

**SHULA'S STEAK HOUSE® SHULA'S 2 STEAK & SPORTS® SHULA'S 347 GRILL® SHULA'S ON THE BEACH®
STEAKBAR 347 BY SHULA'S®**

FRANCHISE DISCLOSURE DOCUMENT



SHULA'S STEAK HOUSES, LLLP
(A Delaware Limited Liability Limited Partnership)
3020 NE 32nd Avenue, Suite #347
Ft Lauderdale, FL 33308
Telephone Number 954-393-1920
www.donshula.com

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Department of
Business Oversight

Shula's Steak Houses, LLLP, offers franchises for distinctive restaurants featuring a variety of steak dishes and complementary food and beverage items. Each Shula's restaurant is named and operated under one of the following Principal Trademarks **Shula's Steak House®, Shula's 2 Steak & Sports®, Shula's 347 Grill®, Shula's On The Beach®, or Steakbar 347 By Shula's**. In addition to these trademarks, our franchise system for operating these restaurants features a consistent selection of innovative and distinctive menu items, elegant, efficient, and enthusiastic service, and dining conveniences featured in an environment combining traditional and contemporary elements.

The total investment necessary to begin operation of a Shula's franchise is \$1,224,350 - \$3,814,500. This includes the \$157,000 to \$215,000 that must be paid to the franchisor or affiliate.

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 Shula's Steak Houses, LLLP, 3020 NE 32nd Avenue, Suite #347, Ft Lauderdale, FL 33308 and (954) 393-1920, info@shula.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D C 20580. You can also visit the FTC's home page at www.ftc.gov 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 April 25, 2017

STATE COVER PAGE

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

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

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

Please consider the following RISK FACTORS before you buy this franchise.

1. YOU MUST RESOLVE DISPUTES WITH US BY MEDIATION OR LITIGATION OR BOTH IN FLORIDA. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE OR MEDIATE WITH US IN FLORIDA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA LAW GOVERNS THE AGREEMENT, EXCEPT TO THE EXTENT THAT THE LANHAM ACT OR FEDERAL ARBITRATION ACT GOVERNS. FLORIDA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

STATE	EFFECTIVE DATE(S)
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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EXHIBITS

- EXHIBIT A – FRANCHISE AGREEMENT
- EXHIBIT B – TABLE OF CONTENTS- OPERATING MANUAL
- EXHIBIT C – FINANCIAL STATEMENTS
- EXHIBIT D – LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS
- EXHIBIT E – LIST OF CURRENT FRANCHISEE OUTLETS
- EXHIBIT F – LIST OF FRANCHISEE OUTLETS TERMINATED, NOT-RENEWED, ETC
- EXHIBIT G – FRANCHISEE QUESTIONNAIRE
- EXHIBIT H – STATE ADDENDA
- EXHIBIT I – GENERAL RELEASE FORM
- EXHIBIT J – NON-DISCLOSURE AGREEMENT

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

To simplify the language in this disclosure document, "Shula's" means Shula's Steak Houses, LLLP, the franchisor "We", "us", and "our" also refer to Shula's Steak Houses, LLLP "You" and "your" mean the person who buys the franchise, the franchisee If the purchaser of the franchise is a partnership, corporation, limited liability company, or other entity, "you" includes the franchisee's owners, who must join, and agree to be bound by, your Franchise Agreement, which is attached as Exhibit A to this disclosure document

All initially capitalized terms appearing in this disclosure document have the meanings given to them in your Franchise Agreement, unless otherwise defined

Franchisor's Corporate Information

We are a Delaware limited liability limited partnership, organized on July 29, 1998, and do business under the name **Shula's** and **Shula's Steak Houses** Our principal business address is 3020 NE 32nd Avenue, Suite #347, Ft Lauderdale, FL 33308 Our agents for service of process in the states whose franchise laws require us to name a state agency as agent for service are listed on Exhibit D to this disclosure document

Parents

Shula Sports, LLC, our general partner, is our parent company Shula Sports, LLC, is a Florida limited liability company formed on July 2, 1998 Its principal business address is 10805 Indian Trail, Cooper City, Florida 33328

Affiliates

Our affiliate and wholly-owned subsidiary, Shula's Gift Card Company, LLC, conducts our gift-card-program and acts as a central clearing house for gift-card purchases and redemptions Shula's Gift Card Company, LLC is a Florida limited liability company formed on June 8, 2006 Its principal business address is 3020 NE 32nd Avenue, Suite #347, Ft Lauderdale, FL 33308 Shula's Gift Card Company, LLC has never operated a Shula's restaurant or offered franchises in any line of business

Our affiliate, Shula's Steak Houses Merchandise, LLC, sells memorabilia, branded merchandise, gift cards and other related products to our franchisees and to the general public over the internet Shula's Steak Houses Merchandise LLC is a Florida limited liability company that was formed on October 11, 2006, and its principal business address is 3020 NE 32nd Avenue, Suite #347, Ft Lauderdale, FL 33308 Shula's Steak Houses Merchandise, LLC has never operated a Shula's restaurant or offered franchises in any line of business

Our affiliate and wholly-owned subsidiary, Shula Burger, LLC, began operating a franchise system under the service mark "*Shula Burger*®" in another segment of the restaurant business in January 2011 *Shula Burger*® restaurants feature a variety of hamburgers and complementary food and beverage items in a fast casual restaurant format Shula Burger, LLC also began offering *Shula's Bar & Grill*® franchises in April 2015 Shula Burger, LLC offers franchises for *Shula Burger*® franchises and *Shula's Bar & Grill*® franchises in a separate Franchise Disclosure Document As of December 31, 2016, Shula Burger, LLC has sold 6 Shula Burger franchises (including license agreements), and has sold 4 Shula's Bar & Grill licenses Shula Burger, LLC is a Florida limited liability company organized on January 19, 2011 Its principal address is 3020 NE 32nd Avenue, Suite #274, Ft Lauderdale, FL 33308

Predecessor

We do not have a predecessor from whom we acquired, directly or indirectly, the major portion of our assets within the past 10-year period

Franchisor's Business

Our principal business is selling and servicing Shula's restaurant franchises, which we have been doing since 1998. We do not ourselves currently operate a Shula's restaurant or offer franchises for any other line of business, but we reserve the right to do so. However, we have previously entered into one or more license agreements with a division of HMS Host Corporation and its joint venture partners ("Host") to operate a restaurant concept using certain aspects of our franchise system and the trademark, ***Shula's Bar & Grill®*** in certain non-traditional venues. The license agreements existing between us and Host have been assigned to our affiliate, Shula Burger, LLC, who obtained the exclusive right from us to license the ***Shula's Bar & Grill®*** trademark.

The Franchised Business

We have developed and own a special System for operating distinctive restaurants featuring a variety of steak dishes and complementary food and beverage items. Your Franchised Business involves operating one Shula's restaurant under one of the following Principal Trademarks: ***Shula's Steak House®***, ***Shula's 2 Steak & Sports®***, ***Shula's 347 Grill®***, ***Shula's On The Beach®***, or ***Steakbar 347 By Shula's*** (such a franchised restaurant may be hereinafter referred to as a "Shula's Restaurant" or the "Franchised Business"). As of the issuance date of this disclosure document, we do not have any corporate, affiliate-owned or franchised Shula's restaurants operating under the ***Shula's On The Beach®*** or the ***Steakbar 347 By Shula's*** name and mark.

In addition to these trademarks, our franchise system features a selection of innovative and distinctive menu items, elegant, efficient, and enthusiastic service, and dining conveniences featured in an environment combining traditional and contemporary elements.

Our franchise system's other distinguishing characteristics include Secret Recipe Products, uniform standards and procedures for business operations, special graphics package, training in the operation, management, and promotion of your Franchised Business, advertising and promotional support, customer development and service techniques, and other technical assistance.

General Market and Competition

The general market for your Franchised Business is the general public. The industry in which you will compete is highly competitive, with constantly changing market conditions. It is characterized by numerous operators, including well-financed and highly sophisticated national, regional and local businesses. Whether your Franchised Business is seasonal will depend to a large degree on the location of your Franchised Business.

Generally, a Shula's Restaurant will be located in a hotel or resort property that is located in a high-density business or residential area. Our franchisees will primarily compete with other national, regional, and local steak based and sports-themed restaurants and bars, in addition to other restaurants serving similar menu items.

Industry Regulations

Restaurants are subject to various federal, state and local special industry regulations, such as food-service, health, and sanitation codes. The preparation and handling of food is federally regulated by, among other regulations, the rules and policies of the Food and Drug Administration. State and local requirements typically apply to sanitation and food handling. For example, many municipalities regulate the use of restaurant grease traps for cooking and require special sewer hook-ups for restaurants. You must ensure compliance with the Payment Card Industry Data Security Standard (PCI DSS). You must also obtain a license or permit to dispense liquor, beer, wine, and other alcoholic beverages. Other licenses and permits that you may need include, but are not limited to, zoning or land use approvals, sales and use

tax permits, fire department permits, food handler permits, food establishment permits, health permits, alarm permits, occupational permits and wastewater discharge permits

There may be other laws, rules and regulations that affect your Franchised Business, including minimum wage and labor laws. In addition, regulations vary widely from place to place. You should consult an advisor in your area to determine all applicable laws and regulations.

The United States has issued several laws, rules and regulations relating to terrorist acts and acts of war. To help us comply with these laws, rules and regulations, we ask you in your Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, members, employees or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the United States government for criminal activity. You may review some of these at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>

ITEM 2 BUSINESS EXPERIENCE

Mary Anne Shula Chief Executive Officer

Mary Anne Shula became our Chief Executive Officer in January, 2011. She has also served as the Chairperson since 1998 and a manager since 2006 of Shula Sports, LLC, in Miami Beach, Florida. Mrs. Shula has also served as Chief Executive Officer, Chairperson and a manager of our affiliate Shula Burger, LLC, in Fort Lauderdale, Florida, since it was organized in 2011. She is also the President and CEO of Shula Enterprises, Inc., located in Miami, Florida, and serves on the Boards of Directors of Northern Trust Bank and the University of the Ozarks.

Mark Healey Executive Vice President

In March 2016, Mr. Healey joined Shula's Steak Houses, LLLP as Executive Vice President. From June 2008 to March 2016, Mr. Healey was a Senior Vice President at Ovations Food Services, LP, a subsidiary of Comcast Spectacor, in Lutz, Florida, with principal responsibility for its gaming hospitality services in Native American casinos throughout the country. From September 2006 to June 2008, Mr. Healey served as a Regional Vice President at Ovations Food Services, LP, in Lutz, Florida, overseeing recreation and leisure time food and beverage contracts. Mr. Healey also served as Division President of Aramark Refreshment Services, Inc. from September 2004 to September 2006 in Pompano Beach, Florida.

Dave Shula Brand Ambassador and Manager

Dave Shula has served as Brand Ambassador since April 2015. Mr. Shula also serves as a Manager of our general partner Shula Sports, LLC, in Miami Beach, Florida, and serves as a Manager of our affiliate Shula Burger, LLC in Ft. Lauderdale, Florida, since its formation in 2011. From February 2001 to April 2015, Mr. Shula was our President. He began his Shula's career with Don Shula's Steak Houses, Inc. ("DSSH") in April 1997, after fifteen years as a coach in the National Football League. The last five of those years, he was the head coach of the Cincinnati Bengals.

Peter Farrand Vice President of Operations

Peter Farrand has served as our Vice President of Operations since December 2011. Mr. Farrand has also served as our Corporate Executive Chef since 2006.

Eduardo Sandoval Executive Director of Operations

Eduardo Sandoval has been our Executive Director of Operations since 2008.

Katherine Gonzalez Controller

Katherine Gonzalez joined Shula's Steak Houses, LLLP as Controller in October 2015. From April 2012 to October 2015, Ms. Gonzalez worked as Controller of American Medical Endoscopy, Inc. located in Miami, Florida. From November 2009 to April 2012, Ms. Gonzalez was a Senior Accountant at Levenson, Katzin and Ballotta, P.A. located in Plantation, Florida.

Kristen Thompson Vice President of Marketing & Public Relations

Kristen Thompson joined Shula's Steak Houses, LLLP as Vice President of Marketing and Public Relations in July 2016. From March 2005 to July 2016, Ms. Thompson worked as the Director of Marketing at Spectra Food Services & Hospitality located in Lutz, Florida.

Yvette Soulen Business Manager

Yvette Soulen has been a Business Manager at Shula's Steak Houses, LLLP since September 2015. From August 2003 to February 2015, Ms. Soulen was the Director of Franchise Relations at Jewelry Repair Enterprises, Inc., the franchisor of Fast-Fix Jewelry & Watch Repairs, located in Delray Beach, Florida.

ITEM 3 LITIGATION

Shula's Steak Houses, LLLP v. Kostas Kalogeropoulos and Northwood I, LLC, Seventeenth Judicial Circuit Court in and for Broward County, Florida, Case No. CACE-16-001275-02.

In January 2016, we filed this action against one of our franchisees and guarantor for breach of contract and breach of guaranty to recover royalty fees and other fees and damages. On June 22, 2016, a Final Default Judgment for damages was entered in our favor and against Defendants for breach of the Franchise Agreement and breach of the Guaranty.

No other litigation 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

When you sign the Franchise Agreement for the operation of a ***Shula's Steak House***[®] restaurant, you must pay us a non-refundable Initial Franchise Fee of \$150,000.

When you sign the Franchise Agreement for the operation of a ***Shula's 2 Steak & Sports***[®], ***Shula's 347 Grill***[®], ***Shula's On The Beach***[®], or ***Steakbar 347 By Shula's*** restaurant, you must pay us a non-refundable Initial Franchise Fee of \$125,000.

We intend these initial franchise fees to be uniform.

Basic Training

You must reimburse us for expenses we incur providing Basic Training (including our training staffs' travel, lodging, and meal expenses). We estimate that these payments may range from \$5,000 to \$10,000.

Grand Opening Assistance

If we agree to provide on-site Grand Opening assistance, you must reimburse us for expenses we incur in providing such assistance (including our travel, lodging, and meal expenses). We estimate that these payments may range from \$5,000 to \$10,000.

Site Approval Visit

If we determine that we must conduct a Site Approval Visit to evaluate the proposed location for your Franchised Business prior to granting our approval of such location, you must reimburse us for our personnel's travel, lodging, and meal expenses. These payments may range from \$1,000 to \$5,000 depending on the cost of travel and variance in lodging and meals. A Site Approval Visit typically can be completed in one and a half days and is conducted by one or two of our representatives.

Project Management Visits

We may, in our sole discretion, require up to 3 project management visits by us during the construction of your Restaurant to inspect the construction and build-out. You must reimburse us for our personnel's travel, lodging, and meal expenses. These payments may range from \$1,000 to \$10,000 depending on the cost of travel and variance in lodging and meals. Each Project Management Visit can typically be completed in one day and is conducted by one or two of our representatives.

Memorabilia

You are required to purchase certain memorabilia, branded merchandise and other related products from our affiliate, Shula's Steak Houses Merchandise LLC, before your Franchised Business commences operation. We estimate that your cost to purchase these items from our affiliate will range from \$20,000 to \$30,000.

None of the fees described in this Item 5 are refundable.

You are not required to pay us or our affiliates any other fees or payments for goods or services before your Franchised Business opens.

