTI-UNIT AGREEMENT** is made as of the date set forth on the signature page hereto between Shelby's Franchise USA LLC ("Franchisor"), a Delaware limited liability company, and the business entity and shareholders, partners, members, equity holders, and principals ("Owners") set forth on the signature page to this Agreement and Appendix A (collectively, the "Developer").

## RECITALS

As a result of the expenditure of time, skill, effort and money, Shelby's and its owners and affiliates have developed a unique system licensing to franchisees a business model for establishing and operating a business ("Shelby's Restaurants") specializing in Middle Eastern fusion fare mixing Arabian flavors with world cuisines to offering a menu of unique and delicious Middle Eastern Tikka Masala, Shawarma Biryani as well as other wraps, burritos, bowls, salads, samosas, manaeesh, desserts, beverages, and sides like crispy fries, grape leaves, onion rings, hummus and other menu items and products all prepared using certain formulas, recipes, and methods of production and marketed using certain valuable trade names in conjunction with certain color schemes, signs, equipment, layouts, and Restaurant designs, distinctive formats, methods, policies, procedures, standards, specifications, information, training and business relationships, (collectively, the "System"); and

Developer desires to be granted the opportunity, subject to the terms and conditions of this Agreement, to develop franchised Shelby's Restaurants ("Franchised Restaurant(s)") in a certain designated geographic area as described in Section 2(A) and identified in attached Appendix A ("Development Area").

Franchisor is willing to grant Developer the opportunity to develop Franchised Restaurants in the Development Area, subject to the terms and conditions of this Agreement. Capitalized terms not defined herein shall have the meaning set forth in the franchise agreement to be executed simultaneously with the execution of this Agreement for the first Franchised Restaurant to be opened under this Agreement.

**NOW THEREFORE**, in consideration of Franchisor's grant to Developer of the right to develop Franchised Restaurants in the Development Area during the term of this Agreement ("Development Term"), as well as the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### 1. GRANT OF DEVELOPMENT RIGHTS

**A. Grant.** Franchisor hereby grants to Developer, subject to the terms, conditions, provisions and limitations of this Agreement, the right to develop such number of Franchised Restaurants in the Development Area during the Development Term as set forth in Appendix A. The Development Term begins on the date this Agreement is signed by Franchisor and terminates on the date that the last Franchised Restaurant is required to be opened pursuant to the Development Schedule in attached Appendix A. There is no renewal term for this Agreement. Each Franchised Restaurant shall be located at a specific location within the Development Area accepted by Franchisor pursuant to a Franchise Agreement.

**B. Development Rights Only.** This Agreement is not a license or a franchise agreement. It does not give Developer the right to operate Shelby's Restaurants or use the System or any independent right to use the name "Shelby's" or our other commercial symbols, trade names, service marks, and trademarks (collectively, the "Marks"). In addition, this Agreement does not give Developer any right to license, sublicense or sub-franchise others to operate Shelby's Restaurants or use the System. This Agreement only gives Developer the right to enter into Franchise Agreements for the operation of Franchised Restaurants at Locations within the Development Area, subject to Developer's compliance with this Agreement. Each

Franchised Restaurant developed pursuant to this Agreement shall be established and operated only in strict accordance with a separate Franchise Agreement.

**C.** **Forms of Agreement.** Developer acknowledges that, over time, Franchisor has entered and likely will continue to enter into agreements with other developers and franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and other developers and franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

**D.** **Limited Exclusivity.** So long as Developer is in strict compliance with this Agreement and any other agreements (including any Franchise Agreements) with Franchisor and its affiliates and is current on all obligations due to Franchisor and its affiliates, the Brand Fund and any Cooperative during the Development Term, Franchisor will not operate, or license others to operate, a Shelby's Restaurant in the Development Area. Notwithstanding this grant of limited exclusivity in Development Area, Shelby's may operate, or license third parties to operate, Shelby's Restaurants in Development Area that are located in Reserved Venues.

This limited exclusivity does not apply to Shelby's Restaurants in operation, under lease or construction or other commitment to open, as of the date of this Agreement, and it does not prohibit Shelby's from, among other things: **(1)** operating or licensing others to operate, during the Development Term, any Restaurant other than a Shelby's Restaurant in Development Area; **(2)** operating, or licensing others to operate, during the term of this Agreement, any Restaurant including a Shelby's Restaurant at any location outside any of the Development Area; **(3)** operating or licensing others to operate, after this Agreement terminates or expires, any Restaurant including a Shelby's Restaurant in or outside any of the Development Area; **(4)** merchandising and distributing goods and services identified by the Marks at any location through any other method or channel of distribution; **(5)** developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks; and **(6)** purchasing, being purchased by, merging or combining with, businesses that offer direct competition to Shelby's Restaurants. Shelby's reserves to itself all rights to use and license the System and the Marks other than those expressly granted in this Agreement.

## 2. DEVELOPMENT SCHEDULE

**A.** **Development Area.** Franchisor and Developer have mutually agreed upon a certain Development Area the parties believe correspond to the demographic, traffic, density and other criteria ("Development Criteria") Franchisor has established as prerequisites for the development of Franchised Restaurants.

**Developer acknowledges and agrees that: (1) real estate development, the designation of the Development Area and the selection of sites within those Development Area is an art and not a precise science; (2) the designation of a Development Area merely means that the geographic region satisfies Shelby's' Development Criteria; and (3) the selection of Development Area that satisfy the Development Criteria is not a representation or promise that a Franchised Restaurant developed in the Development Area will achieve a certain sales volume or a certain level of profitability or have a higher sales volume or be more profitable than a Franchised Restaurant developed at a site that is not in a Development Area.**

**B.** **Development Schedule.** During the Development Term, Developer shall develop, construct, open and continuously operate in the Development Area the number and type of Franchised Restaurants specified in the Development Schedule in attached Appendix A. For each Franchised Restaurant to be developed during the Development Term, Developer shall have obtained Shelby's' written acceptance of the site by the site acceptance date listed in the Development Schedule, which shall be at least six (6) months before the date the Franchised Restaurant is required to be opened. Strict compliance with the Development Schedule is essential to this Agreement. Any failure by Developer in fulfilling its obligations to develop and open any Franchised Restaurant when required by the Development Schedule or to obtain site acceptance by the date specified in the Development Schedule shall constitute a material, non-curable breach of this Agreement permitting Shelby's immediately to terminate this Agreement by giving written notice of termination to Developer. **Time is of the essence**.

**Developer acknowledges that: (1) the estimated expenses and initial investment requirements for any Franchised Restaurant are subject to increase over time and future Franchised Restaurant likely will involve greater initial investment and operating capital requirements; and (2) Developer required to open all of the Franchised Restaurant on the dates set forth in the Development Schedule regardless of the requirement of a greater investment, the financial condition or performance of Developer's then-existing Franchised Restaurants or any other circumstances, financial or otherwise.**

**C. Sale of Franchised Restaurant.** If, during the Development Term, Developer sells a Franchised Restaurant that was developed pursuant to this Agreement, that Franchised Restaurant will continue to be counted as a Franchised Restaurant for the purpose of meeting Developer's obligations under the Development Schedule, provided that the sale has been consented to by Franchisor and only so long as that Restaurant continues to be operated pursuant to a franchise agreement with Franchisor or its affiliates.

**D. Franchise Subsidiary.** At Developer's request, Franchisor will permit the Franchise Agreement for any Franchised Restaurant developed pursuant to this Agreement to be executed by a corporation, a limited liability company or general or limited partnership formed by Developer to develop and operate the Franchised Restaurant ("Franchise Subsidiary"), provided all of the following conditions are met: **(1)** Developer or the Owners owns a controlling interest of at least 51% of all ownership interests in the Franchise Subsidiary; **(2)** the Franchise Subsidiary conducts no business other than the operation of the Franchised Restaurant; **(3)** Developer, the Operating Principal and Owners agree to assume full and unconditional liability for, and agree to perform all obligations, covenants and agreements contained in the Franchise Agreement; **(4)** the Operating Principal is designated as the Operating Principal for each Franchise Subsidiary; and **(5)** all owners of an interest in Franchise Subsidiary possess a good moral character and otherwise meet Franchisor's then current criteria for a franchise owner. Developer shall promptly provide Franchisor all reasonably requested information necessary to confirm Developer satisfies these conditions.

## 3. FEES

**A. Development Fee.** The total Development Fee ("Development Fee") shall be equal to $175,000 for five (5) Restaurants, we grant you the right to open as set forth on Appendix A, payable as set forth in subsection (B) and (C) below.

**B.** Upon signing this Agreement, Developer shall pay Franchisor, by wire transfer (or such other payment method as specified by Franchisor), the Development Fee.

**C.** If you enter into a Multi-Unit Agreement to open more than five (5) Restaurants, then we will credit you 50% of the Initial Franchise Fee for the sixth Restaurant opened on time under the Multi-Unit Agreement and each additional Restaurant after the sixth Restaurant.

**D.** The Development Fee is fully earned by Franchisor when paid, it is not refundable and, except as provided in this Section, it is not credited against any other fees to be paid to Franchisor.

## 4. DEVELOPMENT PROCEDURES

**A. <u>Developer's Responsibility</u>.** Developer assumes all cost, liability and expense for locating, obtaining and developing sites for Franchised Restaurants and constructing and equipping Franchised Restaurants in accordance with Shelby's' System Standards. Developer shall not make any binding commitments to purchase or lease a site until the site has been accepted in writing by Franchisor.

**B. <u>Site Selection Assistance</u>.** Franchisor will provide Developer with the following site selection assistance in connection with development under this Agreement: **(1)** a copy of Shelby's' site selection guidelines and, as Developer may request, a reasonable amount of consultation with respect thereto; and **(2)** such on-site evaluation as Franchisor may deem advisable as part of its evaluation of Developer's request for site acceptance. Developer acknowledges and agrees that Franchisor providing its site selection guidelines and design specifications and any other site selection assistance to Developer prior to the proposed site being accepted by Franchisor will not create any reliance or expectation damages or liability for Franchisor and such activities will not create any expectations or representations to Developer that any proposed site will be accepted by Franchisor.

**C. <u>Site Information</u>.** Developer shall submit to Shelby's such information as Shelby's reasonably may require for each proposed site for a Franchised Restaurant which Developer reasonably believes to conform to site selection criteria Shelby's establishes from time to time for demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses (including Restaurants operated or franchised by Shelby's or its affiliates), the nature of other businesses in proximity to the site and other commercial characteristics (including the purchase price, rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises.

Developer acknowledges that, in order to preserve and enhance the reputation and goodwill of the System, all Restaurants operated and franchised by Shelby's and the goodwill of the Marks, all Franchised Restaurants must be properly developed, operated and maintained. Accordingly, Developer agrees that Shelby's may refuse to accept a site for a proposed Franchised Restaurant unless Developer demonstrates sufficient financial capabilities, in Franchisor' sole judgment, applying standards consistent with criteria Franchisor uses to establish Shelby's Restaurants in other comparable market areas, to properly develop, operate and maintain the proposed Franchised Restaurant. Developer shall furnish Franchisor with such financial statements and other information regarding Developer (or its Franchise Subsidiary, as applicable) and the development and operation of the proposed Franchised Restaurant, including, without limitation, investment and financing plans for the proposed Franchised Restaurant, as Franchisor may require.