ITEM 6 OTHER FEES

OTHER FEES			
TYPE OF FEE^{1 2}	AMOUNT³	DUE DATE	REMARKS
Royalty Fee ⁴	9% of monthly Gross Revenues	No later than the 20 th of each month for the prior month	"Gross Revenues" means the entire amount of all your revenues and other earned fees (whether or not actually collected) arising out of the ownership or operation of your Franchised Business or any business operating at or from your Franchised Business ⁴
Local Advertising ⁵	Not less than \$30,000	Each calendar year	You must spend this amount each year on Local Advertising
Interest on Late Payments	18% per annum, or maximum rate permitted by law	Upon demand	Imposed if any payment you owe us is late
Late Payment Fee	\$100	Upon demand	Imposed if any payment you owe us is more than 10 days overdue

OTHER FEES			
TYPE OF FEE ^{1 2}	AMOUNT ³	DUE DATE	REMARKS
Field Visits	Our current standard fees for on-site support and assistance including travel, meals, and lodging expenses are currently \$1,000 - \$3,000 per person	Upon demand	We may assist and support you to develop and operate the Franchised Business by having a field representative visit the Franchised Business from time to time
Refresher and Additional Training	Our current standard fees for programs and seminars, which is currently \$250 per Trainer, per day, as well as travel, meal, and lodging expenses for your Trainees and our training staff	Upon demand	We may provide refresher and advanced training programs and seminars (which may include advanced management training) at our principal training facility (or any other location we designate) We may require the Franchise Owner and the Head Coach, Business Development Manager, the Shula's Chef, and your other employees to attend these programs and seminars Attending these programs and seminars will not, however, be required more often than once a year
Training Replacement Head Coach, Business Development Manager, and Shula's Chef, or Retraining Trainees Who Have Failed to Satisfactorily Complete Basic Training and/or Manager's Training	Our current standard fees for training, which is currently \$250 per trainer, per day, as well as all travel, lodging, and meal expenses the replacement or failing trainee and/or our trainers incur, approximately \$2,000	Upon demand	You must pay all expenses relating to retraining or training a replacement Head Coach, Business Development Manager, and Shula's Chef, including all travel, lodging, and meal expenses the trainee and our trainers incur

OTHER FEES			
TYPE OF FEE ^{1 2}	AMOUNT ³	DUE DATE	REMARKS
Supplemental Training	Our current standard fees, which are \$250 per Trainer, per day, as well as travel, meal and lodging expenses, for your Trainees and our training staff	Upon delivery of invoice	We may, in our sole and absolute discretion, allow you to send, at your expense, a reasonable number of your staff to another restaurant in the franchise system for training We may, in our sole and absolute discretion, send one or more representatives to your Franchised Business not more than twice every 12 months to provide supplemental training to your management team and to provide assistance and advice to such parties concerning promoting your Franchised Business
Special Assistance	Our current standard fees, which are \$250 per Trainer, per day, as well as travel, meal and lodging expenses for your Trainees and our training staff	Upon delivery of invoice	If you request, we may, in our sole discretion and to the extent that we can reasonably accommodate that request, furnish non-routine guidance and assistance to deal with your unusual or unique operating problems
On-Site Field Visits	Our current standard fees for on-site Field Visits, which are currently \$250 per day, per field representative, plus our travel, meals, and lodging expenses	Upon delivery of invoice	We may, in our sole discretion, provide operating assistance and support by having a field representative visit the Franchised Business as we may deem appropriate from time to time. If we make an on-site field visit, you must pay our then current standard fees for Field Visits, as set forth in the Manuals or otherwise, and you must reimburse us for all of our costs and expenses associated with any such Field Visit, including, but not limited to, our travel, meal, and lodging expenses

OTHER FEES			
TYPE OF FEE ^{1 2}	AMOUNT ³	DUE DATE	REMARKS
Review of Unapproved Suppliers	The actual cost of the inspection and the testing	Upon demand	If you propose to purchase or lease any equipment, supplies, inventory or other products or services from an unapproved supplier, you must submit to us a written request, or request the supplier itself to do so. As a condition of our approval, we may require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent, certified laboratory we designate for testing.
Transfer Fee	25% of total purchase price, or \$5,000, whichever is greater	Before we consent to the transfer	If you want to transfer your Franchise Agreement, you must satisfy certain conditions, including paying us this fee. If we require the transferee to enter a new franchise agreement, this fee is paid instead of the initial franchise fee.
Successor Franchise Agreement Fee	\$5,000	When you exercise your option to enter the Successor Franchise Agreement	If you want to enter a Successor Franchise Agreement, you must satisfy certain conditions, including paying us this fee. This fee is instead of any initial franchise fee due under the Successor Franchise Agreement.
Understatement Fee	Amounts due in connection with the understated amount, plus interest (equal to the lesser of 18% per annum or the maximum rate permitted by law), and expenses connected with an inspection	Upon demand	If any inspection discloses an understatement of Gross Revenues, you must reimburse us for these amounts. If the understatement is two percent or more of Gross Revenues, you must also reimburse us for the expenses in connection with the inspection (including reasonable accounting and attorneys' fees and costs).

OTHER FEES			
TYPE OF FEE ^{1 2}	AMOUNT ³	DUE DATE	REMARKS
Inspection of Premises	Our travel, meals, and lodging expenses, as provided in the Franchise Agreement and as explained in the corresponding Remarks section	Upon delivery of invoice	You must allow us and our representatives to enter the Premises to conduct inspections You will only be required to reimburse us for expenses related to the first four inspections we make in any calendar year Notwithstanding the foregoing, however, any inspection we conduct at your request or in connection with a potential or actual default under your Franchise Agreement do not count towards these four inspections, including any inspection we perform (i) during which a default is discovered, (ii) as a result of an unsatisfactory or failing quality control report, mystery shopper report, or similar program we conduct, (iii) to confirm whether a default has been cured, or (iv) to assist or supervise the curing of any default We are not obligated to make any such inspections
Promotional Visits	Our travel, meal and lodging expenses as well as other related costs	Upon delivery of invoice	We may, from time to time in our sole discretion, send one or more members of our staff to your Franchised Business to conduct promotional and marketing activities If we do, you must cooperate with us to conduct these activities and must reimburse us for all travel, lodging, and meal expenses incurred by our personnel conducting such activities at your Franchised Business
Indemnification	Amount of actions, judgments, damages, liabilities, losses, costs, and expenses	As incurred	You must indemnify us from any actions, judgments, damages, liabilities, losses, costs, and expenses (including reasonable attorneys' fees) to which we become subject or that we incur arising from your ownership or operation of your Franchised Business

OTHER FEES			
TYPE OF FEE ^{1 2}	AMOUNT ³	DUE DATE	REMARKS
Enforcement Costs	All costs and expenses incurred by us to enforce our rights under the Franchise Agreement	As incurred	You must reimburse us for all costs including attorneys' and other professionals' fees in connection with any dispute between you and us or from your failure to comply with any provision in the Franchise Agreement
Liquidated Damages ⁶	See footnote	Upon termination of your Franchise Agreement	
Quality-Evaluation Programs ⁷	See footnote	Upon delivery of invoice	We may designate an independent evaluation service to conduct a "mystery shopper," or similar type, quality-control and evaluation program. These programs may occur multiple times throughout the year.

Footnotes

Note 1 All fees are payable to us and are nonrefundable, unless otherwise provided in the table. A limited number of our franchisees pay less for one or more of the fees disclosed in this Item. Except as otherwise disclosed, all fees are uniformly imposed.

Note 2 All required payments to us or to any of our affiliates must be made by a payment system using electronic fund transfers or any other payment system we designate.

Note 3 The Local Advertising expenditure, the Successor Franchise Agreement Fee, and the Transfer Fee are subject to annual adjustments based upon increases in the Consumer Price Index.

Note 4 Gross Revenues include the total actual gross charges for all products (food and non-food items, i.e., shirts, hats, condiments—including mustard, steak sauce, barbecue sauce, and hot sauce, etc.) and services sold to customers of the Franchised Business for cash, credit, accounts receivables, checks, gift certificates, scrip, food stamps, premiums, services, property or other means of exchange whether made from (i) the Franchised Business, or (ii) any other venues such as carts, kiosks, displays or any other areas offering any items cooked, prepared, or served at or from, or catered in connection with, the Franchised Business, including orders originated from the Franchised Business where delivery or performance is made other than at the Franchised Business, such as food sales from the lobby bar, at banquet functions, in a private dining room or through room service. Gross Revenues exclude the amount of any sales taxes that are collected and actually paid to the taxing authority. Gross Revenues exclude the sales of, discounts of, give aways of, or coupons for employee meals. Gross Revenues may be evidenced by cash, credit, accounts receivable, checks, gift certificates, scrip, food stamps and premiums (unless exempted in writing by Shula's), services, property, or other means of exchange. To the extent that such cash, credit, or receivables represent amounts previously included in Gross Revenues on which Royalty Fees and all other amounts due hereunder in connection therewith were paid, such cash refunded and credit given to customers, as well as such receivables uncollectible from customers, may be deducted.

when computing Gross Revenues. Gross Revenue also include all promotions, discounts, and give-aways of goods or services whether or not evidenced by cash, credit, accounts receivables, checks, gift certificates, scrip, food stamps, premiums (unless exempted in writing by Shula's), services, property or other means of exchange, including barter, unless pre-approved by Shula's in writing. Gross Revenues are deemed received by the Franchisee at the time the goods or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first. The proceeds of the Franchisee's business-interruption insurance are included in Gross Revenues. Gross Revenues exclude the accounts receivable, checks, gift certificates, scrip, food stamps, and premiums (unless exempted in writing by us), services, property or other means of exchange.

Note 5 You do not pay us this amount. You pay it to your suppliers.

Note 6 If we terminate your Franchise Agreement for cause, you must pay us a lump-sum payment described in your Franchise Agreement.

Note 7 You must pay all expenses relating to the meals ordered in connection with the program. If you receive an unsatisfactory or failing report, you must pay us all expenses (in addition to meal expenses) we incurred to have the evaluation service evaluate your Franchised Business—as well as all expenses we may have incurred to inspect your Franchised Business afterwards—together with any costs or expenses incidental to those that we incur.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT ¹				
TYPE OF EXPENDITURES	AMOUNT LOW-HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee ²	\$125,000 - \$150,000	Lump sum	At signing of Franchise Agreement	Shula's
Travel, Lodging, and Meals for Basic Training Expenses ³	\$6,000 - \$12,000	As incurred	Before and during training	Shula's
Managers' Training ⁴	\$1,750 - \$10,000	As incurred	As incurred	Airlines, hotels, etc
Site Approval Visit by Shula's ⁵	\$1,000 - \$5,000	As incurred	Before opening	Shula's
Project Management Visits by Shula's ⁶	\$1,000 - \$10,000	As incurred	Before opening	Shula's
Real Property, whether purchased or leased ⁷	\$0 - \$50,000	As incurred	Before opening	Real Property Seller/ Lessor
Real Estate Improvements ⁸	\$450,000 - \$2,000,000	As Incurred	Before opening	Construction/ Development Company, third party vendors and contractors

YOUR ESTIMATED INITIAL INVESTMENT ¹				
TYPE OF EXPENDITURES	AMOUNT LOW-HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Memorabilia	\$20,000 - \$30,000	Lump sum	Before delivery of memorabilia	Third-party suppliers and our affiliate
Kitchen Equipment and Improvements	\$75,000 - \$450,000	As incurred	Before opening	Third-party suppliers
Signs	\$10,000 - \$40,000	As incurred	Before opening	Third-party suppliers
Operating Supplies, Equipment, Opening Inventory, and Miscellaneous Start-up Costs	\$135,000 - \$350,000	As incurred	Before opening	Third-party suppliers
Security deposits, utility deposits, business licenses and other prepaid expenses	\$10,000 - \$50,000	As incurred	Before opening	Third-party suppliers
Pre-opening Payroll	\$65,000 - \$70,000	As incurred	Before opening	Employees
Advertising Expenses	\$30,000 - \$60,000	As incurred	As incurred	Media outlets and other Third-party suppliers
Grand Opening Advertising ⁹	\$25,000 - \$50,000	As incurred	As incurred	Third-party suppliers
Grand Opening Assistance ¹⁰	\$5,000 - \$10,000	As incurred	Before opening	Shula's
Insurance	\$4,600 - \$7,500	Lump sum	Before opening	Insurance carriers
Design/Engineering Fees	\$50,000 - \$150,000	As incurred	Before opening	Design and Engineering Consultants
Additional Funds (3-month initial phase) ¹¹	\$210,000 - \$310,000	As incurred	As incurred	Employees, suppliers
Total	\$1,224,350 — \$3,814,500			

Footnotes

Note 1 All payments to us and our affiliates are nonrefundable. Whether amounts paid to third parties are negotiable is a matter you will have to negotiate directly with them.

Note 2 The Initial Franchise Fee for franchises operating under the *Shula's Steak House*® Principal Trademark is \$150,000 and the Initial Franchise Fee for franchises operating under the other Principal Trademarks is \$125,000.

Note 3 You must reimburse us for expenses we incur in connection with providing Basic Training (including our training staffs' travel, lodging, and meal expenses). Generally, these costs will vary as a

function of the distance traveled, the lodging selected, the number of trainers sent, the distance between the lodging and your Restaurant, and the type of transportation selected. You may also be required to pay the wages of your employees who attend Basic Training. These payments are paid directly to your employees and depend on your individual agreements with such employees.

Note 4 You are responsible for paying all expenses incurred by you and your managers in connection with Managers' Training, including, but not limited to, employee salaries, travel, lodging, and meal expenses. Generally, these costs will vary as a function of the distance traveled, the lodging selected, the distance between the lodging and our headquarters, and the type of transportation selected.

Note 5 We may in our discretion conduct a Site Approval Visit of your proposed location for your Franchised Business prior to our granting approval of such site. You will be required to reimburse us for our personnel's travel, lodging and meal expenses. Typically only one of our team members is required to perform the Site Approval Visit and such visit is conducted in not more than one and a half days.

Note 6 We may, in our sole discretion, require up to 3 project management visits by us during the construction of your Restaurant and you must reimburse us for our personnel's travel, lodging, and meal expenses. Each Project Management Visit can typically be completed in one day and is conducted by one or two of our representatives.

Note 7 You may not have real estate costs if your Franchised Business is a hotel owned location. If it is not, real estate costs vary considerably according to the type of restaurant, fair market values in your area, your real estate interest (leasehold or ownership), location, and whether you or your landlord develops the location. Your costs can vary depending on the size of the site and municipal requirements. These figures assume that the premises for your Franchised Business will range in size from 4,500 to 8,000 square feet and, if the property is leased, they include the estimated required payment to enter into the lease. Although we do not recommend it, some leases may obligate the tenant to pay the landlord an additional "percentage rent" amount, equal to the amount by which the rent per square foot is exceeded by a percentage of gross sales. Leases are usually "triple net," requiring the tenant to reimburse the landlord for all of the landlord's costs of operation. These triple net costs and Common Area Maintenance (CAM) charges are determined by negotiation between you and the landlord and will vary from location to location. This estimated range for Real Estate considers the costs of the first month's rent, a security deposit and advance rent (or, three (3) months of rental costs) that most landlords require their tenants to provide upon execution of the lease. We strongly suggest that you seek the advice of a real estate professional familiar with the market in which you will be located and the relevant laws.

Note 8 The cost of real estate improvements will vary depending on numerous factors, including (a) the size and configuration of the premises, (b) pre-construction costs, (c) cost of materials and labor, (d) location of the premises and local conditions, and (e) whether costs will be incurred by the landlord if the premises is leased. These costs include, but are not limited to, demolition, rough carpentry, finish carpentry, gypsum board, ceilings, tile flooring and walls, millwork, carpet and floor finishes, wall finishes, fire protection, HVAC, FRP and kitchen walls, hoods and venting, electrical systems, lighting, furniture and P O S System.

Note 9 You must conduct a Grand Opening event at your Shula's Restaurant that must benefit and support a charitable organization, which will be the exclusive beneficiary of all monies collected at the Grand Opening event. You must spend not less than \$25,000 on this Grand Opening event and related activities, which must all be pre-approved by us.

Note 10 If we agree to provide on-site Grand Opening assistance, you must reimburse us for expenses we incur in providing such assistance (including our travel, lodging, and meal expenses).

Note 11 Additional Funds represent an estimate of only the range of expenses for your initial start-up phase, which is estimated to be three months from when you begin operating your Franchised Business. The additional funds you will need to operate during this phase include payroll costs, rent, utilities, and on-going advertising—but do not include any salary or allowance for an owner’s draw, any royalty fees, advertising contributions, or any other amounts you must pay us, or any additional inventory you may need after your initial inventory is consumed. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The actual amount of additional funds you will need during the initial phase of operating will depend on factors such as the size and location of your Franchised Business, how much you follow our methods and procedures, your management skill, experience, and business acumen, local economic conditions, the local market for your products and services, competition, and other factors. By providing these estimates of your costs, we are not making any representation that you will have any level of sales. The estimates are of your expenses only and do not reflect any offsetting sales revenue you may earn from operations to pay those expenses. We do not make any earnings claims. The estimate of Additional Funds for three months shown on the table above is not an estimate of working capital that you will need, but relates only to certain (but not necessarily all) expenses for the three month period. The three-month time period is not a representation of, nor is intended to suggest, when you should expect to break even, if ever.

We relied on our management’s past experience, and that of existing Shula’s restaurants, as well as industry trends, to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase a Shula’s franchise. However, the figures appearing in this Item are estimates only. We cannot and do not represent, warrant or guaranty that your costs will fall within the stated range. The costs are constantly changing due to reasons beyond our control and you should obtain current cost information as part of your due diligence prior to the time you execute your Franchise Agreement.

We do not offer direct or indirect financing for any items. Any fees you pay us are non-refundable, including the initial franchise fee.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Proprietary Products

To help assure a uniform image and uniform quality of products and services in all our Shula’s Restaurants, you must purchase our Secret Recipe Products, as well as certain equipment, fixtures, furnishings, signs, supplies, advertising materials, inventory and other products and services from us, our designated or approved suppliers, and/or by brand name or specification. These suppliers, products or specifications are identified periodically in our Manuals (the “Shula’s Manuals”), or in written notices from us.