**D. <u>Site Acceptance</u>.** Within 30 days after Franchisor' receipt of the information described in Section 4(C), Franchisor shall advise Developer in writing whether it has accepted a particular site. If Franchisor does not respond within that time period, Franchisor shall be deemed to have denied acceptance of the site.

**Franchisor' acceptance of one or more sites is not a representation or a promise by Franchisor that a Franchised Restaurant will achieve a certain sales volume or a certain level of profitability. Similarly, Franchisor' acceptance of one or more sites and its refusal to accept other sites is not a representation or a promise that a Protected Area will have a higher sales volume or be more profitable than a site which Franchisor did not accept. Franchisor' acceptance indicates only that Franchisor believes that the site meets Franchisor' then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographics and/or other factors included in or excluded from Franchisor' criteria could change, altering the potential of a site.**

**Franchisor assumes no liability or responsibility for: (1) evaluation of a Protected Area's soil for hazardous substances; (2) inspection of any structure on the Protected Area for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("ADA"); or (4) compliance with any other applicable law. It is Developer's sole responsibility to obtain satisfactory evidence and/or assurances that the Protected Area (and any structures thereon) is free from environmental contamination and in compliance with the requirements of the ADA.**

**E. Execution of Agreements.** Following Franchisor' acceptance of a site, Franchisor will prepare and forward to Developer a Franchise Agreement for the accepted site. The form of Franchise Agreement for Developer's first Franchised Restaurant shall be the form included in the applicable Franchise Disclosure Document as of the date of this Agreement. The form of Franchise Agreement for the other Franchised Restaurants to be developed by Developer pursuant to this Agreement shall be the then-current standard form in general use at the time of Franchisor' notice of site acceptance to Developer. Within 10 days after receipt of the Franchise Agreement by Developer, Developer shall execute and return the Franchise Agreement to Franchisor and, with respect to each Franchised Restaurant other than the first Franchised Restaurant to be developed pursuant to this Agreement, Developer shall pay Franchisor, pursuant to Section 3, the balance of the Initial Franchise Fee owed with respect to the Franchised Restaurant. Following Franchisor' receipt of the Franchise Agreement executed by Developer and the balance of the Initial Franchise Fee (if applicable), Franchisor shall execute the Franchise Agreement and return a fully-executed original of the Franchise Agreement to Developer.

**F. Delegation.** Franchisor has the right, from time to time, to delegate the performance of any portion or all of its obligations and duties under this Agreement to designees, whether affiliates or agents of Franchisor or independent contractors with which Franchisor has contracted to provide this service.

## 5. INSURANCE

**A. Developer's Responsibility.** Developer shall be responsible for all loss or damage arising from or related to Developer's development and operation of each Franchised Restaurant, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development or operation of, each Franchised Restaurant. In addition to any insurance required under the Franchise Agreements, Developer shall maintain in full force and effect throughout the Development Term that insurance which Developer determines is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of each Franchised Restaurant which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by Section 6(B) below. Franchisor, and any entity with an insurable interest designated by Franchisor, shall be an additional insured in such policies to the extent each has an insurable interest.

**B. Insurance Policies.** All insurance policies shall be written by an insurance company or companies satisfactory to Franchisor, in compliance with the standards, specifications, coverages and limits provided to Developer in writing. These policies shall include, at a minimum, the following for each Franchised Restaurant (or such greater insurance coverage required by the lease for the Franchised Restaurant):

**(1)** Comprehensive general liability insurance including coverage for bodily injury, personal injury, products liability, blanket contractual liability, broad form property damage, non-owned automobiles, completed operations and property damage on an occurrence basis with policy limits of not less than $5,000,000 per occurrence and $5,000,000 in the aggregate.

**(2)** Property Insurance written on an "All Risks" policy for fire and related peril (including floods and earthquakes where applicable) with limits of insurance of not less than the full replacement value of each Franchised Restaurant, its furniture, fixtures, equipment, inventory and other tangible property.

**(3)** Business Interruption and Extra Expense coverage to include rental payment continuation for a minimum of 12 months, loss of profits and other extra expenses experienced during the recovery from property loss.

**(4)** Employer's Liability coverage in the amount of not less than $500,000.

**(5)** Workers' compensation and such other insurance as may be required by statute or rule of the state or locality in which each Franchised Restaurant will be located. This coverage shall also be in effect for all of Developer's employees who participate in any Franchisor training programs.

**(6)** In connection with any construction, renovation, refurbishment, or remodeling of the Franchised Restaurant, Developer shall maintain Builder's All Risks insurance and in connection with new construction or substantial renovation, refurbishment or remodeling of a Franchised Restaurant, Developer shall maintain performance and completion bonds in forms and amounts, and written by carrier(s), reasonably satisfactory to Franchisor.

Franchisor may increase the minimum coverage required and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. Developer shall receive written notice of such modifications and shall take prompt action to secure the additional coverage or higher policy limits.

**C.** **__Policy Requirements__.** The following general requirements shall apply to each insurance policy that Developer maintains in connection with this Agreement:

**(1)** Each insurance policy shall be specifically endorsed to provide that the coverages shall be primary and that any insurance carried by any additional insured shall be excess and non-contributory.

**(2)** No insurance policy shall contain a provision that in any way limits or reduces coverage for Developer in the event of a claim by Franchisor or its affiliates.

**(3)** Each insurance policy shall extend to, and provide indemnity for, all obligations and liabilities of Developer to third parties and all other items for which Developer is required to indemnify Franchisor under this Agreement.

**(4)** Each insurance policy shall be written by an insurance company that has received and maintains an "A" or better rating by the latest edition of A.M. Best Company, Inc.

**(5)** No insurance policy shall provide for a deductible amount that exceeds $10,000, unless otherwise accepted in writing by Franchisor, and Developer's co-insurance under any insurance policy shall be 80% or greater.

**D.** **__Proof of Insurance__.** No later than 30 days after this Agreement is executed by Franchisor, and on each policy renewal date thereafter, Developer shall submit evidence of satisfactory insurance and proof of payment therefor to Franchisor. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days' prior written notice to Franchisor. Upon request, Developer also shall provide to Franchisor copies of all or any policies, and policy amendments and riders.

**E.** **__No Representations__.** Developer acknowledges that no requirement for insurance contained in this Agreement constitutes advice or a representation by Franchisor that only such policies, in such amounts, are necessary to protect Developer from losses in connection with its business under this Agreement.

Maintenance of this insurance, and the performance by Developer of its obligations under this Section, shall not relieve Developer of liability under the indemnification provisions of this Agreement.

**F.** **Failure to Obtain Insurance**. Should Developer, for any reason, fail to procure or maintain the insurance required by this Section 5, as revised from time to time in writing, Franchisor shall have the immediate right and authority, but not the obligation, to procure such insurance and charge its cost to Developer. All out-of-pocket costs incurred by Franchisor in obtaining such insurance on behalf of Developer shall be reimbursed to Franchisor by Developer immediately upon Developer's receipt of an invoice therefor.

## 6. ORGANIZATION OF DEVELOPER

**A.** **Representations.** If Developer is a corporation, a limited liability company or a partnership (collectively, a "Business Entity"), Developer makes the following representations and warranties: **(1)** it is duly organized and validly existing under the laws of the state of its formation; **(2)** it is qualified to do business in the state or states in which the Development Area are located; **(3)** execution of this Agreement and the development and operation of the Franchised Restaurants is permitted by its governing documents; and **(4)** Developer's governing documents have been furnished to Franchisor and shall at all times provide that the activities of Developer are limited exclusively to the development and operation of Restaurants franchised by Franchisor or its affiliates. When any governing documents are modified, Developer promptly shall provide copies to Franchisor.

If Developer is an individual, or a partnership comprised solely of individuals, Developer makes the following additional representations and warranties: **(A)** each individual has executed this Agreement; **(B)** each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and **(C)** notwithstanding any transfer for convenience of ownership, pursuant to Section 8(E), each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement.

**B.** **Ownership Interests.** If Developer is a Business Entity, all interests in Developer are owned as set forth in attached Appendix A. In addition, Developer shall maintain a current list of all Owners of record and their percentage ownership interest. Developer shall comply with Section 8 prior to any change in ownership interests and shall execute addenda to Appendix A as changes occur in order to ensure the information contained in Appendix A is true, accurate and complete at all times.

**C.** **Restrictive Legend.** If Developer is a Business Entity, each ownership certificate shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an ownership interest is subject to the restrictions imposed on assignment by the Franchisor in the Multi-Unit Agreement and the Franchise Agreement(s) to which the Business Entity is a party."

**D.** **Personal Guaranty.** All individuals comprising the Developer and all Owners of the Developer if Developer is a Business Entity, together with all Owners' respective spouses (collectively, the "Guarantors" and individually, a "Guarantor") shall jointly and severally guarantee Developer's payment and performance under this Agreement and shall bind themselves to the terms of this Agreement pursuant to the attached Guaranty and Assumption of Developer's Obligations ("Guaranty"). Franchisor also reserves the right to require any Guarantor to provide personal financial statements to Franchisor from time to time. With respect to Owners, Developer acknowledges that, unless otherwise agreed to in writing by Franchisor, it is Franchisor' intent to have individuals (and not Business Entities) execute the Guaranty. Accordingly, if any Owner is not an individual, Franchisor shall have the right to have the Guaranty executed by individuals who have only an indirect ownership interest in Developer.

**E.** **Operating Principal.** If Developer is owned by more than one individual, Developer shall designate and retain an individual to serve as the Operating Principal. The Operating Principal as of the date of this Agreement is identified in Appendix A. The Operating Principal shall: (1) have an equity ownership interest in Developer; (2) have full control over the day-to-day development of Developer's Franchised Restaurants; (3) devote full-time and best efforts to supervising the development of Developer's Franchised Restaurants and other Restaurants operated by Developer that are franchised by Franchisor or its affiliates and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility; (4) successfully complete Franchisor' management training program and any additional training required by Franchisor; and (5) meet Franchisor's standards for an Operating Principal and be approved by the Franchisor, and not have later withdrawn that acceptance. If the Operating Principal no longer meets the qualifications or resigns, Developer shall designate another person to act as Operating Principal within 30 days of the date of failing to remain qualified or effective date of resignation. Following Franchisor' acceptance of a new Operating Principal, that person shall execute a Guaranty.