Authorized Specifications and Suppliers

You must purchase or lease equipment, supplies, inventory, advertising materials, furnishings, fixtures, signs and any other products and services used to operate your Franchised Business from manufacturers and suppliers we designate or authorize in writing, as well as in accordance with our specifications. We may revoke these authorizations at any time. Authorized manufacturers and suppliers must demonstrate, to our continuing satisfaction, that they possess (i) the ability to meet our standards and specifications for those items, (ii) adequate quality controls and capacity to supply your needs promptly and reliably, and (iii) any other criteria or standard we reasonably require from time to time, including but not limited to, factors relating to the price and quality of the products or services, the reliability of the supplier, the frequency of delivery, standards of service (including prompt attention to complaints), and concentration of purchases. Such approval may be provisional, pending our further evaluation of the supplier. We may, in our sole and absolute discretion, approve a single supplier for any brand, product, or service, or we may approve a supplier only as to a certain brand or brands. We may concentrate purchases with one or more

suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of franchised businesses or Company-Owned Units within our franchise system

We may designate ourselves, or an affiliate, as a supplier, or the exclusive supplier, of any of the products or services used to operate your Franchised Business. We or one of our affiliates may establish Shula's or affiliate-owned and operated food commissaries and distribution facilities, which we may designate as an approved distributor or supplier.

Except for Shula's Gift Card Company, LLC and Shula's Steak Houses Merchandise LLC, none of our officers own an interest in a required supplier, but no restriction prohibits such interests.

Approval of New Suppliers

Except for those products or services that Shula's has designated itself, an affiliate, or a specific manufacturer or distributor as the sole supplier of a specific product or service, if you want to purchase or lease any other equipment, supplies, inventory, products or services from an unapproved supplier, you must submit to us a written request for approval, or request the supplier itself to do so. As a condition of our approval, which we may grant or withhold in our sole and absolute discretion, we may require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory we designate for testing. Because we must devote our resources where we deem appropriate we are not required to consider additional or replacement suppliers. We will use our sole and absolute discretion in doing so. If we do so, you must pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing. We may reinspect any approved supplier's facilities and products and continue to sample the products at the supplier's expense and to revoke approval upon the supplier's failure to continue to meet our standards and specifications. We may also require as a condition to our approval that the supplier present satisfactory evidence of insurance, such as product liability insurance, protecting us and our franchisees against any claims arising from the use of the supplied item. We will notify you, in writing, of approval or disapproval of your request to use an unapproved supplier generally not more than 60 days after receiving your written submission, taking into account any inspection, testing, and review of samples and documents presented by the supplier.

Construction of the Premises

In connection with the construction of the premises of your Franchised Business ("Premises"), we may designate an architect, engineer, general contractor or designer to prepare, or participate in the preparation of, the site plans and plans and specifications that adapt our specifications to the Premises, applicable law and any lease requirements, and to supervise the construction of the Premises. We will not be liable for the actions or conduct of any professional we designate or require.

P O S System

You must purchase, and install at the Premises, the P O S System for the Franchised Business that we specify. You must purchase the various items constituting the P O S System, including hardware and software, from our designated supplier or suppliers.

Secret Recipe Products

We have developed Secret Recipe Products and may continue to develop for use in our franchise system additional products that are all confidential secret recipes and are our trade secrets. You must use the Secret Recipe Products, and you must purchase these from us, or from an approved source designated by us.

Gift Card Program

Our System includes a gift-card program, which, among other things, enables customers of any Shula's Restaurant in our franchise system to purchase gift cards that may be used to pay for meals at any other Shula's Restaurant in our franchise system. The gift-card program is currently operated by our affiliate Shula's Gift Card Company, LLC, who is your only source for these purchases. You must participate in the gift-card program in accordance with any rules and instructions that we or an affiliate may prescribe.

Memorabilia

We will loan you what we consider an appropriate amount of football and related Memorabilia for interior display at the Franchised Business. Currently, we require you to purchase certain items of memorabilia, branded merchandise and other related products from our affiliate, Shula's Steak Houses Merchandise LLC, who is your only source for these purchases. In addition, we will designate one or more other suppliers from whom you will also acquire Memorabilia. The Memorabilia must be framed and displayed by you, at your expense, in the manner we prescribe in the Shula's Manuals, using suppliers that we may likewise designate. Even though the Memorabilia belongs to us, you must pay for its production and for acquiring appropriate display fixtures, as well as the costs relating to hanging and otherwise installing the Memorabilia at the Franchised Business. These display fixtures—including frames, cases, and display shelves—are your property and may be kept by you when you return the Memorabilia to us.

Beef and Other Food Purchases

The SHULA CUT® is made up of center cuts of Premium Black Angus Beef aged to perfection and this is the hallmark of our franchise system. You must purchase Premium Black Angus Beef from a supplier we designate and we will provide you the name of our designated beef supplier before you open your Franchise Business. You must also purchase specified food and beverage products in accordance with our specifications and from the suppliers, manufacturers, or distributors we designate. We will provide you a list of these items and the names of our approved suppliers, manufacturers and distributors.

Revenues or Other Material Consideration Derived from Required Purchases and Leases

We derive revenues from required purchases or leases that you must make. Our total revenues for the 2016 fiscal year were \$7,397,064. During the 2016 fiscal year, our revenues from required purchases and leases were \$477,168 **. This accounts for about 6.45% of our total revenues. Certain designated suppliers will pay us a 1-3% rebate, a flat fee payment of \$200 to \$50,000 on required purchases you must make, and/or a promotional allowance and marketing incentives ranging from \$25,000 to \$150,000.

** These are consolidated numbers which include the accounts of our wholly owned subsidiaries, Shula's Gift Card Company, LLC and Shula Burger LLC.

During fiscal year 2016, our affiliate, Shula's Steak Houses Merchandise LLC, also received \$20,896 in revenues from franchisee purchases.

Proportion of all Purchases which are required purchases

We estimate that purchases from a designated source or according to our specifications will represent 80% of your total purchases in connection with the establishment and operation of your Franchised Business.

Purchasing or Distribution Cooperatives, Purchase Arrangements

No purchasing or distribution cooperatives exist at this time. We reserve the right to enter into cooperatives in the future. Although we are not obligated to, we may negotiate purchase arrangements (including price terms) with suppliers.

Material Benefits for Use of Approved Sources

We do not provide material benefits to you based upon your use of designated or approved sources

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

FRANCHISEE'S OBLIGATIONS		
OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a Site selection and acquisition/lease	Sections 2.2 and 5.1	Items 8, 11, and 12
b Pre-opening purchases/leases	Sections 3.8, 5.1, 5.10 and 5.14	Items 7, 8 and 11
c Site development and other preopening requirements	Sections 5.1, 5.2, 5.3, 5.4 and 5.5	Items 7, 8 and 11
d Initial and ongoing training	Sections 3.4, 3.5, 3.6 and 3.8	Item 11
e Opening	Sections 5.5 and 8.2	Items 7 and 11
f Fees	Article 4	Items 5, 6, and 7
g Compliance with standards and policies/operating manuals	Sections 5.9, 5.11, 5.12, 5.13, 7.1 and 7.3	Items 8 and 11
h Trademarks and proprietary information	Articles 6 and 7	Items 13 and 14
i Restrictions on products/services offered	Section 5.9	Item 16
j Warranty and customer service requirements	Sections 5.9 and 5.13	Not applicable
k Territorial development and sales quotas	Sections 5.12 and 18.2	Item 17
l Ongoing product/service purchases	Sections 5.7, 5.8, 5.9, 5.10, 5.14 and 5.15	Item 8
m Maintenance, appearance and remodeling	Sections 5.7, 5.8, 5.9 and 18.2	Items 6 and 17
n Insurance	Article 10	Items 7 and 8
o Advertising	Article 8	Items 6, 7, and 11
p Indemnification	Sections 15.2 and 19.9	Item 6
q Owner's participation/management/staffing	Sections 5.4, 5.11 and 5.12	Item 15
r Records/reports	Article 9	Not applicable
s Inspections/audits	Sections 5.12, 5.22, 5.25 and 9.3	Item 6
t Transfer	Article 11	Items 6 and 17
u Renewal	Article 18	Items 6 and 17
v Post-termination obligations	Article 13	Item 17

FRANCHISEE'S OBLIGATIONS		
OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
w Non-competition covenants	Article 14	Item 17
x Dispute resolution	Article 17, Sections 19 10, 19 14, 19 23 and 19 24	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

Pre-Opening Assistance

Before you open your Franchised Business, we will

- give you our site-selection criteria if the Site for your Franchised Business has not been approved by us when your Franchise Agreement is signed You are solely responsible for selecting the Site within the Reserved Area for the Premises for your Franchised Business We merely review your selected Site and approve it if acceptable We may conduct a site visit of your proposed Premises for your Franchised Business to facilitate our consideration of a Site If we conduct a site visit of your proposed Premises, you must reimburse us for our travel expenses, including, without limitation, airfare, hotel and meals We will not unreasonably withhold approval of any Site within the Reserved Area that meets our standards, if any, for demographic characteristics, traffic patterns, parking, predominant character of the neighborhood, competition from other businesses providing similar services within the area, proximity to other businesses and the nature of such businesses, the size, appearance, and other physical characteristics of the Site, and any other factors that we consider relevant to approving or disapproving a Site We may require you to use a designated real estate specialist in connection with your selection of a Site A Site will not become the Premises for your Franchised Business until it is approved in writing by us Our approval of a Site is not a representation or warranty that your Franchised Business will be profitable or that your sales will attain any predetermined levels—our approval only indicates that the proposed Site meets our minimum criteria for identifying sites (Franchise Agreement, Sections 3 1 and 5 1) If, as of the date of the Franchise Agreement, the Premises have not already been approved by us, you must select a site for the Premises within the Reserved Area and present it to us for approval within 30 days of the date of the Franchise Agreement If we reject your selected Site, you will have 30 days after our delivery of written notice to you of such rejection to submit a new Site for our approval If a Site, however, has not been approved within three (3) months of the date of the Franchise Agreement, we may elect to terminate the Franchise Agreement upon notice without providing you any opportunity to cure (Franchise Agreement, Sections 5 1 and 12 2),
- approve or disapprove the lease or sublease of the Premises Any lease or sublease of the Premises must be approved in writing by us before you enter it, unless the lease has the provisions contained in the "Agreement with Landlord," which is attached to the Franchise Agreement as Exhibit 5 1 b (Franchise Agreement, Section 5 1 b) Only after obtaining our prior approval of the Site and the acquisition or lease terms pertaining thereto, you shall, at your expense, complete the acquisition or lease arrangements to acquire or lease the Premises for the Franchised Business within four (4) months of the date of the Franchise Agreement If you fail to so acquire or lease the Premises for the Franchised Business within this 4-month period, we may elect to terminate

the Franchise Agreement upon notice without providing you any opportunity to cure (Franchise Agreement, Sections 5 1 and 12 2),

- provide you with specifications of our requirements for design, decoration, layout, equipment, furniture, fixtures and signs for your Franchised Business (the "Design Specifications") (Franchise Agreement, Section 3 2),
- in our sole discretion, require up to 3 project management visits by us during the construction of your Franchised Business to inspect the construction and build-out of the Premises (Franchise Agreement, Section 5 3),
- provide you with a list of required equipment, supplies, materials, inventory and other items necessary to operate your Franchised Business and a list of approved suppliers of all those items (Franchise Agreement, Section 3 3),
- provide you with an initial marketing template (Franchise Agreement, Section 3 3),
- provide you with a schedule of items that you must purchase from our affiliates or us, these items may include inventory business forms, menus, and brochures (Franchise Agreement, Section 3 3),
- provide you with a schedule of recommended items, such as equipment and supplies, that you may purchase from third party suppliers (Franchise Agreement, Section 3 3),
- provide you with Basic Training for the Franchise Owner, the Head Coach, the Business Development Manager, the Shula's Chef, and any of your other employees that we may designate (Franchise Agreement, Section 3 4),
- provide you with Managers' Training for the Head Coach, the Business Development Manager, and the Shula's Chef (Franchise Agreement, Section 3 5),
- provide you with access to the Shula's Manuals, which are available on our website (Franchise Agreement, Section 3 7) (a table of contents for the manuals is attached to this disclosure document as Exhibit B),
- loan you an appropriate amount of football and related Memorabilia for interior display at the Franchised Business (Franchise Agreement, Section 3 8), and
- provide you with Grand Opening Assistance (Franchise Agreement, Section 3 9)

Post-Opening Assistance

During the operation of your Franchised Business, we will

- if we consider it appropriate in our sole discretion, allow you to send, at your expense, a reasonable number of your staff to another Shula's Restaurant for training (Franchise Agreement, Section 3 6),
- if we consider it appropriate in our sole discretion, provide operating assistance and support by having a field representative visit your Franchised Business (Franchise Agreement, Section 3 10),
- generally promote our franchisees through advertising and public-relations campaigns (Franchise Agreement, Section 3 10),
- provide you, in our discretion, with advice on Local Advertising (Franchise Agreement, Section 3 10),
- provide you with any promotional methods and materials we may develop (Franchise Agreement, Section 3 10),
- if we consider it appropriate in our sole discretion, provide you with advisory assistance in the operation and promotion of your Franchised Business (Franchise Agreement, Section 3 10),
- if we consider it appropriate, provide refresher and advanced training programs and seminars (which may include advanced management training) at our principal training facility (or such other location we may designate) (Franchise Agreement, Section 3 10), and

- if you request, we may, in our sole discretion and to the extent that we can reasonably accommodate that request, furnish non-routine guidance and assistance to deal with your unusual or unique operating problems (Franchise Agreement, Section 3 10)

Advertising

Grand Opening Program

You must promote the Grand Opening of your Franchised Business at the time and in the manner required by the Grand Opening Manual, including conducting a Grand Opening event at your Shula's Restaurant. The Grand Opening event must benefit and support a charitable organization that will be the exclusive beneficiary of all monies collected at the Grand Opening event. The charitable organization must be approved in advance by us. You must spend not less than \$25,000 on this Grand Opening event and related activities. All Grand Opening activities that you will conduct, and all materials you will use (as well as the amounts of money you spend in connection with each of these activities and materials) must be preapproved by us. This Grand Opening expenditure is in addition to the Local Advertising expenditures you must make (Franchise Agreement, Section 8 2)

Local Advertising

Each year during the Term of your Franchise Agreement, you must spend not less than \$30,000 on Local Advertising. For our prior approval, you must submit to us all materials to be used for Local Advertising (and for any other advertising, promotional, or marketing activities you may conduct). You may not use any advertising, promotional, or marketing materials that have not been approved by us (Franchise Agreement, Section 8 1)

On-line Marketing

We conduct an on-line marketing program called the **Team Shula Loyalty Clubsm** for the benefit of our franchise system. You must participate in, and make contributions to, the **Team Shula Loyalty Clubsm**, in the manner and amounts, and at the times, that we periodically require. We may have an affiliate or Designee conduct the program rather than conduct it ourselves (Franchise Agreement, Section 8 4)

Internet Advertising Prohibition

Without our prior written consent, you may not operate—or advertise, market, or otherwise promote—your Franchised Business on the Internet. We have the sole right to advertise on the Internet, create or operate a Web site or sites, and use **Shula's** or other Proprietary Marks as part of any domain name. In addition, if Shula's consents to Franchisee's establishment of a social media account on any social media site (including, YouTube, Twitter, Instagram, Facebook, Blogger, MySpace, LinkedIn, Flickr, Wikipedia, Yelp or other communication or social media platforms) to advertise and promote the Franchised Business, then Franchisee shall operate and maintain the account and site in accordance with Shula's standards and procedures as set forth in the Shula's Manuals or as stated elsewhere in writing. Franchisee shall add Shula's as an account administrator with full and unlimited access to control the content displayed, published or posted on such sites and, upon request, shall provide Shula's with Franchisee's current account IDs, user names and passwords. Franchisee understands and agrees that upon expiration or termination of the Franchise Agreement, Shula's shall have the absolute and unconditional right, in its sole discretion, to permanently close, delete, take exclusive control over, or transfer any social media accounts that Franchisee established to market, advertise and promote the former Franchised Business (Franchise Agreement, Section 8 5)

Promotional Visits

We may, from time to time in our sole discretion, send one or more of our staff members to your Franchised Business to conduct promotional and marketing activities. If we do, you must cooperate with us to conduct these activities and must reimburse us for all travel, lodging, and meal expenses incurred.

by our personnel conducting such activities at your Franchised Business (Franchise Agreement, Section 8 6)

Marketing Funds, Cooperatives, and Advertising Councils

We do not have a national marketing fund or advertising council and do not require you to join a regional or local advertising cooperative

Electronic Cash Registers and Computer Systems

P O S System

You must use our required point-of sale system ("P O S System") to record all Gross Revenues, cost of sales, inventory, payroll and to operate your Franchised Business You must use the P O S System for the functions and in such manner as we may from time to time prescribe The P O S System currently includes the computers, computerized cash registers, cash drawers, point-of sale terminals, touch screens, bar-code scanners, receipt printers, credit-card-swipe readers, and other computer hardware, software (including Web-based software), and peripherals and related services (including high-speed Internet service) that you must purchase and use in accordance with our specifications contained in the Shula's Manuals (Franchise Agreement, Section 5 10) The P O S System may also include a separate inventory system The current estimated cost for the P O S System is \$25,000 to \$30,000

At our request, you must provide any assistance we require to bring the P O S System "on-line" with our computer system at our headquarters We have the right to independently access and retrieve any data and information from your P O S System that we deem appropriate There are no contractual limitations on our right to access this information and data (Franchise Agreement, Section 5 10)

We may make substantial modifications to our computer specifications, and may request that you comply with those modifications and/or install an entirely different computer system We may require that you acquire additional, new or substitute hardware and software We may also require you to replace or upgrade the entire P O S System with a more advanced or larger system capable of assuming and discharging all the computer-related tasks and functions we specify To ensure full operational efficiency and communication capability between our computers and those of all Franchised Businesses, you must, at your expense, keep the P O S System in good maintenance and repair At your expense, you must enter and maintain all maintenance, updating and upgrading contracts for the P O S System, or any of its components, that we may require Your cost for routine updating and maintenance of your system is estimated to be approximately \$1,000 annually This amount may increase periodically The factors that would affect the increase include third party pricing decisions, frequency of software updates by the supplier, and the reliability of the supplier (Franchise Agreement, Section 5 10)

You must purchase the P O S System from our designated supplier or suppliers

Time between Signing Your Franchise Agreement and Opening the Franchised Business

The typical length of time between your signing of your Franchise Agreement and the opening of your business is expected to be from 3 to 8 months Factors that may affect this typical time period include your ability to negotiate and obtain a lease at a satisfactory location, negotiate and obtain financing, procure the requisite building permits, comply with zoning and local ordinances, install equipment, fixtures, and signage, recruit competent staff, and schedule and complete Basic Training and Management Training

Operating Manual

The Table of Contents of our Operating Manual, and the number of pages devoted to each subject as of the last fiscal year-end is included in Exhibit B Currently, the Operating Manual has a total of 737 pages

Training

Basic Training

Not later than 60 days before the scheduled Opening Date of the Franchised Business, we will provide you with 14 days of on-site Basic Training at the Premises (or such other location designated by us) The Franchise Owner (or a designated representative approved by us), the Head Coach, the Business Development Manager, the Shula's Chef, and any other employees that are permitted to, or must, attend and complete this training to our satisfaction All Trainees must attend Basic Training at the same time You must reimburse us for our training staffs' travel, lodging, and meal expenses Basic Training covers the following topics Corporate Culture, Merchandising, Food Preparation, Presentation, Beverages, Staff Management, and Customer Service We reserve the right to modify the content and length of Basic Training (Franchise Agreement, Section 3 4)

If we determine that any Trainee has failed to satisfactorily complete Basic Training, we may, at your expense, retrain the failing Trainee or allow you to hire a substitute Trainee who must attend and satisfactorily complete Basic Training Alternatively, we may elect to terminate the Franchise Agreement, in which case we need not refund any amounts you have paid us (including the Initial Franchise Fee) (Franchise Agreement, Section 3 4)

Managers' Training

Not later than 14 days after our delivery of approval of the appointment of a Head Coach, Business Development Manager, or Shula's Chef, we will provide each such person three to five business days of Manager's Training at our headquarters (or such other location designated by us) Each such person must attend and complete this training to our satisfaction You must pay all expenses relating to having your personnel attend Managers' Training, including travel, lodging, and meal expenses If we determine that any person has failed to satisfactorily complete Managers' Training, we may, at your expense, retrain the failing person or allow you to hire a replacement who must attend and satisfactorily complete Managers' Training Alternatively, we may elect to terminate the Franchise Agreement, in which case we need not refund any amounts you have paid us (including the Initial Franchise Fee) (Franchise Agreement, Section 3 5)

Training Replacement Managers

All Replacement managers (the Head Coach, Business Development Manager, and Shula's Chef) must attend and complete, to our satisfaction, the Managers' Training You must pay us our then current standard fees for the training of replacement managers, as set forth in the Shula's Manuals or otherwise You will also be responsible for all expenses and costs incurred by those persons attending the training, including, without limitation, wages, travel, lodging, and meal expenses (Franchise Agreement, Section 3 5)

Supplemental Training

We may, in our sole and absolute discretion, allow you to send, at your expense, a reasonable number of your staff to another Shula's restaurant for training We may, in our sole and absolute discretion, send one or more representatives to the Franchised Business no more than twice each calendar year to provide supplemental training to you and your managers and employees You shall pay us our then current standard fees for this supplemental training and shall also reimburse us for our reasonable expenses incurred in providing any on-site supplemental training, including, but not limited to, our travel, meals and lodging expenses (Franchise Agreement, Section 3 6)

Grand Opening Assistance

We may provide on-site assistance in connection with your Grand Opening This assistance may be provided for up to three days You must reimburse us for all expenses we incur in connection with providing Grand Opening assistance, including travel, lodging, and meal expenses incurred by our

personnel providing such assistance. You must pay us for these expenses in advance of such personnel's travel to the Premises (Franchise Agreement, Section 3.9)

The Grand Opening is the grand opening of the Franchised Business, which must be conducted in accordance with the Grand Opening Manual. The Grand Opening usually occurs four to six weeks after the Soft Opening. The Soft Opening is the opening of the Franchised Business for business to the general public. The Soft Opening occurs on the Opening Date.

Refresher or Additional Training

We may provide refresher and advanced training programs and seminars (which may include advanced management training) at our principal training facility (or such other location we may designate). We may require the Franchise Owner and the Head Coach, Business Development Manager, the Shula's Chef, and any of your other employees and staff that we may designate to attend these programs and seminars. Attending these programs and seminars will not, however, be required more than once per calendar year. You must pay for all costs and expenses associated with these programs and seminars, including our then current standard fees for such programs, as well as all travel, meal, and lodging expenses that your attendees incur (Franchise Agreement, Section 3.10).

The following charts show the subject, hours of classroom training, hours of on-the-job training, and the location where the training is held for each of the Basic Training, Manager's Training and the Grand Opening Assistance training programs.

TRAINING PROGRAM (Before Opening)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION WHERE TRAINING HELD
Orientation by Hotel HR Dept	8 hours	N/A	Your Restaurant
Shula's History- includes Shula Cut presentation, Plating Specs review and collateral	8 hours	N/A	Your Restaurant
Menu layouts and wine & liquor training	8 hours	N/A	Your Restaurant
Opening and closing side jobs, floor plans, table set ups, first section of sequence of service power point presentation, POS Training	8 hours	N/A	Your Restaurant
Sequence of service training and POS training	8 hours	N/A	Your Restaurant
Restaurant set up, food tasting, role play	4 hours	4 hours	Your Restaurant

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION WHERE TRAINING HELD
Role play for front and back of the house	N/A	8 hours	Your Restaurant
Mock service for dinner only	N/A	8 hours	Your Restaurant
Mock service for lunch & dinner	N/A	8 hours per shift	Your Restaurant
Open to the public	N/A	8 hours per shift	Your Restaurant

**TRAINING PROGRAM
(During Grand Opening)**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION WHERE TRAINING HELD
Registration, Welcome Reception	N/A	N/A	Your Restaurant
Back of the House Training	2 hours	N/A	Your Restaurant
Host/Server	4 hours	N/A	Your Restaurant
Introduction to Shula's Office and Head Coach's Role	4 hours	N/A	Your Restaurant
The SHULA CUT	2 hours	N/A	Your Restaurant
Shula Branding, Marketing and Business Development	1 hour 15 minutes	N/A	Your Restaurant
Technology and Collateral	1 hour 15 minutes	N/A	Your Restaurant

Our Vice President of Operations, Peter Farrand, supervises our Shula's Training Program. Our Operations Team and Mr. Farrand deliver training to attendees for all areas of our business. Mr. Farrand has over 20 years of food and beverage experience. A more detailed summary of his experience is contained in Item 2. Team members from our Marketing, Information Technology and Accounting departments also participate in the Shula's Training Program. The training program is conducted once before and during your initial opening. Instructional materials include the Shula's Manuals, which contain standard operating procedures for Shula's restaurants-both for front and back of the house, and our marketing system, company history, and vision and mission.

ITEM 12 TERRITORY

Grant for a Specific Area

Your franchise is granted for a specific location that you select and we approve if acceptable. This location may not be changed.

You may operate your Franchised Business only at the Premises specifically designated in your Franchise Agreement and not from or at any other location, whether on a permanent or temporary basis, even if the location is within the Protected Territory

You may not, without our prior written approval, engage in off-site catering activities or make deliveries, all sales must be made at and from the Premises. You may also not sell products or services identified by the Proprietary Marks through any other distribution channel, including the internet, or sell any product or services identified by the Proprietary Marks to any person or entity for resale or further distribution

Protected Territory

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, under your Franchise Agreement, you will receive a Protected Territory ("Protected Territory") in which neither we nor our affiliates will locate, operate or grant to anyone else a license or franchise to locate and operate a Shula's Restaurant under the Principal Trademark that you have been granted the right to operate your Shula's Restaurant under, as stated on Schedule 1.1 of the Franchise Agreement ("Franchisee's Designated Principal Trademark"), provided that you are in compliance with the terms of your Franchise Agreement and any other agreement between you and us, and subject to our reservation of rights set forth below. As such, we have the right to establish and operate, or grant others the right to establish and operate, Shula's Restaurants that are not identified by Franchisee's Designated Principal Trademark within your Protected Territory. The Protected Territory is different from the Reserved Area discussed in Item 11 above. The Reserved Area, unlike the Protected Territory, is the area in which you will identify and select the site for your restaurant.

The Protected Territory will generally be determined by us upon our approval of a Site for your Franchised Business. The Protected Territory will be determined by factors such as, but not limited to, population density and demographics. The size of the Protected Territory is not uniform and could range from as low as a city block to up to the county in which the restaurant is located.

We and our affiliates retain any and all rights with respect to the System and the Proprietary Marks, the sale of any other products and services, anywhere in the world, including, without limitation, the right to now or in the future

- a to operate and license others to operate restaurants identified in whole or in part by Franchisee's Designated Principal Trademark, or any other Proprietary Marks, in the Protected Territory or proximate to the Premises that are located in non-traditional venues such as gas stations, convenience stores, shopping malls, retail centers, plazas, airports, train stations, bus stations, travel plazas, stadiums, arenas, convention centers, military facilities, schools, colleges, universities, food courts, hotels, cruise ships, hospitals, recreational theme parks, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos, or any similar captive market location,
- b to award national or regional licenses to third parties to sell products, including those products that are now or in the future part of the System, under the Proprietary Marks in foodservice facilities primarily identified by the third party's trademark at any location including within the Protected Territory, or proximate to the Premises,
- c to develop and operate, and license others to develop and operate anywhere within or outside the Protected Territory or proximate to the Premises, restaurants and other businesses identified by any name or mark, other than restaurants identified by

Franchisee's Designated Principal Trademark in the Protected Territory during the Term of this Agreement,

- d to merchandise and distribute products, including those products that are now or in the future part of the System, identified by some or all of the Proprietary Marks including without limitation the name and mark ***Shula's Steak House***[®], ***Shula's 2 Steak & Sports***[®], ***Shula's 347 Grill***[®], ***Shula's On The Beach***[®], or ***Steakbar 347 By Shula's*** in the Protected Territory or proximate to the Premises through any other method or channel of distribution, including without limitation from or through grocery stores, supermarkets, convenience stores, the internet, mail-order, shopping clubs and/or other wholesale or retail facilities,
- e to sell and distribute products, including those products that are now or in the future part of the System, identified by some or all of the Proprietary Marks to restaurants in or outside the Protected Territory,
- f to develop and operate, and to license others to develop and operate, during the Term of the Agreement, restaurants identified by Franchisee's Designated Principal Trademark or any other name and mark owned by Shula's now or in the future, at any location outside of the Protected Territory, including, without limitation, locations proximate to the Protected Territory or the Premises,
- g to develop and operate, and to license others to develop and operate, after this Agreement terminates or expires, restaurants identified by Franchisee's Designated Principal Trademark or any other name or mark owned by Shula's now or in the future, at any location, including, without limitation those locations within or proximate to the Protected Territory or the Premises, and
- h to purchase, merge, acquire or affiliate with an existing restaurant chain, food-service chain or any other business regardless of the location of the chain's facilities, and to operate, franchise, or license those facilities as Shula's restaurants operating under the System, the Proprietary Marks or any other marks following Shula's purchase, merger, acquisition, or affiliation, regardless of the location of these facilities (which may be within the Protected Territory and proximate to the Premises)

There are no restrictions on the areas in which you or we may advertise or solicit customers. We need not pay you any compensation for soliciting or accepting orders inside your Protected Territory through other channels of distribution. We reserve all rights to use and license the System other than those we expressly grant you under the Franchise Agreement.

Your Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises within your Protected Territory or contiguous territories.

Sales of Products or Services under a Different Trademark

Other than the ***Shula's Steak House***[®], ***Shula's 2 Steak & Sports***[®], ***Shula's 347 Grill***[®], ***Shula's On The Beach***[®], or ***Steakbar 347 By Shula's*** franchise offered by us in this disclosure document and the ***Shula Burger***[®] or ***Shula's Bar & Grill***[®] franchise offered by our affiliate Shula Burger LLC, neither we nor any affiliate have established or have any present plan to establish other franchises or company owned outlets or other channels of distribution selling or leasing similar products or services under a different trademark.

Continuation of Territorial Protection

The continuation of your territorial protection in your Protected Territory does not depend on achieving a certain sales volume, market penetration, or other contingency. However, if you are in default under

the Franchise Agreement, we may terminate the Franchise Agreement pursuant to its terms. Your Protected Territory rights will terminate upon expiration or termination of the Franchise Agreement. In addition, your right to enter a Successor Franchise Agreement depends on earning minimum annual Gross Revenues of \$2,000,000 (annually adjusted for increases of the Consumer Price Index). Your Protected Territory may not be altered during the initial term of your Franchise Agreement.

ITEM 13 TRADEMARKS

Principal Trademarks

We grant you the right to operate your Franchised Business under one of our Principal Trademarks. The Principal Trademarks are registered with the USPTO and are described in the table below.

TRADEMARKS REGISTERED ON THE PATENT AND TRADEMARK OFFICE'S PRINCIPAL REGISTER			
TRADEMARK	OWNER	REGISTRATION NO	REGISTRATION DATE
SHULA'S STEAK HOUSE®	Shula's Steak Houses, LLLP	2,463,541	06/26/2001 Renewed 01/24/2011
	Shula's Steak Houses, LLLP	1,815,222	1/4/1994 Renewed 1/26/2006
SHULA'S ON THE BEACH®	Shula's Steak Houses, LLLP	2,402,217	11/07/2000 Renewed 12/07/2009
SHULA'S 2 STEAK & SPORTS®	Shula's Steak Houses, LLLP	3,521,182	10/21/2008
SHULA'S 347 GRILL®	Shula's Steak Houses, LLLP	3,521,181	10/21/2008
	Shula's Steak Houses, LLLP and Shula Sports, LLC	4,772,000	7/14/15

Shula's Steak Houses, LLLP has filed all required affidavits for its Principal Trademarks registered with the U.S. Patent and Trademark Office.

We and Shula Sports, LLC have also applied to register the following trademarks with the USPTO.

TRADEMARK	SERIAL NUMBER	FILING DATE
STEAKBAR 347 BY SHULA'S	86906180	February 12, 2016

	86906171	February 12, 2016
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We do not have a federal registration for these principal trademarks. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

No Currently Effective Material Trademark Determinations

There are no currently effective material determinations of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, pending infringement, opposition or cancellation proceedings, or pending material litigation involving the principal trademark.

Agreements Significantly Limiting Your Rights to Use the Marks

There are no agreements that significantly limit our right to use or license the use of our principal trademarks in a manner material to you.

Challenges to Your Right to Use the Trademarks

In the event of any claim of infringement, unfair competition, or other challenge to your right to use any Proprietary Property (including the Principal Trademark), or in the event you become aware of any use of, or claims to, any Proprietary Property by persons other than us or our franchisees, you must notify us in writing within seven days. Except pursuant to judicial process, you may not communicate with anyone except us and our counsel in connection with any such infringement, challenge, or claim. In our sole and absolute discretion, we determine whether to take any action in connection with any infringement, challenge or claim, and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Proprietary Property. We alone determine whether or not to settle any infringement, challenge, or claim, and on what terms. You must sign all instruments and documents, render any assistance, and perform any acts that our attorneys deem necessary or appropriate to protect and maintain our interest in any litigation or proceeding related to the Proprietary Property or otherwise to protect and maintain our interests in the Proprietary Property.

We will indemnify you for all damages for which you are held liable in any litigation or proceeding arising out of your use of any Proprietary Mark. But we need do so only if

- your use of the Proprietary Mark was in strict accordance with your Franchise Agreement,
- you timely notified us of the litigation or proceeding and the underlying claim in accordance with your Franchise Agreement,
- you give us sole control of the defense and settlement of the action in accordance with your Franchise Agreement, and
- you have complied with the other provisions in your Franchise Agreement.