**F.** **Multi-Unit Development Manager.** If the Operating Principal devotes less than full time to supervising the development of Developer's Franchised Restaurants and other Restaurants operated by Developer that are franchised by Franchisor or its affiliates, or, if requested by Franchisor because of the number of Franchised Restaurants Developer has agreed to develop or for other reasons, Developer also shall designate and retain one or more individuals to serve as its Multi-Unit Development Manager(s) under the supervision of the Operating Principal. Each Multi-Unit Development Manager shall meet all of the following qualifications:

**(1)** The Multi-Unit Development Manager(s) shall devote full time and best efforts to supervising the development of Developer's Franchised Restaurants and other Restaurants operated by Developer that are franchised by Franchisor or its affiliates and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility.

**(2)** The Multi-Unit Development Manager(s) shall successfully complete Franchisor' management training program and any additional training required by Franchisor.

**(3)** Franchisor shall have accepted the Multi-Unit Development Manager(s), and not have later withdrawn that acceptance.

If a Multi-Unit Development Manager no longer qualifies as such, Developer shall designate another person to act as Multi-Unit Development Manager within 30 days of the date of failing to remain qualified.

## 7. FRANCHISOR TRANSFERS

Franchisor shall have the absolute, unrestricted right, exercisable at any time, to transfer and assign all or any part of its rights and obligations under this Agreement to any person or legal entity without the consent of Developer.

## 8. TRANSFERS BY DEVELOPER

**A.** **Definition of Transfer.** For purposes of this Agreement, "Transfer" means any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any interest in Developer (if Developer is a Business Entity), this Agreement or any other assets pertaining to Developer's operations under this Agreement.

**B.** **No Transfer Without Consent.** Developer acknowledges that this Agreement is personal to Developer and Franchisor has selected Developer as a developer based on Franchisor' reliance on Developer's and its Owners' character, skill, aptitude and business and financial capacity. Neither Developer nor any of Developer's owners may make any Transfer or permit any Transfer to occur without obtaining Franchisor' prior written consent. Franchisor has sole and absolute discretion to withhold its consent, except as otherwise provided in this Section 8. Franchisor has the right to communicate with and counsel Developer and the proposed transferee on any aspect of a proposed Transfer. Developer agrees to provide any information and documentation relating to the proposed Transfer that Franchisor reasonably requires. Unless otherwise agreed, Franchisor does not waive any claims against the transferring party if Franchisor consents to a Transfer.

**C. <u>Transfer Generally</u>.**

**(1)** Except as otherwise provided in this Section 8, if Developer proposes to undertake a Transfer, the following conditions apply (unless waived by Franchisor). Developer must:

**(a)** Be in compliance with all obligations to Franchisor under this Agreement and any other agreement Developer has with Franchisor, Franchisor' affiliates, any lenders that have provided financing to Developer and Developer's major suppliers as of the date of the request for Franchisor' consent to the Transfer.

**(b)** Pay Franchisor, by wire transfer (or such other payment method as specified by Franchisor), a Transfer Fee equal to 50% of the Development Deposit, provided that, if the Transfer is a transfer of 50% or less of the ownership interests in Developer or the transferee is an existing Franchisor franchisee then in good standing with Franchisor, the Transfer fee will be 25% of the Development Deposit, which amount does not include any transfer fees in connection with the transfer of any existing Franchised Restaurants. Notwithstanding the foregoing, with respect to any Transfer involving this Agreement and one or more existing Franchised Restaurants in a single transaction, the total Transfer fee, including any transfer fees payable under the applicable Franchise Agreements, shall not exceed $100,000.

**(c)** Make the Transfer only in conjunction with a simultaneous Transfer of the same interest with respect to all agreements with Franchisor in the Development Area.

**(d)** Advise Franchisor in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, submit a copy of all contracts and all other agreements or proposals and submit all other information requested by Franchisor relating to the proposed Transfer.

**(2)** The proposed transferee (and if the proposed transferee is not a natural person, all persons that have any direct or indirect interest in the transferee as Franchisor may require) must demonstrate to Franchisor' satisfaction that it meets the managerial, operational, experience, quality, character and business standards for a developer promulgated by Franchisor from time to time; must possess a good character, business reputation and credit rating; must have an organization whose management culture is compatible with Franchisor' management culture; and must have adequate financial resources and working capital to meet Developer's development obligations under this Agreement. If the proposed transferee is an existing Franchisor developer or franchisee, such transferee must not be in default under its agreements with Franchisor and must have substantially complied with Franchisor' operating standards.

**(3)** Developer and the proposed transferee must sign, at Franchisor' option, an assignment agreement and any amendments to this Agreement that Franchisor requires to reflect the Transfer and/or Franchisor' then-current standard form of development agreement for a term ending on the expiration of the Development Term. Developer and its Owners and the proposed transferee must also sign any other agreements that Franchisor requires.

**(4)** Developer, its Owners and the transferee must execute a general release, in a form prescribed by Franchisor, of all claims against Franchisor and its past, present and future affiliates, officers, directors, shareholders, agents, members, managers and employees. Developer and all owners of Developer will remain liable to Franchisor for all obligations.

**(5)** The consideration to be provided by the proposed transferee in connection with the proposed Transfer and the other proposed terms of the proposed Transfer must not, in Franchisor' reasonable business judgment, have the effect of negatively impacting the prospects of completing the Development Schedule or the future viability of the transferred Franchised Restaurants.

**(6)** If the transferee is a Business Entity, any Owners in the transferee must execute Franchisor' then-current form of Guaranty.

**D.** **Transfer of Partial Ownership Interest.** If Developer proposes to admit a new Owner, remove an existing owner or change the distribution of ownership interests among the owners shown on Appendix A, Developer must give Franchisor advance notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. Developer must also pay a Transfer Fee of $2,500 per partial Transfer. Any new owner must submit a personal application to Franchisor and must meet Franchisor's then current standards and qualification for Owners.

**E.** **Transfer for Convenience of Ownership.** If Developer is an individual or a partnership, Franchisor will consent to the Transfer of this Agreement to a Business Entity that Developer forms for the convenience of ownership, provided that: **(1)** the Business Entity has and will have no business other than the development and operation of Restaurants; **(2)** Developer complies with the requirements set forth in Section 6(A) and 8(C), provided that the Transfer Fee shall not exceed $2,500; **(3)** the owners hold equity interests in the new entity in the same proportion shown on Appendix A; and **(4)** the Operating Principal remains the same.

**F.** **Transfer upon Death or Permanent Incapacity.** If the Transfer is a transfer of ownership interests in Developer following the death or permanent incapacity (as reasonably determined by Franchisor) of an Owner, that person's executor, administrator or personal representative must apply to Franchisor in writing within 3 months after the death or declaration of permanent incapacity for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 8(C) or 8(D), as applicable. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Sections 8(C) or 8(D), the executor may Transfer the decedent's interest to another successor that Franchisor has accepted, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 8(F) within 3 months after the date of death or appointment of a personal representative, Franchisor may terminate this Agreement.

**G.** **Security Interests.** Developer shall not grant any security interest in its business, in any Franchised Restaurant or the assets used in the operation of any Franchised Restaurant without Franchisor' prior written consent, which will not be unreasonably withheld. Franchisor' consent may be conditioned, in its sole discretion, on the written agreement by the secured party that, in the event of a default by Developer under any agreement related to the security interest, Franchisor shall have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of all sums then due to the secured party.

**H.** **Right of First Refusal.** If any party holding any interest in Developer or in this Agreement receives a bona fide offer (as determined by Franchisor in its reasonable discretion) from a third party or otherwise desires to undertake any Transfer that would require Franchisor' consent (other than a Transfer for convenience of ownership pursuant to Section 8(E). or a sale of ownership interests in Developer to a spouse, parent, child or sibling), it shall notify Franchisor in writing of the terms of the proposed Transfer, and shall provide such information and documentation relating to the proposed Transfer as Franchisor may reasonably require. Franchisor or its designee may elect to purchase the interest that the seller proposes to Transfer any time within 30 days after receipt of written notification, and all documents and other information required by Section 8(C) and 8(D), as applicable, by sending written notice to the seller that Franchisor or its designee intends to purchase the seller's interest on the same financial terms and conditions offered by the third party (except that Franchisor or its designee shall not be obligated to pay any finder's or broker's fees). In purchasing the interest, Franchisor or its designee shall be entitled to set off any monies owed to Franchisor or its affiliates by Developer and Franchisor or its designee shall be entitled to all customary representations and warranties that the assets are free and clear (or, if not, accurate and complete disclosure) as to: **(1)** ownership, condition and title; **(2)** liens and encumbrances; **(3)** environmental and hazardous substances; and **(4)** validity of contracts inuring to the purchaser or affecting the assets, whether contingent or otherwise.

If the offer to Developer involves assets in addition to this Agreement, Developer's Franchised Restaurants and other Restaurants operated by Developer that are franchised by Franchisor or its affiliates, Developer's notice to Franchisor shall state the cash value of that portion of the offer received by Developer relating to this Agreement and those Restaurants. If the proposed Transfer provides for payment of consideration other than cash or it involves intangible benefits, Franchisor or its designee may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties are unable to agree within 30 days on the reasonable equivalent in cash of the non-cash part of the offer received by Developer, or the cash value of that portion of the offer received by Developer relating to this Agreement, Developer's Franchised Restaurants and those other Restaurants, the amount shall be determined by two professionally certified appraisers, Developer selecting one and Franchisor or its designee selecting one. If the amounts set by the two appraisers differ by more than 10%, the two appraisers shall select a third professionally certified appraiser who also shall determine the amount. The average value set by the appraisers (whether two or three appraisers as the case may be) shall be conclusive and Franchisor or its designee may exercise its right of first refusal within 30 days after being advised in writing of the decision of the appraisers. The cost of the appraisers shall be shared equally by the parties.

Franchisor' failure to exercise its right of first refusal shall not constitute consent to the proposed Transfer nor a waiver of any other provision of this Section 8 with respect to a proposed Transfer. If Franchisor does not exercise its right of first refusal, Developer may not thereafter Transfer the interest at a lower price or on more favorable terms than those that have been offered to Franchisor. Franchisor shall again be given a right of first refusal if a transaction does not close within 6 months after Franchisor elected not to exercise its right of first refusal. In no event shall Developer offer the interest for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer or assign, through any advertisement, either in the newspapers or otherwise, without first having obtained the written consent of Franchisor to the auction or advertisement.

**I. Non-Conforming Transfer.** Any purported Transfer that is not in compliance with this Section 9 is null and void and constitutes a material breach of this Agreement for which Franchisor may terminate this Agreement without opportunity to cure. Franchisor' consent to any Transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor' right to demand exact compliance with any of the terms of this Agreement by the transferee, nor will it be deemed a waiver of Franchisor' right to give or withhold consent to future Transfers.

## 9. COVENANTS

**A. Best Efforts.** During the Development Term, Developer and the Operating Principal shall devote their best efforts to the development, management and operation of the Franchised Restaurants in the Development Area. At all times, Developer shall maintain a functioning email address which must be provided to Franchisor.