If we believe that it is appropriate to modify or discontinue using any Proprietary Mark or use one or more additional or substitute names or marks—for reasons including the rejection of any pending application for registration or revocation of any existing registration of any of the Proprietary Marks, or the superior

rights of senior users—you must do so at your sole expense within 30 days of our request. In such event, we have no liability of any nature to you and thus need not reimburse you for any expenses you incur in connection with complying with adopting or promoting a modified or substitute Proprietary Mark.

Knowledge of Superior Rights or Infringing Uses

We have no actual knowledge of superior prior rights or infringing uses that could materially affect your use of the Principal Trademarks in this state or the state in which your Franchised Business is to be located.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or copyrights are material to the franchise. Further, there are no pending patent applications material to the franchise. Under the Franchise Agreement we grant you the right to use the proprietary information in the Shula's Manuals to operate your Franchised Business. The Shula's Manuals are described in Item 11. Although we have not filed an application for a copyright registration for the Shula's Manuals or materials like our menus, we do claim a copyright in them and the information in the Shula's Manuals is proprietary. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate.

We provide you with Confidential Information relating to operating your Franchised Business. Confidential Information includes any knowledge, know-how, technologies, processes, techniques, and any other information that we designate as confidential, proprietary, or trade secrets or that is not readily available in the public domain through any breach of duty to us. Confidential Information also includes the Shula's Manuals, Secret Recipe Products, and the Customer List (and any other information pertaining to your customers and potential customers that you may collect or maintain).

You must treat and maintain the Confidential Information as confidential and our trade secrets. You must keep the Shula's Manuals in a secure area within the Premises. You must strictly limit access to the Confidential Information to your employees who have a "need to know" in order to perform their jobs. All persons to whom you grant access to the Shula's Manuals or any other Confidential Information must be required to comply with the confidentiality provisions of your Franchise Agreement.

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

You must hire a Head Coach, who is the Franchised Business's general manager. The Head Coach need not have any equity interest in the franchisee. The Franchised Business must be supervised by the Head Coach. The Head Coach must devote, on a full-time basis, his or her best efforts to managing and operating the Franchised Business. The Franchised Business requires the Head Coach's day-to-day supervision.

You must also hire a Business Development Manager, who is primarily responsible for developing business from individuals and organizations within the Protected Territory. The Business Development Manager's functions are more fully described in the Shula's Manuals. The Business Development Manager must devote, on a full-time basis, his or her best efforts to performing these functions.

You must hire a Shula's Chef, who is the Franchised Business's head chef and is primarily responsible for operating and managing its kitchen. The Shula's Chef's functions are more fully described in the Shula's Manuals. The Shula's Chef must devote, on a full-time basis, his or her best efforts to performing these functions.

You may not hire any person to be the initial or replacement Head Coach, Business Development Manager, or Shula's Chef unless that person has first been reviewed and approved in writing by us and satisfactorily completes all training that we then require such persons to undergo. As a condition to rendering our

approval, we may require a proposed Head Coach or, Business Development Manager, or Shula's Chef to be interviewed at our corporate headquarters or another location that we designate. You are responsible for paying all expenses relating to training a replacement Head Coach, Business Development Manager, or Shula's Chef, including all travel, lodging, and meal expenses the replacement and our trainers incur.

We may require your Head Coach, Business Development Manager, and Shula's Chef to sign our standard form of non-disclosure agreement.

All legal and beneficial owners under your Franchise Agreement must sign the Joinder Agreement attached to the Franchise Agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell only goods and services approved in writing by us. You must sell all goods and services authorized by us. We may change the types of authorized goods and services that you must sell and there are no limits to our right to make changes. (See Items 8 and 9 of this disclosure document.)

You may operate your Franchised Business only at the Premises and not from or at any other location, whether on a permanent or temporary basis, even if such location is within the Protected Territory. You may not conduct any other business or activity at or from the Premises.

You may not, without our prior written approval, engage in off-site catering activities or make deliveries, all sales must be made at and from the Premises.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a Length of the franchise term	Section 18.1	Initial term is 10 years
b Renewal or extension of the term	Section 18.1	When the Term expires, you may extend your franchise for two additional 10-year terms if you satisfy certain conditions.
c Requirements for franchisee to renew or extend	Section 18.2	"Renewal" means that you may be asked to sign a successor franchise agreement with terms and conditions that are materially different from those in your original agreement. As a condition to renewal you must • not be in default of your Franchise Agreement, • give not less than 9 months nor more than 12 months notice, • beginning on the Opening Date, earn minimum annual Gross Revenues of \$2,000,000 (the "Annual Performance Standard") each year.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		of the Term, or the first Successor Term, as the case may be, • complete all required maintenance, refurbishing, renovating, and upgrading no later than 60 days prior to expiration of the Term or the first Successor Term, as the case may be, • satisfy all your monetary obligations owed to us and our affiliates, • execute a Successor Franchise Agreement, the terms of which may significantly differ from the terms of your initial Franchise Agreement, such differing terms may include a smaller Protected Territory and a higher Royalty Fee, • pay us an extension fee of \$5,000 , • execute a general release of all claims against us, and • be lawfully entitled to continue to occupy the Premises for the entire following Succeeding Term
d Termination by franchisee	None	Not applicable
e Termination by franchisor without cause	None	Not applicable
f Termination by franchisor with cause	Sections 12 1, 12 2, 12 3	We can terminate your franchise only if you default under your Franchise Agreement
g "Cause" defined - curable defaults	Section 12 3	You have 30 days after notice to cure all defaults other than those described in Sections 12 1 and 12 2 of your Franchise Agreement
h "Cause" defined- non curable defaults	Sections 12 1 and 12 2	The following defaults may not be cured (except as expressly set forth below or in your Franchise Agreement) and are grounds for immediate termination of your Franchise Agreement (if not cured within the time period, if any, set forth below or in your Franchise Agreement) • you become insolvent or make a general assignment for the benefit of creditors, • a petition in bankruptcy is filed by the you or such a petition is filed

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		against or consented to you and such petition is not dismissed within 45 days,¹ • you are adjudicated bankrupt, • you fail to satisfy any of the conditions pertaining to opening your Franchised Business—or are not otherwise prepared to open for business—by the Opening Date Deadline, • within 10 days after we deliver a Notice of Default, you fail to pay us or any affiliate any amount due, • you abandon your Franchised Business or, for more than more than 7 consecutive days or 14 days in any calendar year, you cease to conduct your Franchised Business at the Premises, • a serious or imminent threat or danger to public health or safety results from constructing, maintaining, or operating the Franchised Business and such threat or danger remains uncorrected, • you fail or refuse to comply with mandatory specifications, standards or procedures relating to cleanliness or sanitation and such default remains uncorrected, • you, or any of your officers, directors, owners or managerial employees are convicted of, or plead <i>nolo contendere</i> to, a felony, a crime of moral turpitude, etc unless the you immediately and legally terminate such individual as an officer, director, owner, or employee, • you deny or interfere with our right to inspect the Franchised Business, audit the sales and accounting

¹ The provision in your Franchise Agreement which terminates the Franchise upon your bankruptcy may be unenforceable under federal bankruptcy law (Title 11, United States Code Section 101 et seq)

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		records or access information from the P O S System, • you engage in conduct that is deleterious to, or reflects unfavorably on, us, the Proprietary Marks, the Proprietary Property, or the System, • you or any of your owners made any material misrepresentation in obtaining your franchise, including in any franchise application submitted to us, • you breach any of your obligations relating to Confidential Information or noncompetition, • you maintain false books or records, or submit any false reports to us, • you misuse or make any unauthorized use of the Proprietary Property or otherwise materially impair the goodwill associated with the Proprietary Property or our rights in the Proprietary Property, • any person attempts or purports to transfer any rights or obligations under your Franchise Agreement, without our written consent, • during any 12-consecutive-month period, you receive two or more Notices of Default—whether for the same or different defaults—even if those defaults have been cured, • you receive two or more unsatisfactory or failing reports in connection with any “mystery shopper,” or similar type, quality-control and evaluation program, • you or any of your affiliates default under any other agreement with us or our affiliate and we or our affiliate terminate the agreement, • you fail to provide an acceptable Site or fail to acquire or lease the

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		Premises within the periods required, • you breach any of your obligations under the Antiterrorism Law provisions, or • you or your representatives or employees fail to satisfactorily complete training as required
i Franchisee's obligations on termination/nonrenewal	Sections 13 1, 13 2, 13 3, 13 4, 13 5, 13 6, 13 7, 13 8	Your obligations include ceasing operations and using our Proprietary Property and Proprietary Marks, assigning us your lease if we request, distinguishing your operations if we do not ask you to assign your lease, returning our Proprietary Property, and selling us, if we request, all your assets used in connection with your Franchised Business at a price equal to the lesser of your cost or fair market value
j Assignment of contract by franchisor	Section 11 1	There are no restrictions on our right to assign
k "Transfer" by franchisee-defined	Section 11 2	Without our prior written consent, you may not sell, assign, convey, or otherwise dispose of—voluntarily, involuntarily, directly or indirectly, by operation of law or otherwise—any direct or indirect interest in your Franchise Agreement. The term "transfer" refers to any of the preceding actions. A transfer of 25% or more of voting or ownership interests in a franchisee—individually or in the aggregate, directly or indirectly—is considered a transfer of an interest in your Franchise Agreement, as is a transfer of all or substantially all of your assets used to operate your Franchised Business.
l Franchisor's approval of transfer by franchisee	Section 11 2	Unless you satisfy all the transfer conditions in your Franchise Agreement, we need not consent to a transfer of any interest in your Franchise Agreement.
m Conditions for franchisor's approval of transfer	Section 11 2	Some of the transfer conditions are as follows:

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		• you have complied with your right-of-first-refusal obligations and we have not exercised our right-of-first-refusal, • all your accrued monetary obligations and all other outstanding obligations to us have been satisfied, • you have not defaulted under your Franchise Agreement, • you have executed a general release of all claims against us, • the transferee enters an assumption agreement, under which it assumes all of the transferor's obligations under Franchise Agreement, or, if we request, the transferee enters the form of franchise agreement we then offer to new franchisees (for a term equal to the then remaining Term of the original Franchise Agreement) and any other ancillary agreements that we may require, the terms of those agreements may substantially differ from those of the original Franchise Agreement—such differing terms may include a smaller Protected Territory and higher Royalty Fee, • the transferor pays us a transfer fee of 25% of the purchase price provided in an executed Asset Purchase Agreement, or \$5,000 whichever is greater, if we require the transferee to enter a new franchise agreement, the transferee need not pay any initial franchise fee due under that agreement, • the transferee has demonstrated to our satisfaction that the transferee has the business and personal skills, reputation, and financial capacity we require, • the transferee has renovated the Franchised Business to conform to the trade dress and operating and

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		design concepts then used in our franchise system, - the transferee has demonstrated that it, he, or she has properly assumed, and will be able to comply with, all of its, his, or her obligations in connection with the Franchised Business, the transferee has satisfactorily completed our application procedures for new franchisees, - we are reasonably satisfied that the proposed sale terms and other factors involved in the transfer do not materially reduce the transferee's ability to assume and carry out its obligations effectively—we, however, have no duty to consider such factors, and - the transferee's Franchise Owner, Head Coach, Business Development Manager, Shula's Chef and any of the prospective franchisee's personnel that we may require attend and satisfactorily complete Basic Training
n Franchisor's right of first refusal to acquire franchisee's business	Section 11 4	We can match any offer for (i) an interest in the franchisee belonging to any person who owns at least a 10% ownership or voting interest in the franchisee or an entity with an ownership interest in the franchisee, (ii) your interest in your Franchise Agreement, or (iii) for all or a material part of your assets
o Franchisor's option to purchase franchisee's business	None ¹	Not applicable
p Death or disability of franchisee	Section 14 1	Within six months of the death of any of the following individuals, that individual's estate must transfer his or her interests in the Franchisee (or in any of the Franchisee's owners) or in your Franchise Agreement (i) any individual

¹ But when your Franchise Agreement expires or is terminated if we request you must sell us all your assets used in connection with the Franchised Business at a price equal to the lesser of your cost or fair market value

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		who holds a 25% or greater voting or ownership interest in the Franchisee (or in any of the Franchisee's owners), or (ii) any individual who is the Franchisee There are no applicable provisions relating to disability
q Non-competition covenants during the term of the franchise	Section 14 1	During the term of your Franchise Agreement you may not participate in a competitive business wherever located
r Non-competition covenants after the franchise is terminated or expires	Section 14 1	During the 36 month period beginning on the expiration or sooner termination of your Franchise Agreement, you may not participate in a competitive business located within 15 miles of your Premises or the premises of any other <i>Shula's</i> Restaurant (i) then in operation, (ii) under construction or development, or (iii) demonstrably expected to be under development within the 12 months after such expiration or termination
s Modification of the agreement	Sections 7 3, 14 1, 19 2, 19 3	No modifications unless signed by the party against whom enforcement is sought, but we may unilaterally revise operating manuals, modify our franchise system, and reduce the scope of your non-compete covenant
t Integration/merger clause	Section 19 16	Only the terms of your Franchise Agreement are binding (subject to state law) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u Dispute resolution by arbitration or mediation	Sections 17 1 and 17 2	Subject to state law, many types of disputes must be mediated in Broward County, Florida Disputes may not be arbitrated
v Choice of forum	Section 19 10 and 19 24	Subject to state law, Litigation must be brought in state or federal court for Broward County, Florida, subject to the provisions concerning mediation Subject to state law, the parties waive their right to a jury trial

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
w Choice of law	Section 19 14	Subject to state law and except to the extent the Lanham Act governs, Florida law applies

ITEM 18 PUBLIC FIGURES

Coach Don Shula, former Head Coach of the Miami Dolphins football team of the National Football League, authorizes us to use his name and likeness Coach Shula does not own a direct ownership interest in us Nor does he participate in the day-to-day management or supervision of the System Coach Shula receives a percentage of our net profits in exchange for this authorization Coach Shula has not made any monetary investment in us and there is no separate charge to you for using his name and likeness Coach Shula is a consultant to us but has no actual management involvement with or control of our franchise system, and we make no guaranties or warranties to you regarding the availability or participation, directly or indirectly, of Coach Shula

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a 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 Dave Shula, at Shula's Steak Houses, LLLP, 3020 NE 32nd Avenue, Suite #347, Ft Lauderdale, FL 33308, (954) 393-1930, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2014 TO 2016

TABLE 1

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED	2014	26	26	0
	2015	26	24	-2
	2016	24	18	-6
COMPANY- OWNED	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
TOTAL OUTLETS	2014	26	26	0
	2015	26	24	-2
	2016	24	18	-6

TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR THE YEARS 2014 TO 2016

TABLE 2

STATE	YEAR	NUMBER OF TRANSFERS
TOTAL OUTLETS	2014	2
	2015	1
	2016	0

STATUS OF FRANCHISED OUTLETS
FOR YEARS 2014 TO 2016

TABLE 3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operation Other Reasons	Outlets at End of the Year
AL	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
AZ	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
FL	2014	11	0	0	0	0	0	11
	2015	11	0	1	0	0	0	10
	2016	10	0	2	0	0	0	8

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation Other Reasons	Outlets at End of the Year
GA	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
IL	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	1	0	0	1
IN	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
LA	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
NY	2014	1	0	0	0	0	0	1
	2015	1	0	1	0	0	0	0
	2016	0	0	0	0	0	0	0
NC	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
OH	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
PA	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
RI	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	1	0	0	0
TX	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
UT	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
VA	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
TOTAL	2014	26	0	0	0	0	0	26

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation Other Reasons	Outlets at End of the Year
	2015	26	0	2	0	0	0	24
	2016	24	0	4	2	0	0	18

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2014 TO 2016**

TABLE 4

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
TOTAL	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Notes

- (1) All numbers are as of December 31 for each year
- (2) Two restaurants in Florida are under license agreements whose terms vary from the Franchise Agreement attached to this disclosure document

There are no company-owned outlets, we do not ourselves operate any Shula's restaurants

PROJECTED OPENINGS AS OF DECEMBER 31, 2016

TABLE 5

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Florida	0	1	0
Tennessee	1	1	0
TOTAL	1	2	0

Current Franchisee Contact Information

A list of the names, addresses and telephone numbers of our current franchisees is attached to this disclosure document as Exhibit E

Former Franchisees Contact Information

A list of the names, addresses and telephone numbers of franchisees who have had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date, is attached to this disclosure document as Exhibit F

If you buy the franchise offered in this disclosure document, your contact information may be disclosed to other buyers when you leave the franchise system

Confidentiality Clauses

In the last three fiscal years, certain former franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Shula's Steak Houses, LLLP. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Trademark-Specific Franchisee Organizations

There are no trademark specific franchisee organizations.

ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our audited, fiscal year-end financial statements for December 31, 2014, December 31, 2015, and December 31, 2016.

ITEM 22 CONTRACTS

Exhibit A – Franchise Agreement

- The Designated Principal Trademark (Schedule 1.1 to Franchise Agreement)
- The Premises and Reserved Area (Schedule 2.2 to Franchise Agreement)
- UCC-1 Financing Statement (Exhibit 4.7 to Franchise Agreement)
- Agreement with Landlord (Exhibit 5.1 b to Franchise Agreement)
- Employee Confidentiality/Non-Disclosure Agreement (Exhibit 7.2 to Franchise Agreement)
- Limited Power of Attorney to Transfer Telephone Listings and Numbers (Exhibit 13.1 to Franchise Agreement)

Exhibit G – Franchisee Questionnaire

Exhibit I – sample General Release form

Exhibit J – Non-Disclosure Agreement

ITEM 23 RECEIPTS

Two copies of a document acknowledging your receipt of this disclosure document appear at the end of this disclosure document (following the exhibits and attachments). Please sign both copies, return one copy to us and retain the other copy for your records.

Exhibit A to the Franchise Disclosure Document

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT
between
SHULA'S STEAK HOUSES, LLLP
and

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SCHEDULES

- 1 1 The Designated Principal Trademark
- 2 2 The Premises and Reserved Area

EXHIBITS

- 4 7 UCC-1 Financing Statement
- 5 1 b Agreement with Landlord
- 7 2 Employee Confidentiality/Non-Disclosure Agreement
- 13 1 Limited Power of Attorney to Transfer Telephone Listings and Numbers

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is entered on _____, 20____, by SHULA'S STEAK HOUSES, LLLP, a Delaware limited liability limited partnership ("Shula's"), and _____, a _____ (the "Franchisee")

- A As the result of expending time, skill, effort, and money, Shula's has developed and owns a special System for operating distinctive restaurants featuring a variety of steak dishes and complementary foods
- B Each *Shula's* restaurant in the System is named and operated under one of the following Principal Trademarks *Shula's Steak House*®, *Shula's 2 Steak & Sports*®, *Shula's 347 Grill*®, *Shula's On The Beach*®, *Steakbar 347 By Shula's*
- C In addition to the Principal Trademarks, the System is designed to offer a consistent selection of innovative and distinctive menu items, elegant, efficient, and enthusiastic service, and dining conveniences featured in an environment combining traditional and contemporary elements
- D The System's other distinguishing characteristics include Secret Recipe Products, uniform standards and procedures for business operations, special graphics package, training in the operation, management, and promotion of the Franchised Business, advertising and promotional support, customer development and service techniques, and other technical assistance, all of which may be changed, improved, or further developed by Shula's from time to time (collectively, the "Brand Elements")
- E The Franchisee recognizes the benefits to be derived from receiving a Franchise from Shula's and desires to enter into this Agreement and receive those benefits
- F Shula's has reviewed the Franchisee's application and has decided to award a Franchise to the Franchisee in accordance with the terms of this Agreement

NOW THEREFORE, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows

ARTICLE 1 DEFINITIONS

- 1.1 **Definitions** For the purposes of this Agreement, the following terms have the following meanings

"AAA" means the American Arbitration Association

"Affiliate," or **"affiliate,"** means, with respect to a corporation or other business entity, any person controlling, controlled by, or under common control with that corporation or business entity With respect to an individual, affiliate means that individual's Family members, as well as such Family members' spouses, and the corporations or other business entities such individual and his or her Family members, directly or indirectly, control

"Agreement" means this Franchise Agreement, as it may be amended, supplemented, or otherwise modified in accordance with Section 19.2

"Agreement Date" means the date this Agreement was entered by the parties, as set forth in the first paragraph hereof

"Annual Performance Standard" means the minimum annual Gross Revenues the Franchisee must earn under Section 18.2 a iii

"Basic Training" means the training described in Section 3.4 a

"Business Affiliate" means any of Shula's employees, officers, directors, agents, consultants, representatives, contractors, suppliers, distributors, franchisees or other business contacts

"Business Day" means any day other than a Saturday, Sunday or the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving and Christmas

"Business Development Manager" means the Franchised Business's business development manager described in Section 5.12 b,

"Chain" means the group of Company-Owned Units and franchised units each operating a restaurant under the System

"Company-Owned Unit" means a restaurant operated under the System and owned by Shula's or any of its affiliates

"Competitive Business" means a business that is engaged wholly or partially, directly or indirectly, in operating either of the following: (a) a steak-based or celebrity or sports-themed restaurant—whether sit-down, take-out, or delivery, or (b) any restaurant 25% or more of whose gross sales (not including sales of beverages and non-food items) in any 90-day consecutive period are steak-based menu items

"Confidential Information" means any knowledge, know-how, technologies, processes, techniques, and any other information that Shula's designates as confidential, proprietary, or trade secrets or that is not readily available in the public domain through any breach of duty to Shula's. Confidential Information includes the Shula's Manuals, Secret Recipe Products, and the Customer List (and any other information pertaining to its customers and potential customers that the Franchisee may collect or maintain)

"Consumer Price Index" means the Consumer Price Index - All Items - Urban Consumers (CPI-U) (December 1999 = 100), or its successor, as published by the U.S. Government

"Contract Interest Rate" means the rate of interest set forth in Section 4.5

"Control" means (a) the ownership of more than 25% of the outstanding ownership or voting interests in an entity or (b) the possession, directly or indirectly, of the power to cause the direction of management and policies of such person, whether through equity ownership, by agreement, or otherwise

"Customer List" means the customer list that the Franchisee is required to create and maintain under Section 5.21,

"Design Specifications" means the specifications described in Section 3.2.a

"Designated Principal Trademark" means the proprietary trademark which the Franchisee is authorized to identify and operate its Franchised Business under in accordance with this Agreement and which is designated in Schedule 1.1

"Designee" means one or more of Shula's representatives who are independent contractors and appointed by Shula's to perform its duties under this Agreement

"Dispute" means any dispute, claim, or controversy arising under or relating to this Agreement or any agreement entered by the parties in connection with this Agreement (including any dispute relating to Shula's offer, sale, or negotiation of a Shula's franchise or the relationship of the parties arising therefrom or from entering this Agreement or any claim that this Agreement, or any part thereof, is invalid, illegal, or otherwise voidable or void)

"Extension Fee" means the amount the Franchisee must pay Franchisor for extending the franchise under Section 18.2.a.viii

"Family" means, with respect to an individual, such individual's spouse and such individual's siblings, lineal ancestors of such individual or its spouse or siblings, lineal descendants of any grandparent of such individual or its spouse or siblings, and trusts for the exclusive benefit of such individual or any of the other foregoing individuals. Family relations include those by birth, adoption, and step-relations by marriage. Half-siblings are considered siblings.

"FDD" means Shula's current Franchise Disclosure Document and all exhibits and supplements thereto

"Franchise" means the rights granted to the Franchisee under this Agreement

"Franchised Business" means the Shula's restaurant that the Franchisee is authorized to establish and operate under the Principal Trademark at the Premises in accordance with this Agreement

"Franchise Owner" means (a) if the Franchisee is an individual, such individual, or (b) if the Franchisee is an entity, an individual with a direct or indirect equity interest of at least 25% in such entity

"Grand Opening" means the grand opening of the Franchised Business that must be conducted in accordance with the Grand Opening Manual. The Grand Opening usually occurs four to six weeks after the Soft Opening

"Grand Opening Advertising Expenditure" means the amount set forth in Section 8.2 that the Franchisee must spend on the Grand Opening

"Grand Opening Advertising Program" means the grand-opening advertising and promotion program described in Section 8.2

"Gross Revenues" means the entire amount of all the Franchisee's revenues and other earned fees (whether or not actually collected) arising out of the ownership or operation of the Franchised

Business or any business operating at or from the Franchised Business Without limiting the generality of the foregoing

- a Gross Revenues include the entire amount of gross charges for all products, food, beverages, services, and non food items, i e , shirts, hats, condiments—including mustard, steak sauce, barbecue sauce, and hot sauce, etc) sold to customers of the Franchised Business for cash, credit, accounts receivables, checks, gift certificates, scrip, food stamps, premiums, services, property or other means of exchange whether made from (i) the Franchised Business, or (ii) any other venues such as carts, kiosks, displays or any other areas offering any items cooked, prepared, or served at or from, or catered in connection with, the Franchised Business, including orders originated from the Franchised Business where delivery or performance is made other than at the Franchised Business, such as food sales from the lobby bar, at banquet functions, in a private dining room or through room service,
- b Gross Revenues exclude the amount of any sales taxes that are collected and actually paid to the taxing authority,
- c Gross Revenues shall exclude the sale, discount, or give-away of meals served to an employee while the employee is on duty,
- d Gross Revenues may be evidenced by cash, credit, accounts receivable, checks, gift certificates, scrip, food stamps and premiums (unless exempted in writing by Shula's), services, property, or other means of exchange To the extent that such cash, credit, or receivables represent amounts previously included in Gross Revenues on which Royalty Fees and all other amounts due hereunder in connection therewith were paid, such cash refunded and credit given to customers, as well as such receivables uncollectible from customers, may be deducted when computing Gross Revenues,
- f Gross Revenue shall also include all promotions, discounts, and give-aways of goods or services whether or not evidenced by cash, credit, accounts receivables, checks, gift certificates, scrip, food stamps, premiums, services, property or other means of exchange, including barter, unless pre-approved or otherwise exempted by Shula's in writing
- g Gross Revenues are deemed received by the Franchisee at the time the goods or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first The proceeds of the Franchisee's business interruption insurance are included in Gross Revenues

"Head Coach" means the Franchised Business's general manager described in Section 5 12 a

"Initial Franchise Fee" means the fee described in Section 4 1 a

"Local Advertising" means advertising and promotion undertaken by the Franchisee in media directed primarily at the Franchisee's local market area, including concierge programs, television, radio, newspapers, magazines, billboards, posters, handbills, direct mail, sports program-booklet advertising, church bulletins, collateral promotional and novelty items (e g , matchbooks, pens and pencils, bumper stickers, calendars) that prominently display the Proprietary Marks, and advertising on public vehicles such as taxis and buses Local Advertising also includes the cost of

producing materials necessary to participate in these media, agency commissions related to the production of such advertising, and amounts paid to a merchant's association for advertising of which the Franchisee is a member. Local Advertising does not include payments in connection with permanent on-premises signs, lighting, menus, menu boards, purchasing or maintaining vehicles, (even if such vehicles display in some manner the Proprietary Marks), contributions or sponsorships (unless the Proprietary Marks are prominently displayed by the group or activity receiving the contribution or sponsorship), premium or similar offers (e.g. discounts, price reductions, special offers, free offers and sweepstakes offers—except that the media costs associated with promoting premium offers are included), employee-incentive programs, and other similar payments that Shula's, in its discretion, determines should not be included in determining whether the Franchisee has met its Local Advertising obligations.

"Managers' Training" means the Managers' Training program described in Section 3.5 for the Head Coach, Business Development Manager, and Shula's Chef.

"Memorabilia" means the items of football and related memorabilia that the Franchisee must acquire for and display at the Franchise Restaurant in accordance with Section 3.8.

"Non-Traditional Venue" means any site located in, at, or around gas stations or convenience stores, shopping malls, retail centers, plazas, airports, train stations, bus stations, travel plazas, stadiums, arenas, convention centers, military facilities, schools, colleges, universities, malls, food courts, hotels, cruise ships, hospitals, recreational theme parks, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos, or any other similar captive market location.

"Notice of Default" means a notice of default of one or more of the terms of this Agreement, which notice must be in writing and briefly describe the nature of the default.

"Opening Date" means the date of the Soft Opening.

"Opening Date Deadline" means the date defined in the last sentence of Section 5.5.

"Payment System" means the system the Franchisee is required to participate in to make payments to Shula's as described in Section 4.3.

"Plans" means the plans and specifications described in Section 5.2.a.

"POS System" means the combination of any or all of the following: computers, computerized cash registers, cash drawers, point-of-sale terminals, touch screens, bar-code scanners, receipt printers, credit-card-swipe readers, and other computer hardware, software, and peripherals and related services (including high-speed Internet service), that the Franchisee must purchase and use in accordance with Shula's specifications contained in the Shula's Manuals or otherwise specified by Shula's.

"Premises" means the premises defined in Section 2.2.

"Proprietary Marks" means the Designated Principal Trademarks and all other trademarks, service marks, trade names, logos and commercial symbols that Shula's periodically authorizes the Franchisee to use under this Agreement.

"Proprietary Property" means the Proprietary Marks, Confidential Information, Brand Elements, Memorabilia, and copyrighted, or copyrightable, information of Shula's or its affiliates that Shula's periodically authorizes the Franchisee to use under this Agreement

"Protected Territory" means the territory identified in Schedule 2 2

"Reserved Area" means the area described in Schedule 2 2 in which the Franchisee must conduct its Site-selection process to identify and submit proposed Sites for the Franchisor's approval in accordance with its Site-approval process

"Royalty Fee" means the fee described in Section 4 1 b

"Secret Recipe Products" means Shula's proprietary sauces, condiments, marinades, and all other recipes and products that may be hereafter created by or for Shula's and deemed secret

"Shula's Chef" means the Franchised Business's head chef described in Section 5 12 c

"Shula's Manuals" means all manuals, and any revisions thereto, prepared for the internal use of the Franchised Business currently or subsequently produced by, or for the benefit of, Shula's and loaned to the Franchisee. The Shula's Manuals currently include a restaurant product manual, a collateral manual, a marketing manual and the Grand Opening Manual. The Shula's Manuals contain, among other things, standard operating procedures to be used in the System, specifications for products and marketing materials, as well as contain various forms, stationery, and control sheets

"Site" means the site for the Premises determined in accordance with Section 5 1 a

"Site-Selection Criteria" means Shula's site-selection criteria set forth in Section 5 1 a

"Soft Opening" means the first opening of the Franchised Business for business to the general public

"Successor Term" means the term of the Successor Franchise Agreement, as set forth in Section 18 2(a)

"Successor Franchise Agreement" means Shula's then-current form of the franchise agreement being offered to new franchisees (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a Successor Franchise Agreement), which Successor Franchise Agreement shall supersede in all respect this Agreement and the terms of which may differ from the terms of this Agreement, in accordance with Section 18 2 a

"System" means Shula's system for operating a Shula's restaurant. The system includes specific standards and procedures and Proprietary Property—all of which may be improved, further developed, or otherwise modified as well as those features described in this Agreement

"Term" means the term of the Agreement described in Section 18 1

"Trainee" means any person Shula's requires to attend Basic Training under Section 3 4 a

"Transfer Fee" means the fee described in Section 11 2 d v

1 2 **Other Definitional Provisions**

- a "Including (include)" means "including (include), without limitation " "Or," as in "A or B," means "A or B or both " "Herein," "hereunder," and "hereof" refer to this Agreement, and not to the specific section in which that term occurs
- b The term "person" includes any corporation, partnership, limited liability company, estate, trust, association, branch, bureau, subdivision, venture, associated group, individual, government, institution, instrumentality, and other entity, enterprise, association, or endeavor of every nature and kind

ARTICLE 2
APPOINTMENT

- 2 1 **Grant** Subject to the terms and conditions contained in this Agreement, Shula's grants the Franchisee the non-exclusive right—and the Franchisee undertakes the obligation—to operate the Franchised Business in accordance with the System
- 2 2 **Location of the Franchised Business** The "Premises" means the entire real property, either owned or leased by the Franchisee, as described in Schedule 2 2 If Schedule 2 2 is not complete as of the Agreement Date, the Premises shall be designated and Schedule 2 2 completed immediately after the Site is approved in accordance with Section 5 1 The failure to insert the address for the Premises or to insert a description of the Reserved Area shall not render this Agreement unenforceable The location of the Premises may not be changed Without limiting the generality of anything in this Section 2 2
 - a the Franchisee shall operate the Franchised Business only at the Premises and not from or at any other location, whether on a permanent or temporary basis, even if such location is within the Protected Territory, and
 - b the Franchisee shall not, without Shula's' prior approval, engage in off-site catering activities or make deliveries, all sales must be made at and from the Premises
- 2 3 **Protected Territory** After the Site is identified by Franchisee and approved by Shula's, so long as Franchisee is not in default under this Agreement, and all other related agreements, and except as provided in this Agreement, Shula's shall not itself operate—or grant a third party the right to operate—a restaurant identified by the Designated Principal Trademark within the Protected Territory (the "Protected Territory" shall be identified on Schedule 2 2 by a map or written description) Franchisee acknowledges and understands that the Protected Territory will be different, and in most cases, smaller than, the Reserved Area Franchisee authorizes Shula's to complete Schedule 2 2 to define the Premises and the Protected Territory in the event that a Premises and/or the Protected Territory is not identified at the time this Agreement is executed Franchisee acknowledges that this Agreement confers no marketing exclusivity in the Protected Territory to Franchisee Notwithstanding the foregoing, Shula's reserves for itself the rights set forth in Sections 2 4 and 6 6 Such rights are superior to the rights of the Franchisee under this Agreement