**B. Confidentiality.** Developer acknowledges and agrees that: **(1)** Franchisor owns all right, title and interest in and to the System; **(2)** the System consists of trade secrets and confidential and proprietary information and know-how that gives Franchisor and its affiliates a competitive advantage; **(3)** Franchisor and its affiliates have taken all measures necessary to protect the trade secrets and the confidentiality of the proprietary information and know-how comprising the System; **(4)** all material or other information now or hereafter provided or disclosed to Developer regarding the System is disclosed in confidence; **(5)** Developer has no right to disclose any part of the System to anyone who is not an employee of Developer; **(6)** Developer will disclose to its employees only those parts of the System that an employee needs to know; **(7)** Developer will have a system in place to ensure that Developer's employees keep confidential Franchisor' trade secrets and confidential and proprietary information and, if requested by Franchisor, Developer shall obtain from those of its employees designated by Franchisor an executed Confidential Disclosure Agreement in the form prescribed by Franchisor; **(8)** Developer will not acquire any interest in the System; and **(9)** Developer's use or duplication of the System or any part of the System in any other business would constitute an unfair method of competition, for which Franchisor would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

Developer shall not, during the Development Term or at any time thereafter, communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that Franchisor or its affiliates designate as confidential shall be deemed confidential for purposes of this Agreement. The parties agree that a breach of this Section would cause irreparable injury to Franchisor and that it would be without an adequate remedy at law. Accordingly, Franchisor shall be entitled to obtain injunctive relief (without posting a bond or security) in addition to any other legal or equitable remedies it may have upon a breach of this Section.

If Developer develops any new concepts, processes or improvements relating to the System, Developer promptly shall notify Franchisor and provide Franchisor with all information regarding the new concept, process or improvement, all of which shall become the property of Franchisor and its affiliates and which may be incorporated into the System without any payment to Developer. Developer promptly shall take all actions deemed necessary and desirable by Franchisor to vest in Franchisor' ownership of such concepts, processes or improvements.

**C. Restrictions.**

**(1)** Developer acknowledges and agrees that: **(a)** pursuant to this Agreement, Developer will have access to valuable trade secrets, specialized training and confidential information from Franchisor and its affiliates regarding the development, operation, purchasing, sales and marketing methods and techniques of Franchisor and its affiliates and the System; **(b)** the System and the opportunities, associations and experience established and acquired by Developer under this Agreement are of substantial and material value; **(c)** in developing the System, Franchisor and its affiliates have made and continue to make substantial investments of time, technical and commercial research and money; **(d)** Franchisor would be unable adequately to protect the System and its trade secrets and confidential and proprietary information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among Shelby's Restaurants if franchisees or developers were permitted to hold interests in competitive businesses; and **(e)** restrictions on Developer's right to hold interests in, or perform services for, competitive businesses will not hinder its activities.

**(2)** Accordingly, Developer covenants and agrees that during the Development Term, and for a period of two (2) years following its expiration or earlier termination, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, or other entity:

**(a)** Divert or attempt to divert any business or customer, or potential business or customer, of any Restaurant franchised or operated by Franchisor or its affiliates to any competitor, by direct or indirect inducement or otherwise.

**(b)** Own, maintain, operate, engage in, advise, help, make loans to, or have any interest in, either directly or indirectly, any Restaurant business: **(i)** that sells Middle Eastern cuisine or any food item that comprises at least 10% of sales at Shelby's Restaurants operated by Franchisor or its affiliates; or **(ii)** whose method of operation or Trade Dress is similar to that employed in the System. During the Development Term, there is no geographical limitation on this restriction. Following the expiration or earlier termination of the Development Term, this restriction shall apply within Development Area, and within six (6) miles of the perimeter of Development Area and within six (6) miles of any then-existing Restaurant franchised or operated by Franchisor or its affiliates except as otherwise consented to in writing by Franchisor.

If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the two (2) year period following the expiration or earlier termination of this Agreement, Developer fails to comply with its obligations under this Section 10(C)(2), that period of noncompliance will not be credited toward Developer's satisfaction of the two (2) year obligation.

**D.** **<u>Modification</u>.** Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant in this Section 9 effective immediately upon Developer's receipt of written notice, and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 18.

**E.** **<u>Applicability</u>.** The restrictions contained in this Section 9 shall apply to Developer and all guarantors of Developer's obligations. With respect to guarantors, these restrictions shall apply for a two (2) year period after any guarantor ceases to be the Operating Principal or an Owner. The existence of any claim Developer or any guarantor of Developer's obligations may have against Franchisor or its affiliates, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 9. The preceding sentence, however, does not constitute a waiver of any such claim.

## 10. TERMINATION

**A.** **<u>Grounds for Termination</u>.** In addition to the grounds for termination that may be stated elsewhere in this Agreement, Franchisor may terminate this Agreement, and the rights granted by this Agreement, upon written notice to Developer without an opportunity to cure upon the occurrence of any of the following events:

**(1)** Developer fails to obtain Franchisor' written acceptance of a site by the applicable site acceptance date listed in <u>Appendix A</u>.

**(2)** At any time during the Development Term, Developer fails to have open and operating the number of Franchised Restaurants required by the Development Schedule.

**(3)** Developer begins construction of a Franchised Restaurant at a site before Developer has received a fully executed Franchise Agreement.

**(4)** Developer is insolvent or is unable to pay its creditors (including Franchisor); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Developer a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization, which is not dismissed within 60 days of the filing; Developer makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Developer and not dismissed within 60 days of the appointment.

**(5)** Execution is levied against Developer's business or property; suit to foreclose any lien or mortgage against the premises or equipment of any Franchised Restaurant developed hereunder is instituted against Developer and is not dismissed within 60 days; or the real or personal property of any Franchised Restaurant developed hereunder shall be sold after levy thereupon by any sheriff, marshal or constable.

**(6)** There is a breach by Developer of any obligation under Section 9.

**(7)** Any Transfer that requires Franchisor' prior written consent occurs without Developer having obtained that prior written consent.

**(8)** Franchisor discovers that Developer made a material misrepresentation or omitted a material fact in the information that was furnished to Franchisor in connection with its decision to enter into this Agreement.

**(9)** Developer knowingly falsifies any report required to be furnished Franchisor or makes any material misrepresentation in its dealings with Franchisor or fails to disclose any material facts to Franchisor.

**(10)** Developer or any Guarantor is convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor, its affiliates or the System.

**(11)** There is a material breach by Developer or any Guarantor of any representation or warranty set forth in Section 22.

**(12)** Developer or any Guarantor remains in default beyond the applicable cure period: **(a)** under any other agreement with Franchisor or its affiliates; **(b)** under any real estate lease, equipment lease, or financing instrument relating to a Franchised Restaurant; and **(c)** with any vendor or supplier to a Franchised Restaurant; provided that if the default is not by Developer, Developer is given written notice of the default and 30 days to cure said default.

**(13)** Developer fails or refuses to comply with any other provision of this Agreement or any requirement of the System and does not correct the failure or refusal within 30 days (10 days for monetary defaults) after receiving written notice of default. Except for monetary defaults, if the default cannot be corrected within 30 days, Developer shall have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that Developer begins taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursues those actions to completion. Developer will be in default under this Section 10(A)(13) for any failure to materially comply with any of the requirements imposed by this Agreement or otherwise in writing, or to carry out the terms of this Agreement in good faith.

If Developer has received 2 or more notices of default pursuant to this Section 10(A)(13) within the previous 12 months, Franchisor shall be entitled to send Developer a notice of termination upon Developer's next default under this Section 10(A)(13) in that 12-month period without providing Developer an opportunity to remedy that default.

**B.** **Statutory Limitations.** If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

## 11. OBLIGATIONS ON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement:

**A.** Developer shall have no further right to develop or open Franchised Restaurants in any of the Development Area, except that Developer shall be entitled to complete and open a Franchised Restaurant for which a Franchise Agreement has been fully executed. Termination or expiration of this Agreement shall not affect Developer's right to continue to operate Franchised Restaurants that were open and operating as of the date this Agreement terminated or expired.

**B.** The limited exclusive rights granted Developer in Development Area shall terminate and Franchisor shall have the right to operate or license others to operate Shelby's Restaurants anywhere in the Development Area, except as otherwise provided in an effective Franchise Agreement.

**C.** Developer promptly shall return to Franchisor all materials and information furnished by Franchisor or its affiliates, except materials and information furnished with respect to a Franchised Restaurant for which there is a Franchised Restaurant which is open and operating pursuant to an effective franchise agreement.

**D.** Developer and all persons and entities subject to the covenants contained in Section 10 shall continue to abide by those covenants and shall not, directly or indirectly, take any action that violates those covenants.

**E.** Developer immediately shall pay Franchisor and its affiliates all sums due and owing Franchisor or its affiliates pursuant to this Agreement.

**F.** Franchisor shall retain the Development Fee.

**G.** Developer shall furnish Franchisor, within 30 days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by the chief executive officer of Developer, if Developer is a corporation; by a manager of Developer, if Developer is a limited liability company; or by a general partner of Developer, if Developer is a partnership) satisfactory to Franchisor of Developer's compliance with Sections 11(A) through 11(E).

**H.** Developer shall not, except with respect to a Restaurant franchised by Franchisor or its affiliates which is then open and operating pursuant to an effective franchise agreement: **(1)** operate or do business under any name or in any manner that might tend to give the public the impression that Developer is connected in any way with Franchisor or its affiliates or has any right to use the System or the Marks; **(2)** make use or avail itself of any of the materials or information furnished or disclosed by Franchisor or its affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or **(3)** assist anyone not licensed by Franchisor or its affiliates to construct or equip a foodservice outlet substantially similar to a Shelby's Restaurant.

## 12. RELATIONSHIP OF THE PARTIES

**A.** **<u>No Special Relationship</u>.** This Agreement does not create a fiduciary or other special relationship between the parties. Developer is an independent contractor with entire control and direction of the development and operation of the Franchised Restaurants, subject only to the conditions and covenants established by this Agreement. No agency, employment, or partnership is created or implied by the terms of this Agreement, and Developer is not and shall not hold itself out as agent, legal representative, partner, subsidiary, joint venturer or employee of Shelby's or its affiliates. Developer shall have no right or power to, and shall not, bind or obligate Shelby's or its affiliates in any way or manner, nor represent that Developer has any right to do so. Developer shall not issue any press releases without the prior written consent of Shelby's.

**B. Commercial Relationship.** The sole relationship between Developer and Shelby's is a commercial, arms' length business relationship and, except as provided in Section 13, there are no third party beneficiaries to this Agreement. Developer's business is, and shall be kept, totally separate and apart from any that may be operated by Shelby's. In all public records, in relationships with other persons, and on letterheads and business forms, Developer shall indicate its independent ownership of the Franchised Restaurants and that Developer is solely a franchisee of Shelby's.