In addition, notwithstanding anything contained in this section or elsewhere in the Franchise Agreement or its exhibits, Franchisor, through itself, its affiliates, or its franchisees or licensees, shall have the absolute right to establish and operate Shula's restaurants that are not identified by the Designated Principal Trademark within the Protected Territory, and such establishment and operation shall not constitute a breach of this Agreement

2.4 Shula's Reservation of Rights Shula's and its affiliates retain any and all rights with respect to the System and the Proprietary Marks, the sale of any other products and services, anywhere in the world, including, without limitation, the right to now or in the future

- a to operate and license others to operate restaurants identified in whole or in part by the Designated Principal Trademark, or any other Proprietary Marks, in the Protected Territory or proximate to the Premises that are located at Non-Traditional Venues,
- b to award national or regional licenses to third parties to sell products, including those products that are now or in the future part of the System, under the Proprietary Marks in foodservice facilities primarily identified by the third party's trademark at any location including within the Protected Territory, or proximate to the Premises,
- c to develop and operate, and license others to develop and operate anywhere within or outside the Protected Territory or proximate to the Premises, restaurants and other businesses identified by any name or mark, other than restaurants identified by the Designated Principal Trademark in the Protected Territory during the Term of this Agreement,
- d to merchandise and distribute products, including those products that are now or in the future part of the System, identified by some or all of the Proprietary Marks including without limitation the name and mark ***Shula's Steak House***[®] ***Shula's 2 Steak & Sports***[®], ***Shula's 347 Grill***[®], ***Shula's On The Beach***[®], or ***Steakbar 347 By Shula's*** in the Protected Territory or proximate to the Premises through any other method or channel of distribution, including without limitation from or through grocery stores, supermarkets, convenience stores, the internet, mail order, shopping clubs and/or other wholesale or retail facilities,
- e to sell and distribute products, including those products that are now or in the future part of the System, identified by some or all of the Proprietary Marks to restaurants in or outside the Protected Territory,
- f to develop and operate, and to license others to develop and operate, during the Term of the Agreement, restaurants identified by the Designated Principal Trademark or any other name and mark owned by Shula's now or in the future, at any location outside of the Protected Territory, including, without limitation, locations proximate to the Protected Territory or the Premises,
- g to develop and operate, and to license others to develop and operate, after this Agreement terminates or expires, restaurants identified by the Designated Principal Trademark or any other name or mark owned by Shula's now or in the future, at any location, including, without limitation those locations within or proximate to the Protected Territory or the

Premises, and

- h to purchase, merge, acquire or affiliate with an existing restaurant chain, food-service chain or any other business regardless of the location of the chain's facilities, and to operate, franchise, or license those facilities as Shula's restaurants operating under the System, the Proprietary Marks or any other marks following Shula's purchase, merger, acquisition, or affiliation, regardless of the location of these facilities (which may be within the Protected Territory and proximate to the Premises)

ARTICLE 3 FRANCHISOR'S DUTIES

During the terms of this Agreement, and so long as the Franchisee is not in default under this Agreement, Shula's shall assist and provide certain services to the Franchisee as follows

- 3 1 ***Site-Selection Criteria*** Shula's shall supply the Franchisee with the Site-Selection Criteria in accordance with Section 5 1 At Shula's option, Shula's Designee may also provide Site selection assistance to the Franchisee

- 3 2 ***Specifications***

- a Shula's shall loan to the Franchisee specifications of Shula's requirements for design, decoration, layout, equipment, furniture, fixtures and signs for the Franchised Business (the "Design Specifications")
- b On or before the Opening Date, or, if sooner, the Opening Date Deadline, the Franchisee shall return to Shula's the Design Specifications

- 3 3 ***Lists, Forms and Schedules***

- a Shula's shall provide the Franchisee with a list of required equipment, supplies, materials, inventory and other items necessary to operate the Franchised Business and a list of approved suppliers of all such items
- b Shula's shall provide the Franchisee with an initial marketing template
- c Shula's shall provide the Franchisee with a schedule of items that the Franchisee shall purchase from Shula's or its affiliates Such items include inventory business forms, menus, brochures and other items
- d Shula's shall provide the Franchisee with a schedule of recommended items, such as equipment and supplies, the Franchisee may purchase from third-party suppliers

- 3 4 ***Basic Training***

- a ***Basic Training*** Not later than 60 days before the scheduled Opening Date of the Franchised Business, Shula's shall provide the Franchisee with 14 days of on site Basic Training at the Premises (or such other location designated by Shula's) The Franchise Owner (or designated representative approved by Shula's), the Head Coach, the Business Development Manager, the Shula's Chef, and any of the Franchisee's other employees that Shula's designates must attend and complete Basic Training to Shula's satisfaction (each of

the foregoing, a "Trainee"), provided, that, all Trainees must attend Basic Training at the same time. The Franchisee agrees that it must reimburse Shula's for expenses Shula's incurs in connection with its provision of Basic Training (including, but not limited to, Shula's training staffs' travel, lodging, and meal expenses). Basic Training may cover any or all of the following topics: corporate culture, merchandising, food preparation, presentation, beverages, staff management, and customer service. Shula's reserves the right to modify the content and length of Basic Training at its discretion.

- b ***Failure to Complete Basic Training*** If Shula's, in its sole judgment, determines that any Trainee has failed to satisfactorily complete Basic Training, it may, at the Franchisee's expense, retrain the failing Trainee or allow the Franchisee to hire a substitute Trainee who must attend and satisfactorily complete Basic Training. The Franchisee must pay Shula's then current standard fees for retraining a failing Trainee and/or for a substitute to complete Basic Training, plus travel, lodging, and meal expenses incurred by the Franchisor's training staff in connection with such training.

3.5 ***Managers' Training***

- a ***Managers' Training*** Shula's shall also provide Managers' Training that is three (3) to five (5) Business Days long and conducted at Shula's headquarters (or such another location designated by Shula's). The Head Coach, Business Development Manager, and Shula's Chef must each attend Manager's Training not later than 14 days after Shula's approval of each such manager. The Franchisee shall pay for all expenses relating to having its personnel attend Managers' Training, including travel, lodging, and meal expenses.
- b ***Failure to Complete Manager's Training*** If Shula's, in its sole judgment, determines that any person has failed to satisfactorily complete Managers' Training, it may, at the Franchisee's expense, retrain the failing person or allow the Franchisee to hire a replacement who must attend and satisfactorily complete Managers' Training. The Franchisee must pay Shula's then current standard fees for retraining a failing Trainee and/or for a substitute to complete Manager's Training, plus travel, lodging, and meal expenses incurred by the Franchisee's Trainees. The Franchisee acknowledges that it is of paramount importance that the Franchisee and its employees or representatives understand the System and, therefore, the Franchisee's (or the Franchisee's representatives and/or employees') failure to complete Shula's Basic Training or Managers' Training as required, to the satisfaction of Shula's, shall be grounds for Shula's to elect to terminate this Agreement without providing the Franchisee with any opportunity to cure.
- c ***Replacement Managers*** All Replacement managers (the Head Coach, Business Development Manager, and Shula's Chef) must attend and complete, to Shula's satisfaction, the Managers' Training. The Franchisee must pay Shula's its then current standard fees for the training of replacement managers, as set forth in the Shula's Manuals or otherwise. The Franchisee will also be responsible for all expenses and costs incurred by those persons attending the training, including, without limitation, wages, travel, lodging, and meal expenses.

- 3 6 **Supplemental Training** Shula's may, in its sole and absolute discretion, allow the Franchisee to send, at the Franchisee's expense, a reasonable number of its staff to another *Shula's* restaurant for training. Shula's may, in its sole discretion, send one or more representatives to the Franchised Business no more than twice each calendar year to provide supplemental training to the Franchisee and its managers and employees. The Franchisee shall pay Shula's the then current standard fees for this supplemental training, and shall also reimburse Shula's for its reasonable expenses incurred in providing supplemental training, including those expenses incurred for travel, meals and lodging.
- 3 7 **Loan of the Shula's Manuals** Shula's shall loan the Franchisee one copy of, or provide the Franchisee with access to, the Shula's Manuals (with periodic revisions as required). Shula's customary practice is to provide access to the Shula's Manuals to the Franchisee at or shortly before Basic Training. Shula's may provide the Shula's Manuals, as well as any other printed or graphic materials it must provide the Franchisee under this Agreement, in an electronic medium, including e-mail, hand-outs, by download from Shula's website, or such other technology which may then be in existence.
- 3 8 **Memorabilia**
- a Shula's shall loan the Franchisee what it considers to be an appropriate amount of Memorabilia for interior display at the Franchised Business. Shula's shall designate one or more suppliers from whom the Franchisee shall acquire the Memorabilia. The Memorabilia must be framed and displayed by the Franchisee, at Franchisee's expense, in the manner that prescribed in the Shula's Manuals. Franchisee acknowledges and agrees that the Memorabilia will continue to be the exclusive property of Shula's. Even though the Memorabilia belongs to Shula's, the Franchisee shall pay for its production and for acquiring appropriate display fixtures, as well as the costs relating to hanging and otherwise installing the Memorabilia at the Franchised Business. These display fixtures—including frames, cases, and display shelves—are the Franchisee's property and may be kept by the Franchisee when it returns the Memorabilia to Shula's.
 - b Upon the expiration or sooner termination of this Agreement, or otherwise upon Shula's request, the Franchisee shall immediately return requested items of Memorabilia to Shula's in the same condition that they were in when delivered to Franchisee by the supplier, normal wear and tear excepted. In addition to any other remedies contained herein, Shula's is entitled to an injunction by a court of competent jurisdiction if the Franchisee does not return any Memorabilia as requested by Shula's in addition to any other remedies available to Shula's at law or in equity.
 - c The Franchisee shall pay Shula's the fair market value of any item of Memorabilia not returned in accordance with, or returned in a condition other than that required by, this Section 3 8, plus Shula's attorneys' fees and the costs of litigation incurred with respect to any unreturned items. An appraiser selected by Shula's shall determine the fair market value of such Memorabilia. Shula's, exercising good faith and its reasonable judgment, alone shall determine the condition of all returned Memorabilia.

d The Franchisee shall replace any Memorabilia as required by Shula's from time to time

3 9 **Grand Opening Assistance** Shula's may provide on-site assistance to the Franchisee to assist its Grand Opening. Such assistance may be provided for up to three days, immediately before, during and/or after the Grand Opening, and involve one or more of Shula's representatives, as Shula's deems appropriate. The Franchisee shall reimburse Shula's for all expenses it incurs in connection with providing such Grand Opening assistance, including all travel, lodging, and meal expenses incurred by Shula's personnel providing such assistance. The Franchisee shall pay Shula's for the foregoing expenses in advance of such personnel's travel to the Premises.

3 10 **Continued Assistance and Support**

a **Field Visits** Shula's may, in its sole discretion, provide operating assistance and support by having a field representative visit the Franchised Business as Franchisor may deem appropriate from time to time. If Shula's makes an on-site field visit, the Franchisee must pay Shula's then current standard fees for Field Visits, as set forth in the Shula's Manuals or otherwise, and the Franchisee shall reimburse Shula's for all of Shula's costs and expenses associated with such Field Visits, including, but not limited to, Shula's travel, meal, and lodging expenses.

b **Advertising and Public Relations Campaigns** Shula's shall generally promote its Principal Trademarks through advertising and public-relations campaigns in such manner as it deems appropriate in its sole discretion.

c **Local Advertising** Shula's may provide advice to the Franchisee on Local Advertising.

d **Promotional Methods and Materials** Shula's may provide the Franchisee with any promotional methods and materials it may periodically develop.

e **Periodic Assistance** Shula's may provide, to the extent it considers appropriate in its sole discretion, advisory assistance to the Franchisee in the operation and promotion of the Franchised Business. The Franchisee understands and agrees that all advice and guidance provided by Shula's is only supportive of the operation of the Franchised Business and that the overall success of the Franchised Business is primarily dependent upon the Franchisee's business abilities and efforts.

f **Refresher or Additional Training** Shula's may provide refresher and advanced training programs and seminars (which may include advanced management training) at Shula's principal training facility (or such other location it may designate). Shula's may require the Franchise Owner and the Head Coach, Business Development Manager, the Shula's Chef and such of the Franchisee's other employees and staff as Shula's may designate to attend such programs and seminars. Attending such programs and seminars will not, however, be required more often than once a year. The Franchisee is solely responsible for all costs and expenses associated with such programs and seminars, including Shula's then current standard fees for such programs, as well as all travel, meal, and lodging expenses that the Franchisee's attendees incur.

- g **Special Assistance** If the Franchisee requests, Shula's may, in its sole discretion and to the extent that it can reasonably accommodate such request, furnish non-routine guidance and assistance to deal with the Franchisee's unusual or unique operating problems for the standard per diem fees and charges that Shula's periodically establishes, together with its out-of-pocket expenses
- 3 11 **Duties Solely to the Franchisee** All of Shula's obligations under this Agreement are solely to the Franchisee No other party may rely on, enforce, or obtain relief for breach of such obligations either directly or by subrogation
- 3 12 **Shula's Right to Delegate Duties** Shula's may delegate any or all of its duties under this Agreement to a Designee To the extent Shula's periodically requests, the Franchisee shall discharge its duties with respect to such Designee in the same manner that it is otherwise required to do so with Shula's
- 3 13 **No Guaranty of Success** The Franchisee acknowledges and agrees that any advice, guidance or assistance that Shula's may provide under this Agreement regarding the establishment or operation of the Franchised Business is not meant to be relied on or construed in any way as a representation, express or implied warranty, or any other indicia of the prospective profitability, viability, or merit of the Franchised Business The Franchisee understands and agrees that all advice, guidance, or assistance provided by Shula's is only supportive of the operation of the Franchised Business and that the overall success of the Franchised Business is primarily dependent upon the Franchisee's business abilities and efforts

ARTICLE 4 FEES AND PAYMENTS

4 1 **Types of Fees**

In consideration of Shula's executing this Agreement, in addition to any other fees that may be required hereunder, the Franchisee shall pay the following fees to Shula's

- a **Initial Franchise Fee** Upon the execution of this Agreement, the Franchisee shall pay an initial franchise fee (the "Initial Franchise Fee") as follows

- i **Shula's Steak House®** - One Hundred and Fifty Thousand Dollars (\$150,000 00)
The Initial Franchise Fee is fully earned by Shula's when paid and is nonrefundable
- ii **Shula's 2 Steak & Sports®, Shula's 347 Grill®, Shula's On The Beach®, or Steakbar 347 By Shula's** – One Hundred Twenty-Five Thousand Dollars (\$125,000 00) The Initial Franchise Fee is fully earned by Shula's when paid and is nonrefundable

- b **Royalty Fee** The Franchisee shall pay a continuing monthly nonrefundable royalty fee (the "Royalty Fee") equal to nine percent (9%) of monthly Gross Revenues

- 4 2 **Payment Schedule** Not later than the 20th day of each month during the Term (or at such other intervals as Shula's may from time to time specify), the Franchisee shall pay Shula's the Royalty Fee for the prior month, and deliver therewith any required monthly reports All other amounts due to Shula's from the Franchisee must be paid as specified in this Agreement or, if no time is

specified, such amounts are due upon receipt of an invoice from Shula's. Any payment or report not actually received by Shula's on or before the due date is overdue. If the date on which a payment or report would otherwise be due is not a Business Day, then such payment or report shall be due on the next Business Day.

4.3 Payment System

- a All required payments by the Franchisee to Shula's or to any of its affiliates must be effectuated by a payment system (the "Payment System") using electronic fund transfers or any other payment system designated by Shula's. Shula's may process such transfers at the time any payment is due and owing. The Franchisee shall cooperate with Shula's in all respects to implement the Payment System within 15 days before the scheduled Opening Date. The Franchisee shall cooperate with Shula's in maintaining the efficient operation of the Payment System.
- b With respect to the Payment System, if Shula's requests, the Franchisee shall give its financial institution instructions in a form provided or approved by Shula's and obtain the financial institution's agreement to follow such instructions. The Franchisee shall provide Shula's with copies of such instructions and agreement. Without Shula's prior approval, the financial institution's agreement may not be withdrawn or modified. The Franchisee shall also execute such other forms relating to funds transfer as Shula's or the financial institution may reasonably request from time to time.
- c If Shula's requests, the Franchisee's financial institution shall send a monthly statement of all activity in the designated account (and such other reports of the activity in the operating account as Shula's reasonably requests) to Shula's at the same time as it sends such statements to the Franchisee.
- d With respect to the Payment System, the Franchisee shall pay all charges imposed by its financial institution and Shula's shall pay all the charges imposed by its financial institution.

4.4 Payment Obligation The Franchisee's obligations to make payments in accordance with this Agreement and any other agreement entered into with Shula's or any of its affiliates with respect to the Franchised Business—and the rights of Shula's and its affiliates, if any, to receive such payments—are absolute and unconditional. They are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to any past, present, or future claims that the Franchisee has or may have against Shula's, any of its affiliates, any of its Designees, or against any other person for any reason whatsoever.