## 13. INDEMNIFICATION

**A. Indemnity.** Developer and all guarantors of Developer's obligations under this Agreement shall, at all times, indemnify, defend (with counsel reasonably acceptable to Shelby's), and hold harmless (to the fullest extent permitted by law) Shelby's and its affiliates, and their respective successors, assigns, past and present directors, stockholders, officers, employees, agents, members, managers and representatives (collectively "Indemnitees") from and against all "losses and expenses" (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, inquiry (formal or informal), judgment or appeal thereof by or against Indemnitees or any settlement thereof (whether or not a formal proceeding or action had been instituted), arising out of or resulting from or connected with Developer's activities under this Agreement, excluding the gross negligence or willful misconduct of Shelby's. Developer promptly shall give Shelby's written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation filed or instituted against Developer and, upon request, shall furnish Shelby's with copies of any documents from such matters as Shelby's may request.

At Developer's expense and risk, Shelby's may elect to assume (but under no circumstances will Shelby's be obligated to undertake), the defense or settlement of any action, suit, proceeding, claim, demand, investigation, inquiry, judgment or appeal thereof subject to this indemnification. Such an undertaking shall, in no manner or form, diminish Developer's obligation to indemnify and hold harmless Shelby's and Indemnitees. Shelby's shall not be obligated to seek recoveries from third parties or otherwise mitigate losses. This Section will survive the expiration or termination of this Agreement.

**B. Losses and Expenses.** As used in this Section, the phrase "losses and expenses" shall include, but not be limited to, all losses; compensatory, exemplary and punitive damages; fines; charges; costs; expenses; lost profits; reasonable attorneys' fees; expert witness fees; court costs; settlement amounts; judgments; compensation for damages to Shelby's' reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

## 14. CONSENTS, APPROVALS AND WAIVERS

**A. Approvals.** Whenever this Agreement requires the prior approval, acceptance or consent of Shelby's, Developer shall make a timely written request to Shelby's therefor; and any approval, acceptance or consent received, in order to be effective and binding upon Shelby's, must be obtained in writing and be signed by an authorized officer of Shelby's.

**B. No Warranties.** Shelby's makes no warranties or guarantees upon which Developer may rely by providing any waiver, approval, consent, acceptance or suggestion to Developer in connection with this Agreement, and assumes no liability or obligation to Developer therefor, or by reason of any neglect, delay, or denial of any request therefor. Shelby's shall not, by virtue of any approvals, consents, acceptances, advice or services provided to Developer, assume responsibility or liability to Developer or to any third parties to which Shelby's would not otherwise be subject.

**C. Waivers.** No failure of Shelby's to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver of Shelby's' right to demand exact compliance with any of the terms of this Agreement. A waiver by Shelby's of any particular default by Developer shall not affect or impair Shelby's' rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Shelby's to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement affect or impair Shelby's' right to exercise the same, nor shall such constitute a waiver by Shelby's of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of the Development Term. Subsequent acceptance by Shelby's of any payments due to it hereunder shall not be deemed to be a waiver by Shelby's of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

## 15. NOTICES

All notices, requests, consents and other communications required hereunder shall be in writing and shall be duly given if hand delivered and a signed receipt obtained, sent by registered or certified mail, postage prepaid, return receipt requested, sent by overnight express type service, or sent by telecommunication with confirmed delivery, including electronic mail, addressed:

If to us:

Shelby's Franchise USA LLC
2630 Bristol Circle, Unit 300
Oakville, Ontario Canada L6H 6Z7
Attn: Ashley Khan
Email: legal@shelbys.ca

with a copy to:

Fox Rothschild, LLP
Attn: Eleanor Vaida Gerhards, Esq.
980 Jolly Road, Suite 110
Blue Bell, PA 19422-3001
Tel. 215.918.3642
Email: egerhards@foxrothschild.com
Facsimile: (610) 397.0450

If to you, to the address and email indicated on Appendix A to this Agreement. In the alternative, notice shall be sent to such other address as you or we shall have specified in a written notice given to the other party. Each such notice shall be deemed delivered (a) on the date delivered, if by personal delivery; (b) one (1) day after notice is sent, if by overnight express type service; (c) on the date of transmission by telecommunication with confirmed delivery, if by electronic mail or other electronic method; and (d) on the first occurring of: (i) three (3) business days after mailing, postage prepaid, or (ii) the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities as not deliverable, as the case may be, if mailed. Any notice provided by electronic mail or other electronic method shall be confirmed by one (1) of the delivery methods listed under subsection (a), (b), or (d) although this shall not affect the time notice is deemed given hereunder.

## 16. FORCE MAJEURE

As used in this Agreement, the term "Force Majeure" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby. Developer's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure. The failure of one party to timely pay the other monies owed may not be excused due to Force Majeure.

If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

## 17. ENTIRE AGREEMENT

Shelby's and Developer acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement, the documents referred to herein, and the attachments hereto, constitute the entire, full and complete agreement between the parties concerning Developer's rights in Development Area and Shelby's' acceptance of sites for Franchised Restaurants, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth herein, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in the Shelby's Franchise Disclosure Document provided to Developer.

## 18. SEVERABILITY AND CONSTRUCTION

**A. Severability.** Each article, paragraph, subparagraph, term and condition of this Agreement, and any portions thereof, will be considered severable. If, for any reason, any portion of this Agreement is determined to be invalid, contrary to, or in conflict with, any applicable present or future law, rule or regulation in a final, unappealable ruling issued by any court, agency or tribunal with valid jurisdiction in a proceeding to which Shelby's is a party, that ruling will not impair the operation of, or have any other effect upon, any other portions of this Agreement; all of which will remain binding on the parties and continue to be given full force and effect.

**B. Third Party Beneficiaries.** Except as otherwise provided in Section 15, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer and Shelby's and its affiliates and such of their heirs, successors and assigns, any rights or remedies under or by reason of this Agreement.

**C. Interpretations.** Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Shelby's is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

**D.** **Construction.** No provision of this Agreement shall be interpreted in favor of, or against, any party because of the party that drafted this Agreement.

**E.** **Discretion.** Whenever Shelby's has expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant Developer a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Shelby's may make such decision or exercise its right and/or discretion on the basis of its judgment of what is in its best interests. This also applies if Shelby's is deemed to have a right and/or discretion. Shelby's' judgment of what is in the best interests of the System, at the time its decision is made or its right or discretion is exercised, can be made without regard to whether: **(1)** other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Shelby's; **(2)** Shelby's' decision or the action taken promotes its financial or other individual interest; **(3)** Shelby's' decision or the action taken applies differently to Developer and one or more other developers or franchisees or Shelby's company-operated or affiliate-operated operations; or **(4)** Shelby's' decision or the action taken is adverse to Developer's interests. Shelby's will have no liability to Developer for any such decision or action. Shelby's and Developer intend that the exercise of Shelby's' right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Shelby's and Developer agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Shelby's the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's rights and obligations under this Agreement.

## 19. GOVERNING LAW, FORUM AND LIMITATIONS

**A.** **Governing Law.** This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the state of Delaware, where Shelby's' principal offices are located as of the date this Agreement is signed. Nothing in this Section is intended, or shall be deemed, to make any Delaware law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

**B.** **Forum Selection.** The parties agree that, to the extent any disputes cannot be resolved directly between them, Developer shall file any suit against Shelby's only in the federal or state court having jurisdiction where Shelby's' principal offices are located at the time suit is filed. Shelby's may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Developer resides or does business or where any of the Development Area or any Franchised Restaurant is or was located or where the claim arose. Developer consents to the personal jurisdiction of those courts over Developer and venue in those courts.

**C.** **Internal Dispute Resolution.** Developer must first bring any claim or dispute between it and Franchisor to the Franchisor, after providing notice as set forth in Section 15 above. Franchisor must respond to the notice inquiry within ten (10) business days of receipt or otherwise it is deemed denied ("IDR"). Developer must exhaust this internal dispute resolution procedure before Developer may bring the dispute before a third party. Developer agrees that Franchisor has sixty (60) days to attempt to resolve the claim or dispute with IDR (the "IDR Period") and the parties shall use commercially reasonable efforts to resolve the dispute via IDR during the IDR Period. This agreement to first attempt resolution of disputes internally through IDR will survive termination or expiration of this Agreement.

**D.** **Mediation.** At Franchisor's discretion, any disputes and claims arising out of or relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and/or any guarantors and/or transferees of this Agreement, or any claims between any of the above listed parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement or that is any way related to the Development rights or any of the Franchised Restaurants, may be submitted to non-binding mediation conducted before a sole neutral mediator referred by the American Arbitration Association ("AAA") in accordance with its Commercial Mediation Procedures. Mediation will be conducted in Delaware. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between Franchisor and Developer. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. Franchisor will notify Developer of its election to submit any dispute to non-binding mediation within thirty (30) days of the end of the IDR Period or at the time Franchisor provides Developer with notice of a dispute, claim, or alleged cause of action, as applicable.

**E. Arbitration.** At Franchisor's sole discretion, any disputes and claims arising out of or relating to this Agreement, the rights and obligations of the parties hereto, third-party beneficiaries, and any guarantors and/or transferees of this Agreement, or any claims between any of the above listed parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement or that is in any way related to the Development rights or any of the Franchised Restaurants, may be resolved by submission to binding arbitration by and before a neutral attorney with substantive background in franchising referred by AAA and selected by the parties in accordance with the Federal Arbitration Act ("FAA") and the then-existing Commercial Arbitration Rules of the AAA. All hearings and other proceedings will take place in Delaware. Franchisor shall notify Developer of its election to submit any dispute to arbitration within thirty (30) days of a non-binding mediation determination pursuant to Section 19(D) above, or if Franchisor does not elect mediation under Section 19(D), within (i) thirty (30) days after the end of the IDR Period; or (ii) at the time Franchisor provides Developer with notice of a dispute, claim, or alleged cause of action, as applicable.

**(1)** The following shall supplement and, in the event of a conflict with any law or rule, including but not limited to the AAA Commercial Arbitration Rules, shall govern any dispute submitted to arbitration. The parties shall select one (1) arbitrator from the proposed list of arbitrators provided by the AAA, as applicable, who must have a substantive background in franchising. If the parties are unable to agree upon an arbitrator, each party to the dispute shall have fifteen (15) days from the transmittal date of the proposed list in which to strike names objected to, number the remaining names in order of preference, and return the list to the AAA. If a party does not return the list within the time specified, all persons named therein shall be deemed acceptable. From among the persons who have been approved on both lists, and in accordance with the designated order of mutual preference, the AAA, as applicable, shall invite the acceptance of an arbitrator to serve. If the parties fail to agree on any of the persons named, or if acceptable arbitrators are unable to act, or if for any other reason the appointment cannot be made from the submitted lists, the process of submitting lists shall continue until a suitable arbitrator is selected. In all aspects of conducting the arbitration and in rendering his or her decision, the arbitrator shall enforce and apply the substantive laws of the State of Delaware for interpretation of this Agreement, without regard to choice of law rules. The parties may conduct one seven-hour discovery deposition of a designated representative of the opposing party. Any party wishing to take such a deposition must describe with reasonable particularity, in the notice of deposition, the matters to be inquired into at the deposition, and the party producing the designated representative must designate one (1) or more officers, directors, or managing agents who consent to testify on its behalf. No other discovery depositions shall occur, unless the arbitrator find such additional depositions to be necessary after written request and an opportunity to be heard. Each party shall be permitted up to ten (10) interrogatories and reasonable requests for production of documents. Each party shall be entitled to file a motion to dismiss, a motion for summary judgment and reasonable motions in limine. The arbitrator shall permit a responding party a reasonable period of time to respond in writing to any such motions. The arbitrator shall apply the

Federal Rules of Evidence at the hearings. The arbitrator's award shall include an award of pre-hearing interest from the date upon which any damages were incurred, and from the date of the award until paid in full, at a rate to be fixed by the arbitrator, but in no event less than one and one-half percent (1.5%) per month, or part of a month (unless a lower rate is required by law). The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator's fee, interest, and costs of investigation. In addition, the prevailing party shall be entitled to an award of its reasonable and necessary attorneys' fees. The arbitration hearings shall be completed within one hundred and fifty (150) days of the filing of the arbitration demand, unless the arbitrator, for good cause, must extend this deadline.

**(2)** The arbitrator shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the District of Delaware, or any other court of general jurisdiction located in Delaware and, if confirmed, may be subsequently entered and/or docketed, including as a judgment, in any court having competent jurisdiction. Similarly, any appeals from and/or relating to any arbitration which may be brought in accordance with this Section 19(E) shall be heard before the United States District Court for the District of Delaware, or any other court of general jurisdiction located in Delaware.

**(3)** The arbitration provisions of this Agreement shall survive any termination or expiration of this Agreement.

**F.** **Limitations.** Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to Developer) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

**G.** **Damages and Jury Waiver.** Developer and Shelby's waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between them, each shall be limited to the recovery of actual damages sustained by it. Developer and Shelby's waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

**H.** **Cumulative Remedies**. No right or remedy conferred upon or reserved to Shelby's or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 21 shall survive expiration or earlier termination of this Agreement.

**I.** **Attorneys' Fees.** If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys'; attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of, the proceeding. If Shelby's utilizes legal counsel (including in-house counsel employed by Shelby's) in connection with any failure by Developer to comply with this Agreement, Developer shall reimburse Shelby's for any of the above-listed costs and expenses incurred by Shelby's. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

## 20. MISCELLANEOUS

**A. Counterparts and Signatures.** This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original. This Agreement, any exhibit hereto and any related agreement may be signed using electronic signatures and records, and such signature(s) shall have full legal force and effect.

**B. Time.** Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically shall be extended to the next day that is not a Saturday, Sunday or national holiday.

**C. Injunctive Relief.** Developer recognizes that its failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to Shelby's and the System. Therefore, Developer agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Developer, Shelby's shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by Shelby's shall be in addition to, and not in lieu of, all remedies and rights that Shelby's otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

**D. Variations.** Shelby's has the right, in its sole discretion, to waive, defer or permit variations from the standards of the System or any applicable agreement to any developer, franchisee, prospective developer or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. Shelby's has the right, in its sole discretion, to deny any such request Shelby's believes would not be in the best interests of the System.

**E. Compliance with U.S. Laws**. Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), Shelby's is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, Developer represents and warrants to Shelby's that, as of the date of this Agreement, neither Developer nor any person holding any ownership interest in Developer, controlled by Developer, or under common control with Developer is designated under the Order as a person with whom business may not be transacted by Shelby's, and that Developer: **(1)** does not, and hereafter shall not, engage in any terrorist activity; **(2)** is not affiliated with and does not support any individual or entity engaged in, contemplating or supporting terrorist activity; and **(3)** is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating or supporting terrorist activity, or to otherwise support or further any terrorist activity.

## 21. REPRESENTATIONS

**Developer represents, acknowledges and warrants to Shelby's (and Developer agrees that these representations, acknowledgments and warranties shall survive termination of this Agreement) that:**

**A. This Agreement involves significant legal and business rights and risks. Shelby's does not guarantee Developer's success. Developer has read this Agreement in its entirety, conducted an independent investigation of the business contemplated by this Agreement, has been thoroughly advised with regard to the terms and conditions of this Agreement by legal counsel or other advisors of Developer's choosing, recognizes that the nature of the business conducted by Shelby's Restaurants may**

**change over time, has had ample opportunity to investigate all representations made by or on behalf of Shelby's, and has had ample opportunity to consult with current and former franchisees of Shelby's. The prospect for success of the business undertaken by Developer is speculative and depends to a material extent upon Developer's personal commitment, capability and direct involvement in the day-to-day management of the business.**

**B. The selection of Development Area and the acceptance of one or more sites by Shelby's and its refusal to accept other sites is not a representation that a Franchised Restaurant in a Designated Trade Area, including an Protected Area, will achieve a certain sales volume or a certain level of profitability, or that a Franchised Restaurant in a Designated Trade Area, including an Protected Area, will have a higher sales volume or be more profitable than a site which Shelby's did not accept. Acceptance by Shelby's merely means that the Development Criteria which Shelby's has established for identifying suitable sites for proposed Shelby's Restaurants have been met. Because real estate development is an art and not a precise science, Developer agrees that acceptance, or refusal to accept a proposed site by Shelby's, whether or not a site report is completed and/or submitted to Shelby's shall not impose any liability or obligation on Shelby's. The decision to accept or reject a particular site is Developer's, subject to acceptance by Shelby's. Preliminary acceptance of a proposed site by any representative of Shelby's is not conclusive or binding, because his or her recommendation may be rejected by Shelby's.**

**C. Shelby's makes no express or implied warranties or representations that Developer will achieve any degree of success in the development or operation of Franchised Restaurants and that success in the development and operation of Franchised Restaurants depends ultimately on Developer's efforts and abilities and on other factors, including, but not limited to, market and other economic conditions, Developer's financial condition and competition.**

**D. All information Developer provided to Shelby's in connection with Developer's franchise application and Shelby's' grant to Developer of the opportunity to develop Shelby's Restaurants is truthful and accurate.**

**E. The Development Fee is not refundable.**

**F. Shelby's has entered, and will continue to enter into, agreements with other developers and franchisees. The manner in which Shelby's enforces its rights, and the developers' or franchisees' obligations, under any of those other agreements shall not affect the ability of Shelby's to enforce its rights or Developer's obligations under this Agreement.**

**G. The persons signing this Agreement on behalf of Developer have full authority to enter into this Agreement and the other agreements contemplated by the parties, including the Franchise Agreements. Execution of this Agreement or such other agreements by Developer does not and will not conflict with or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which Developer or any person with an ownership interest in Developer is a party.**

**H. Developer acknowledges receipt of Shelby's' Franchise Disclosure Document at least 14 calendar days prior to execution of this Agreement or payment of any monies to Shelby's.**

**I. Developer has not received from Shelby's or its affiliates, or anyone acting on their behalf, any representations of Developer's potential sales, expenses, income, profit or loss and has not received either from Shelby's or its affiliates, or anyone acting on their behalf, any representation other than those contained in the Shelby's Franchise Disclosure Document provided to Developer as inducements to enter this Agreement.**

**J. Even though this Agreement contains provisions requiring Developer to develop the Franchised Restaurants in compliance with the System: (1) Shelby's and its affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of Developer's business or employment decisions; and (2) Developer and Shelby's do not intend for Shelby's or its affiliates to incur any liability in connection with or arising from any aspect of the System or Developer's use of the System, whether or not in accordance with the requirements of the Development Manuals.**

**K. Developer understands that there are certain limitations to Developer's exclusive rights in Development Area during the Development Term and that, following termination or expiration of the Development Term, nothing in this Agreement restricts Shelby's from developing and operating, or licensing others to develop and operate Shelby's Restaurants at any location in any Development Area.**

**IN WITNESS WHEREOF**, the parties have duly executed, sealed and delivered this Multi-Unit Agreement as of the day and year first above written.

| Franchisor: Shelby's Franchise USA LLC | Developer: |
|---|---|
| BY: ______________________________ (signature) | BY: ______________________________ (signature) |
| Name: | Name: |
| Title: | Title: |
| Date: | Date: |

**GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the Shelby's Restaurant Development Agreement dated as of ___________________ ("Agreement") by Shelby's Franchise USA LLC ("Shelby's"), entered into with _______________________________________________________________ ("Developer"), the undersigned ("Guarantors"), each of whom is an equityholder, shareholder, partner, member or owner or spouse of an equityholder, shareholder, partner, member or owner personally and unconditionally: **(1)** guarantee to Shelby's and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Developer shall **(a)** punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and **(b)** punctually pay all other monies owed to Shelby's and/or its affiliates; **(2)** agree personally to be bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 9 and 13; and **(3)** agree personally to be liable for the breach of each and every provision in the Agreement, including, without limitation, Section 9.

Each of the undersigned waives: **(a)** acceptance and notice of acceptance by Shelby's of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he may have to require that an action be brought against Developer or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the execution of and performance under this Guaranty by the undersigned; **(f)** any law or statute which requires that Shelby's make demand upon, assert claims against or collect from Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Developer or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; **(g)** any and all other notices and legal or equitable defenses to which he may be entitled; and **(h)** any and all right to have any legal action under this Guaranty decided by a jury.

Each of the undersigned consents and agrees that: **(i)** his direct and immediate liability under this Guaranty shall be joint and several; **(ii)** he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by Shelby's of any remedies against Developer or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Shelby's may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Developer to Shelby's or its affiliates under the Agreement; and **(v)** monies received from any source by Shelby's for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by Shelby's. In addition, if any of the undersigned ceases to be a member of the Continuity Group, a 10% Owner, an officer or director of Developer or own any interest in Developer prior to termination or expiration of the Agreement, that person agrees that his obligations under this Guaranty shall continue to remain in force and effect unless Shelby's in its sole discretion, in writing, releases that person from this Guaranty. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 10.C. shall remain in force and effect for a period of thirty-six (36) months after any such release by Shelby's. A release by Shelby's of any of the undersigned shall not affect the obligations of any other Guarantor.

Further, each and every Guarantor (on behalf of himself and his heirs, representatives, successors and assigns) (collectively, "Releasors") freely and without any influence forever releases and covenants not to sue Shelby's, its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents, members, managers and employees, in their corporate and individual capacities from any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "claims"), that any Releasor now owns or holds or may in the future own or hold based on, arising out of or relating to, in whole or in part, any fact, event, conduct or omission occurring on or before the date of the Agreement, including, without limitation, claims arising under any laws, rules and ordinances and claims arising out of, or relating to the Agreement and all other agreements between any Releasor and Shelby's or its parent, subsidiaries or affiliates, the sale of any franchise to and Releasor, the development and operation of the Franchised Restaurants and the development and operation of all other Restaurants operated by any Releasor that are franchised or licensed by Shelby's or its parent, subsidiaries or affiliates. Each Guarantor (on behalf of the Releasors) expressly agrees that fair consideration has been given by Shelby's for this release and understands that this is a negotiated, complete and final release of all claims.

If Shelby's brings an action to enforce this Guaranty in a judicial proceeding or arbitration, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Shelby's utilizes legal counsel (including in-house counsel employed by Shelby's or its affiliates) in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Shelby's for any of the above-listed costs and expenses incurred by it.

If any of the following events occur, a default ("Default") under this Guaranty shall exist: **(a)** failure of timely payment or performance of the obligations under this Guaranty; **(b)** breach of any agreement or representation contained or referred to in this Guaranty; **(c)** the dissolution of, termination of, existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guaranty for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guaranty shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Shelby's' interests in and rights under this Guaranty are freely assignable, in whole or in part, by Shelby's. Any assignment shall not release the undersigned from this Guaranty.

Sections 19 and 20 of the Agreement are incorporated by reference into this Guaranty and all capitalized terms that are not defined in this Guaranty shall have the meaning given them in the Agreement.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature, under seal.

**GUARANTOR(S):**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**Name:** ______________________________
**(signature)**

**APPENDIX A**

Name of Developer Business Entity: ______________________

Mailing and Email Address for Notice: ______________________

Operating Principal: ______________________

| All Owners of Developer Business Entity | Name, Email and Mailing Address | Percentage Interest |
|---|---|---|
| | | _________ % |
| | | __________% |
| | | __________% |
| | | __________ % |

Development Area:

Developer's rights in the Development Area shall be subject to the limitations described in Section 2. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

Developer shall develop and continue to operate a minimum of __________________ Franchised Restaurants in the Development Area, in accordance with the following schedule:

| **Number of New Restaurants To Open** | **Cumulative Number of Restaurants to be Open** | **Lease to Be Signed by Date** | **Date Restaurant Must be Opened** |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |

**APPENDIX B**

**STATE ADDENDUM TO MULTI-UNIT AGREEMENT**

**ADDENDUM FOR THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Multi-Unit Agreement for Shelby's Franchise USA LLC is amended as follows:

1. General Release. The general release required as a condition of sale and transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Dispute Resolution. The following language is added to Section 19 of the Multi-Unit Agreement:

> "A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

3. Section 21 of the Multi-Unit Agreement is hereby deleted in its entirety.

In all other respects, the Development Agreement will be construed and enforced with its terms.

| FRANCHISOR:<br>**Shelby's Franchise USA LLC** | FRANCHISEE |
|---|---|
| By:______________________________ | By:______________________________ |
| Name: ___________________________ | Name: ___________________________ |
| Title: ____________________________ | Title: ____________________________ |
| Date: ____________________________ | Date: ____________________________ |

## ADDENDUM FOR THE STATE OF ILLINOIS

Notwithstanding anything to the contrary set forth in the Multi-Unit Agreement for Shelby's Franchise USA LLC, the following provisions shall supersede any inconsistent provisions and apply to all Shelby's Franchise USA franchises offered and sold in the state of Illinois:

1. This Illinois Addendum is only applicable if you are a resident of Illinois and your business will be located in Illinois.

2. Section 4 of the Illinois Franchise Disclosure Act states that "Any provision of a franchise agreement which designates jurisdiction or venue in a forum outside of this state (Illinois) is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State."

3. Any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive requirements with any provisions of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

4. Section 3(B) of the Multi-Unit Agreement is hereby amended and restated in its entirety as follows: "Payment of Development Fee will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition."

In all other respects, the Multi-Unit Agreement will be construed and enforced with its terms.

| FRANCHISOR:<br>**Shelby's Franchise USA LLC** | FRANCHISEE |
|---|---|
| By:______________________________ | By:______________________________ |
| Name: ___________________________ | Name: ___________________________ |
| Title: ____________________________ | Title: ____________________________ |
| Date: ____________________________ | Date: ____________________________ |

Exhibit D

List of Franchisees

None.

Exhibit E

List of Former Franchisees

None.

Exhibit F

Manual Table of Contents



Total Pages: 215

Exhibit G
List of State Administrators

| | | |
|---|---|---|
| **California**<br>California Department of Financial Protection and Innovation<br>320 West 4th St., Suite 750<br>Los Angeles, CA 90013-2344<br>(213) 736-2741<br>Toll Free: 1-866-275-2677 | **Michigan**<br>Consumer Protection Division<br>Michigan Department of Attorney General<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117 | **South Dakota**<br>Department of Labor and Regulation<br>Division of Securities<br>124 S Euclid, Suite 104<br>Pierre, SD 57501 |
| **Connecticut**<br>Department of Banking, Securities Investment Division<br>260 Constitution Plaza<br>Hartford, CT 06103 | **Minnesota**<br>Minnesota Dept. of Commerce<br>85 7th Place East, Suite 500<br>St. Paul, MN 55101-3165<br>(651) 296-4026 | **Texas**<br>Secretary of State<br>Statutory Documents Section<br>P.O. Box 12887<br>Austin, TX 78711-2887 |
| **Florida**<br>Florida Department of Agriculture And Consumer Services<br>407 S. Calhoun Street<br>Tallahassee, FL 32399-6700 | **New York**<br>New York Department of Law, Investor Protection and Securities<br>28 Liberty Street, 21st Floor<br>New York, NY 10005<br>(212) 416-8236 | **Utah**<br>Department of Commerce<br>160 East 300 South<br>SM Box 146704<br>Salt Lake City, UT 84114-6704 |
| **Hawaii**<br>Business Registration Div. Dept. of Commerce<br>& Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **Nebraska**<br>Department of Banking and Finance<br>1230 "0" Street<br>Suite 400<br>PD. Box 95006<br>Lincoln, NE 68509-5009 | **Virginia**<br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371-9051 |
| **Illinois**<br>Chief, Franchise Division<br>Office of Attorney General<br>500 South Second Street<br>Springfield, IL 62707<br>(217) 782-4465 | **North Dakota**<br>North Dakota Insurance & Securities Department<br>600 East Boulevard Avenue, Dept. 401<br>Bismarck, ND 58505<br>(701) 328-2910 | **Washington**<br>Department of Financial Institutions<br>Securities Division<br>PO BOX 41200<br>Olympia, WA 98507-9033<br>(106) 753-6928 |
| **Indiana**<br>Deputy Commissioner, Franchise Division Indiana Securities Commission<br>Secretary of State<br>302 W. Washington St, Room E-111 Indianapolis, IN 46204<br>(317) 232-6681 | **Oregon**<br>Department of Insurance & Finance Corporate Securities and Franchise<br>Corporate Securities Section<br>Labor and Industries Building<br>Salem, OR 97310<br>(503) 378-4387 | **Wisconsin**<br>Securities and Franchise Registration<br>Wisconsin Securities Commission<br>P.O. Box 1768<br>Madison, WI 53701<br>(608) 266-8559 |
| **Maryland**<br>Office of the Attorney General, Securities Division,<br>200 St. Paul Place,<br>Baltimore, MD 21202-2020<br>(410) 576-6360 | **Rhode Island**<br>Chief Securities Examiner<br>Department of Business Regulation Securities Division<br>Franchise Section<br>233 Richmond Street, Suite 232<br>Providence, RI 02903-4232<br>(401) 277-3048 | |

Exhibit H
List of Agents for Service of Process

| | | |
|---|---|---|
| **CALIFORNIA**<br>California Department of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 | **MARYLAND**<br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360 | **RHODE ISLAND**<br>Director of Depart. of Business Regulation Suite 232<br>233 Richmond Street<br>Providence, Rhode Island 02903-4232<br>(401) 277-3048 |
| **CONNECTICUT**<br>Connecticut Department of Banking, Securities and Business Investments Division<br>260 Constitution Plaza<br>Hartford, CT 06103 | **MICHIGAN**<br>Dept. of Commerce, Corp'ns & Securities Bur. 6546 Mercantile Way<br>P.O. Box 30222<br>Lansing, Michigan 48910<br>(517) 373-7117 | **SOUTH DAKOTA**<br>Department of Labor and Regulation<br>Division of Securities<br>124 S Euclid, Suite 104<br>Pierre, SD 57501 |
| **HAWAII**<br>Comm'r Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **MINNESOTA**<br>Commissioner of Commerce<br>85 7th Place East, Suite 500<br>St. Paul, Minnesota 55101<br>(612) 296-4026 | **VIRGINIA**<br>Clerk of the State Corporation Commission 1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371-9733 |
| **ILLINOIS**<br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465 | **NEW YORK**<br>New York Secretary of State<br>99 Washington Avenue<br>Albany, New York 12231 | **WASHINGTON**<br>Director of Depart. of Financial Institutions General Administration Building -Securities Division – 3[14] Floor<br>150 Israel Road, S. W.<br>Tumwater, Washington 98501<br>(360) 902-8760 |
| **INDIANA**<br>Indiana Secretary of State<br>201 State House<br>Indianapolis, Indiana 46204<br>(317) 232-6681 | **NORTH DAKOTA**<br>North Dakota Insurance & Securities Department<br>600 East Boulevard Avenue, Dept. 401<br>Bismarck, ND 58505<br>(701) 328-2910 | **WISCONSIN**<br>Commissioner of Securities<br>345 West Washington Avenue<br>Fourth Floor<br>Madison, Wisconsin 53703<br>(608) 261-9555 |

Exhibit I
Franchisee Disclosure Acknowledgement Statement

**California Franchisees are not required to complete the Statement of Prospective Franchisee Questionnaire on Exhibit I.**

**Washington Franchisees should not sign the Statement of Prospective Franchisee Questionnaire on Exhibit I.**

You are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Shelby's Restaurant (the "Franchised Business") with Shelby's Franchise USA LLC (the "Franchisor"). The purpose of this Questionnaire is for us to conduct certain factfinding related to the offer and sale of the Shelby's Franchised Business.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The below acknowledgment and statements that are contrary to the North American Securities Administrators Association, Inc.'s Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments shall not apply to prospective franchisees who are residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin or who seek to purchase a franchise located in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes_____ No_____

2. I had my first face-to-face meeting with a Franchisor representative on ____________, 20___.

3. Did you receive a copy of our Franchise Disclosure Document at least 14 calendar days before signing the Franchise Agreement (including the exhibits, addenda, attachments and related agreements like the franchise agreement)?

Yes_____ No_____

4. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes_____ No_____

5. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes_____ No_____

If No, do you wish to have more time to do so?

Yes_____ No_____

6. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes_____ No_____

7. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchised Business that is contrary, different from or in addition to the information contained in the Disclosure Document?

Yes_____ No_____

8. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary, different from or in addition to the information contained in the Disclosure Document?

Yes_____ No_____

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary, different from or in addition to the information contained in the Disclosure Document?

Yes_____ No_____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes_____ No_____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or Franchise Agreement?

Yes_____ No_____

12. Have you entered into any binding agreement with the Franchisor concerning the purchase of this Franchised Business prior to today?

Yes_____ No_____

13. Have you paid any money to the Franchisor concerning the purchase of this Franchised Business prior to today?

Yes_____ No_____

14. Have you spoken to any other franchisee(s) of this system before deciding to purchase this Franchised Business? If so, who? ______________________________________________________

If you have answered No to question 5, or Yes to any one of questions 6-13, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 5, and No to each of questions 6-13, please leave the following lines blank.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

I signed the Franchise Agreement and Addendum (if any) on _____________, 20___ and acknowledge that neither the Franchise Agreement nor the Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

____________________________________________________________________
____________________________________________________________________

B. You acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other antiterrorism measures (the "Anti-Terrorism Measures"). Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

IN WITNESS WHEREOF, the undersigned has executed this Acknowledgement Statement effective as of the date of the Franchise Agreement.

Name of Franchisee

BY:___________________________________

Name:_________________________________

Exhibit J
State Addenda to Disclosure Document

**STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE CALIFORNIA FRANCHISE INVESTMENT LAW**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. California Business and Professions Code 20000 through 20043 provides 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.

3. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

4. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

5. Item 3 of the Disclosure Document is amended to provide that:

> "neither the franchisor, nor any person in Item 2 of the Disclosure Document, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. § 78(a) et seq., suspending or expelling such persons from membership in that association or exchange."

6. 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.).

7. Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

8. 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.

9. The Franchise Agreement requires litigation to be conducted in a court located in Delaware. This provision might not be enforceable for any cause of action arising under California law.

10. The Franchise Agreement requires application of the laws of the State of Delaware. This provision might not be enforceable under California law.

11. The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in Item 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

12. The following URL address is for the franchisor's website: www.shelbyscanada.com

    FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

13. The highest rate of interest allowed in California is ten percent (10%) per annum.

14. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act.

15. 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.

16. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

17. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE CONNECTICUT BUSINESS OPPORTUNITY INVESTMENT ACT**

**DISCLOSURES REQUIREMENT BY CONNECTICUT LAW**

The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Notwithstanding anything to the contrary in the disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Connecticut:

1. 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.

2. If the seller fails to deliver the products or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract me cancelled.

3. Item 2 of the Disclosure Document is amended to provide that each seller's current address is the address of Shelby's Franchise USA LLC which is 50 Rockefeller Plaza, New York, NY 10020.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE HAWAII FRANCHISE INVESTMENT LAW**

1. 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.

2. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

3. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST FOURTEEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST FOURTEEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

4. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

5. Registered agent in the state authorized to receive service of process:

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

6. Item 3 of the Disclosure Document is amended to provide that:

> "neither the franchisor, nor any person in Item 2 of the Disclosure Document, has within the last 10 years, been 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. § 78(a) et seq., suspending or expelling such persons from membership in that association or exchange or is subject to any currently effective order

or ruling of the Federal Trade Commission or is subject to any currently effective order relating to business activity as a result of an action brought by any public agency or department."

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Notwithstanding anything to the contrary in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. 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.

2. Illinois law governs the Franchise Agreement.

3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

5. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

6. With respect to the provisions of Item 5, payment of the Initial Franchise Fee shall be deferred until we have satisfied all of our pre-opening obligations to you and you have commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

IN WITNESS WHEREOF, Company and Franchisee have duly executed and delivered this Addendum as of the date set forth above.

| | |
|---|---|
| COMPANY: | Franchisee: |
| Shelby's Franchise USA LLC | ______________________________ |
| By: ______________________________ | By: ______________________________ |
| Its: ______________________________<br>(title) | Its: ______________________________<br>(title) |

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE INDIANA FRANCHISE DECEPTIVE FRANCHISE PRACTICES ACT**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. 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.

2. The laws of the State of Indiana supersede any provisions of the Franchise Agreement, the other agreements or Delaware law if such provision are in conflict with Indiana law.

3. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, shall supersede the provisions of the Franchise Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.

4. Item 12 and Section 2.3 of the Franchise Agreement are subject to Indiana Code § 23-2-2.7-1(2) and § 23-2-2.7-2(4) which prohibit us from competing unfairly with you within a reasonable area.

5. No release language set forth in the Disclosure Document or Franchise Agreement, including but not limited to Item 17 or Section 16 thereof, respectively, shall relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.

6. Section 21.1 of the Franchise Agreement is amended to provide that such agreement will be construed in accordance with the laws of the State of Indiana.

7. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires you to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement issued in the State of Indiana.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Maryland:

The following sentence is added to the end of the "Summary" section of Item 17(c) and Item 17(m):

"However, any general release required as a condition for our approval of a transfer, renewal, or assignment of your Franchise Agreement will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law."

1. Item 17(v) and Item 17(w) are deleted and replaced by the following:

| | | |
|---|---|---|
| v. Choice of Forum | Section 20(b) | Delaware (except for claims arising under the Maryland Franchise Registration and Disclosure Law) |
| w. Choice of Law | Section 20(a) | Delaware except that you may bring a claim arising under the Maryland Franchise Registration and Disclosure Law in Maryland) |

2. Item 17 is amended by adding the following at the end of the section:

   "Despite any provision in the Franchise Agreement to the contrary, any claim arising under the Maryland Franchise Registration and Disclosure Law must be commenced within 3 years from the grant of the franchise."

3. 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.

4. Any provision for termination of this Agreement by us upon you becoming bankrupt may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE MICHIGAN FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Michigan:

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

1. 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.

2. A prohibition on your right to join an association of franchisees.

3. A requirement that you assent to a release, assignment, novation, waiver or estoppel which deprives you of rights and protections provided in this Act. This shall not preclude you, after entering into a license agreement, from settling any and all claims.

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

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

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

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

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

a. The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

b. The fact that the proposed transferee is a competitor of us or sub-franchisor.

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

d. The failure of you or the proposed transferee to pay any sums we are owed or to cure any default in the license agreement existing at the time of the proposed transfer.

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

10. A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provisions has been made for providing the required contractual service.

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE DEPARTMENT, 525 W. OTTAWA STREET, 670 G. MENNAN WILLIAMS BLDG., LANSING, MICHIGAN 48933 (517) 272-7117.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE MINNESOTA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. 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.

2. The following language is added to Item 13 of the Disclosure Document and Section 11 of the Franchise Agreement:

   > "The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

3. Item 17 of the Disclosure Document and Section 18 of the Franchise Agreement are amended as follows:

   > "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

4. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.

5. Item 17 of the Disclosure Document is amended to add the following and the following language will appear at the end of Section 21of any Franchise Agreement issued in the State of Minnesota:

   > "Pursuant to Minnesota Statutes, Section 80C.21 and Minn. Rule Part 2860-4400J, this Section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Minnesota Statutes Chapter 80C."

6. Item 17 of the Disclosure Document and Section 21 of the Franchise Agreement are amended as follows:

“Nothing contained herein shall limited Franchisee’s right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4407J.”

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE NEW YORK FRANCHISE LAW**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of New York:

1. 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.

2. The following information is added to the cover page of the Franchise Disclosure Document:

   **INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT F OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

3. Item 3 “Litigation” is amended by adding the following:

Neither we nor any predecessor, any person identified in Item 2, or any affiliate offering franchises under our principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. Has any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. Item 17 "Termination" Section (d) is amended by adding the following at the end of the Summary section:

   "You may terminate the Franchise Agreement on any grounds available by law."

5. Item 17 "Assignment of Contract by Us" Section (j) is amended by adding the following at the end of the Summary section:

   "However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement."

6. Item 17 "Choice of Law" Section (w) is amended by adding the following at the end of the Summary section:

   "The Delaware choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York"

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE NORTH DAKOTA FRANCHISE LAW**

Notwithstanding anything to the contrary in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. 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.

2. Item 17(v) is deleted and is replaced by the following:

| | | |
|---|---|---|
| (v) Choice of Forum | Section 20(b) | North Dakota |

3. Item 17(w) is amended by adding the following sentence in the Summary Section:

> "The laws of the state of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or Delaware law if such provisions are in conflict with North Dakota law."

4. North Dakota has determined that requiring a franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to the Franchisee signing a general release upon renewal of the Franchise Agreement are deleted.

5. Summary column (r) in Item 17 of the Disclosure Document and Section 17.6 of the Franchise Agreement prohibit you from owning or being involved with a company or other business within the Service Area that offers services competitive with those offered, franchised or licensed by us for 2 years after termination or expiration of the Franchise Agreement. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE RHODE ISLAND FRANCHISE DISCLOSURE ACT**

1. 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.

2. Item 17(v) Summary section is amended to read:

> "We must litigate in the state and judicial district where we maintain our principal place of business except that to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act."

**ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE VIRGINIA RETAIL FRANCHISING ACT**

Notwithstanding anything to the contrary set forth in the Disclosure Document or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the Commonwealth of Virginia:

**Estimated Initial Investment**. The franchisee will be required to make an estimated initial investment ranging from $845,750 to $1,254,000. This amount exceeds the franchisor's stockholders' equity as of February 4, 2026, which is $99,990.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce franchisee to surrender any right given to him/her under the franchise. If any provision of the franchise agreement or development agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him/her under the franchise, that provision may not be enforceable.

## ADDENDUM TO THE DISCLOSURE DOCUMENT UNDER THE WASHINGTON FRANCHISE INVESTMENT LAW

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

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

2. **Franchisee Bill of Rights**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation**. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **Termination by Franchisee**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions**. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing**. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages**. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement**. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification**. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees**. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants**. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements**. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments**. 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.

17. **Prohibitions on Communicating with Regulators**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **<u>Advisory Regarding Franchise Brokers</u>**. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

| **State** | **Effective Date** |
|---|---|
| Illinois | |
| Maryland | |
| Michigan | March 12, 2026 |
| New York | |
| Virginia | March 27, 2026 |
| Washington | |

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 K
Receipts

**RECEIPT**
(OUR COPY)

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency listed on Exhibit H.

The franchisor is Shelby's Franchise USA LLC, at 50 Rockefeller Plaza, New York, NY 10020 or 905-580-2558. The franchise sellers are Yazan El-Shalabi and Usama Valam.

Issuance Date: March 2, 2026. The Issuance Date is not the Effective Date. See State Effective Dates Page to determine if your state's Effective Date varies from the Issuance Date.

We authorize the agents listed on Exhibit H to receive service of process in the respective states.

I received a disclosure document dated March 2, 2026, that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement
C. Area Multi-Unit Agreement
D. List of Franchisees
E. List of Former Franchisees
F. Manual
G. List of State Administrators
H. List of Agents for Service of Process
I. Franchise Disclosure Acknowledgement Statement
J. State Addenda to Disclosure Document
K. Receipts

______________________
Date Received

______________________
Prospective Franchisee Signature

______________________
Prospective Franchisee Printed Name

Mail signed and dated Receipt to Ashley Khan at 2630 Bristol Circle, Unit 300, Oakville, ON L6H 6Z7 or email to franchising@shelbys.ca.

**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.

If we offer you a franchise, we 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.

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Date Received

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Prospective Franchisee Signature

________________________________
Prospective Franchisee Printed Name

Mail signed and dated Receipt to Ashley Khan at 2630 Bristol Circle, Unit 300, Oakville, ON L6H 6Z7 or email to franchising@shelbys.ca.