4.5 Interest on Late Payments, Late Charge Although each failure to pay monies when due is a material breach of this Agreement, to encourage prompt payment and to cover the costs involved in processing late payments, if any payment under this Agreement or any other agreement between Shula's and the Franchisee is overdue for any reason, the Franchisee shall pay to Shula's, on demand, in addition to the overdue amount, interest on such overdue amount from the date it was due until paid at a rate (the "Contract Interest Rate") equal to the lesser of (i) 18% per annum, or (ii) the maximum rate of interest permitted by law. In addition to interest on overdue amounts, the Franchisee shall pay a late charge on demand of \$100 for each payment that is more than 10

days overdue. The foregoing is not an agreement by Shula's to accept such payments after their due date or a commitment by Shula's to extend credit to the Franchisee, or otherwise finance the Franchisee's operations. Nothing in this Agreement may be construed to mean that the Franchisee is to pay, or has contracted to pay, any sum in excess of that which may lawfully be charged or contracted for under any applicable law. The parties intend to strictly conform to applicable usury laws. If an amount in excess of such laws is inadvertently collected, it must be applied to reduce the amounts owed for Royalty Fees, or for such other amounts owing Shula's.

- 4.6 **Application of Payments** Notwithstanding any designation by the Franchisee, Shula's has the discretion to apply any payments made by the Franchisee or effectuated through the Payment System to any past due indebtedness of the Franchisee, including Royalty Fees, purchases from Shula's or its affiliates, late charges, or any other indebtedness of the Franchisee to Shula's or its affiliates in any manner chosen by Shula's.
- 4.7 **Security Agreement** To secure the payment and performance of all the Franchisee's monetary and other obligations to Shula's or its affiliates arising under or relating to this Agreement, the Franchisee grants to Shula's a first-priority lien against and security interest in all the Franchisee's assets, including all accessions thereto and proceeds thereof. These assets include the lease for the Premises and all furniture, fixtures, machinery, equipment, inventory and all other property, (tangible or intangible), now owned or later acquired by the Franchisee, used in connection with the Franchised Business, and wherever located as well as all contractual and related rights of the Franchisee under this Agreement and all other agreements between the parties. Upon Shula's request, the Franchisee shall execute such financing statements, continuation statements, notices of lien, assignments or other documents as may be required in order to perfect and maintain Shula's security interest, including a UCC-1 Financing Statement in substantially the same form attached as Exhibit 4.7. Additionally, the Franchisee hereby authorizes Shula's to execute, in the Franchisee's own name, and file such financing statements, continuation statements or other applicable documents, using such descriptions of the aforesaid collateral as Shula's may deem appropriate. The Franchisee shall pay all filing fees and costs for perfecting Shula's security interest.
- 4.8 **Letter of Credit** In lieu of the Security Agreement described in Section 4.7, Shula's may require the Franchisee to obtain a Letter of Credit, in a form acceptable to Shula's, from a banking institution approved by Shula's, in such amount as deemed appropriate by Shula's to secure the payment and performance of all the Franchisee's obligation arising under this Agreement.
- 4.9 **Rebates** Suppliers that provide the Franchisee with products or services may pay Shula's rebates, or provide it with other benefits, based on, or related to, the Franchisee's purchases of those products and services. The Franchisee hereby acknowledges the existence of such payments and that nothing in this Agreement prevents Shula's from receiving them and hereby authorizes Shula's to retain or use such payments for any purpose Shula's considers appropriate, including retaining them for its own account.

ARTICLE 5
THE FRANCHISEE'S DUTIES

5 1 *Acquisition of the Site*

- a ***Site Approval, Presentation of Site*** If, as of the Agreement Date, the Premises have not already been approved by Shula's, the Franchisee shall select a site for the Premises within the Reserved Area and present it to Shula's for approval within 30 days of the Agreement Date (such proposed site, the "Site") In such case, Shula's shall supply its site-selection criteria to the Franchisee (the "Site-Selection Criteria"), which criteria shall include Shula's minimum standards, if any, for or concerning demographic characteristics, traffic patterns, parking, predominant character of the neighborhood, competition from other businesses providing similar services within the area, proximity to other businesses and the nature of such businesses, the size, appearance, and other physical characteristics of the Site, and any other factors that Shula's may consider relevant to approving or disapproving a Site Further, if Shula's (either on its own initiative or at the Franchisee's request) considers on-site evaluation necessary or appropriate ("Site Approval Visit"), the Franchisee shall reimburse Shula's for all reasonable expenses it incurs in connection with such on-site evaluation (including the cost of travel, lodging and meals) The Franchisee is solely responsible for selecting the Site and Shula's has the right to accept or reject the Site at its discretion, provided, that Shula's will not unreasonably withhold approval of any Site that meets the Site-Selection Criteria A Site will not become the Premises unless and until approved by Shula's Shula's will review Site approval submissions on a first-in basis If Shula's rejects the Franchisee's selected Site, the Franchisee has 30 days after delivery of written notice of such rejection to submit a new Site within the Reserved Area for Shula's approval If a Site, however, has not been approved within three months of the Agreement Date, Shula's may elect to terminate this Agreement pursuant to ARTICLE 12 In addition, within four months of the Agreement Date and only after obtaining Shula's prior approval of the Site and the acquisition or lease terms pertaining thereto, the Franchisee, at its expense, shall complete the acquisition or lease arrangements to acquire or lease the Premises for the Franchised Business If the Franchisee fails to so acquire or lease the Premises for the Franchised Business within said four-month period, Shula's may elect to terminate this Agreement pursuant to ARTICLE 12 Upon any termination of this Agreement pursuant to this Section 5 1 a, Shula's need not refund any amounts the Franchisee has paid it under or in connection with this Agreement (including the Initial Franchise Fee)
- b ***Lease or Sublease of the Site*** If the Franchisee intends to enter into any lease, sublease or other similar agreement for the Premises, unless such lease, sublease or other similar agreement contains the provisions substantially similar to those contained in the form attached as Exhibit 5 1 b, the Franchisee shall submit to Shula's for its prior approval the lease, sublease or other similar agreement simultaneously with its request for approval of the Site pursuant to Section 5 1 a Within seven days of its execution, the Franchisee shall deliver a copy of the signed lease, sublease or other similar agreement to Shula's Without Shula's prior approval, the Franchisee shall not execute or agree to any modification of the

lease, sublease or other similar agreement (or agreement with the landlord) that would adversely affect Shula's rights

5.2 **Construction Plans and Permits** The Franchisee shall not commence any construction with respect to a Site until it has become the Premises. With respect to such construction, the Franchisee shall perform, at the Franchisee's sole cost and expense, the following actions with respect to the Premises:

- a. The Franchisee shall retain a qualified architect or engineer to prepare a site plan and plans and specifications adapting the Design Specifications to the Premises and to applicable laws and lease requirements and restrictions and market conditions (collectively, the "Plans"). The Franchisee shall not commence construction without Shula's advance approval of the Plans. The Franchisee's architect or engineer must comply with all zoning, signage, seating capacity, parking requirements and alcoholic-beverage licensing and storage requirements, as well as with any other federal, state, or local laws pertaining to the design or construction of the Premises, including the Americans with Disabilities Act. If compliance with such requirements or laws necessitates any material modification to the Plans, such modification must be approved by Shula's, and such modified Plans may not thereafter be materially changed or modified without Shula's further approval.
- b. The Franchisee shall obtain professional supervision, satisfactory to Shula's, with respect to preparing the Plans and construction of the Premises, and such evidence thereof as Shula's may reasonably require.
- c. The Franchisee shall obtain all such permits and certifications as may be required for the lawful construction and operation of the Franchised Business, including certifications from all governmental authorities having jurisdiction over the Premises and the Franchised Business (or, at Shula's option, from any architect, engineer or designer employed by the Franchisee) that all necessary permits have been obtained and that all requirements for construction and operation have been met, including zoning, access, sign, fire, health, environmental and safety requirements.
- d. Notwithstanding anything in this Agreement to the contrary, Shula's may designate an architect, engineer, general contractor or designer to prepare, or participate in the preparation of, the Plans, and to supervise and/or undertake the construction of the Premises. However, the Franchisee agrees that Shula's has no liability for the conduct of such designated architect, engineer or designer.

5.3 **Construction Requirements and Project Management Visits** Within 60 days after an approved Site is obtained, the Franchisee shall commence the architectural and design/development work for the Franchised Business. Within 10 days after commencing construction, the Franchisee shall provide Shula's with written notice of the date it began construction. The Franchisee shall construct the Premises in accordance with the Plans. The Franchisee shall maintain continuous construction of the Premises. Within 6 months of commencing construction, at its sole expense, the Franchisee shall complete construction, (including all exterior and interior carpentry, electrical, painting and finishing work, and installation of all approved fixtures, equipment and signs). Shula's

may, in its sole discretion, require up to 3 project management visits by Shula's during the construction of the Franchised Business to inspect the construction and build-out of the Premises. The Franchisee shall reimburse Shula's for all expenses it incurs in connection with such project management visits, including all travel, lodging, and meal expenses incurred by Shula's personnel in conducting such project management visits. The Franchisee shall pay Shula's for the foregoing expenses in advance of such personnel's travel to the Premises. Within 10 days after completing construction, the Franchisee shall obtain a Certificate of Occupancy. It is understood and agreed that time is of the essence with respect to the Franchisee's obligations contained in Sections 5.1, 5.2, and 5.3.

5.4 **Head Coach, Business Development Manager, and Shula's Chef** The Franchisee shall hire a Head Coach, Business Development Manager, and Shula's Chef not less than 60 days before the scheduled Opening Date.

5.5 **Conditions Precedent to Soft Opening** The Franchisee shall not open the Franchised Business for business until

- a all of its obligations pursuant to Sections 5.1 through 5.4 are fulfilled,
- b Shula's notifies the Franchisee that the Franchised Business has been constructed, furnished, equipped, and decorated in accordance with approved plans and specifications,
- c the Head Coach, Business Development Manager, and Shula's Chef have completed Managers' Training, and the Trainees have completed Basic Training, to Shula's satisfaction,
- d the Initial Franchise Fee and all other amounts due and payable to Shula's and its affiliates before the Opening Date (including all amounts due in connection with the production, handling, and shipping of the Memorabilia and with sending Shula's trainers and staff to the Premises for the Grand Opening) under this Agreement have been paid in full,
- e Shula's has been furnished with certificates of insurance and copies of all required insurance policies as required by ARTICLE 10, or such other evidence of insurance coverage as Shula's reasonably requests,
- f Shula's grand-opening staff is available to assist and be present at the Grand Opening of the Franchised Business,
- g the Franchisee satisfies any other conditions that Shula's reasonably imposes, and
- h Shula's approves the opening of the Franchised Business, which approval may be granted or withheld in its reasonable discretion.

The Franchisee shall open the Franchised Business within seven days after obtaining Shula's approval for opening, or at such other time as Shula's may require. Notwithstanding the foregoing, the Franchisee shall satisfy all conditions pertaining to opening the Franchised Business and be otherwise prepared to open for business within twelve months after the Agreement Date (the date on which such period expires, the "Opening Date Deadline"), time being of the essence.

5.6 **Use of the Premises** The Franchisee shall use the Premises solely for operating the Franchised Business. Except to the extent limited by local law or the landlord's rules and regulations, the

Franchisee shall keep the Franchised Business open for business and in normal operation for such minimum hours and days as Shula's may from time to time prescribe in the Shula's Manuals or otherwise in writing. The Franchisee shall not use or permit or suffer the use of the Premises for any other purpose or activity.

- 5.7 **Maintenance and Repairs** The Franchisee shall maintain the Franchised Business in the highest and most uniform degree of sanitation, repair, appearance, condition and security in the manner set forth in the Shula's Manuals. It shall maintain the Franchised Business as a modern, clean, adequately lighted and efficiently operated restaurant, in accordance with System standards, providing high quality products and services with efficient, courteous, and friendly customer service as Shula's may reasonably require. The Franchisee shall make such additions, alterations, repairs and replacements to the Premises (but no others without Shula's prior consent) as may be reasonably required for that purpose, including such periodic repainting, changes in appearance, repairs to impaired equipment, and replacement of obsolete signs and graphics as Shula's may reasonably direct. The Franchisee shall meet and maintain the highest safety standards and ratings applicable to the operation of the Franchised Business as Shula's may reasonably require, including the maintenance of the highest sanitation rating.
- 5.8 **Refurbishing** Not more frequently than once every five years, Shula's may require the Franchisee to refurbish the Franchised Business at the Franchisee's expense to conform to the building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the image then in effect for new *Shula's* restaurants operating under the Principal Trademark. Such refurbishing may include, among other things, remodeling, redecoration, and modifications to existing improvements, as Shula's may require in writing. Maintenance, repairs, and other actions performed under Section 5.7 are not considered refurbishing under this Section 5.8.
- 5.9 **Operational Requirements** To ensure that the highest degree of quality and service is uniformly maintained, the Franchisee shall operate the Franchised Business in conformity with such uniform methods, standards and specifications as Shula's may from time to time prescribe in the Shula's Manuals or otherwise in writing. Without limiting the foregoing, the Franchisee shall
- a. record all Gross Revenues on the approved P O S System and otherwise use it for such functions and in such manner as Shula's may prescribe from time to time,
 - b. comply with the procedures and systems instituted by Shula's both now and in the future, including those relating to sales, good business practices, advertising and other obligations and restrictions,
 - c. maintain in sufficient supply (as Shula's may prescribe in the Shula's Manuals or otherwise in writing), and use at all times, only such inventory, equipment, materials, advertising methods and formats, and supplies in conformity with Shula's standards and specifications, if any, at all times sufficient to meet the anticipated volume of business, and to refrain from deviating therefrom without Shula's prior consent,
 - d. use menus that comply with Shula's prescribed specifications for materials, finish, style, pattern and design,

- e adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with customers, suppliers, employees, independent contractors, Shula's, and the public,
- f sell or offer for sale only such products (including menu items) and services that meet Shula's uniform standards of quality and quantity, and that have been expressly approved for sale in the Shula's Manuals, or otherwise in writing by Shula's, at retail to consumers from and through the Franchised Business, and shall not sell such items for redistribution or resale,
- g sell or offer for sale all products (including menu items) and services that Shula's may approve from time to time, refrain from deviating from Shula's standards and specifications for providing or selling such products and services, and discontinue selling and offering for sale any such items as Shula's may in its discretion, disapprove at any time,
- h purchase and install, at the Franchisee's expense, all fixtures, furnishings, Memorabilia, signs and equipment as Shula's may specify from time to time, and maintain such items in a condition that meets the operational standards specified in the Shula's Manuals, and, as such items become obsolete or inoperable, replace them with the types and kinds of replacements that are then approved for use in the Franchised Business, if Shula's reasonably determines that additional or replacement items are needed because of a change in menu items or method of preparation and service, a change in technology, customer concerns, or health or safety or any other pertinent considerations, install the additional or replacement items within the reasonable time specified by Shula's, and
- i comply with all laws and regulations applicable to the sale and dispensing of alcoholic beverages (including acquiring and maintaining all licenses and permits relating thereto) and obtain appropriate insurance coverage relating to the sale and dispensing of alcoholic beverages for its benefit and the benefit of Shula's

5 10 **P O S System**

- a Before commencing to operate the Franchised Business, the Franchisee shall procure, and install at the Premises, the P O S System Shula's may designate the supplier or suppliers from whom the Franchisee must purchase the various items constituting the P O S System At Shula's request, the Franchisee shall provide any assistance Shula's requires to bring the P O S System "on-line" with Shula's computer at Shula's headquarters Shula's shall have the free and unfettered right to retrieve such data and information from the Franchisee's P O S System as Shula's, in its discretion, deems necessary, desirable or appropriate The Franchisee is exclusively responsible for those costs and expenses necessary to allow such retrieval by Shula's, including telephone and internet costs All of the foregoing items specified to be installed or purchased, or acts specified to be undertaken by the Franchisee, and the delivery of all hardware and software, are at the Franchisee's sole expense
- b Shula's may, from time to time, require that the Franchisee add memory, ports and other accessories or peripheral equipment, as well as new computer hardware (including point-of-sale terminals, cash drawers, receipt printers, and touch screens), or additional, new, or

substitute software to the original P O S System purchased by the Franchisee Shula's may furthermore, from time to time, require the Franchisee to replace or upgrade the entire P O S System with a larger or more advanced system capable of assuming and discharging all the computer and point-of-sale-related tasks and functions Shula's specifies To ensure full operational efficiency and communication capability between Shula's computers and those of all Franchised Businesses, the Franchisee shall, at its expense, keep the P O S System in good maintenance and repair Upon the expiration or sooner termination of this Agreement, the Franchisee shall (i) return in good condition (reasonable wear and tear excepted) all software, disks, tapes and other magnetic storage media Shula's provides to the Franchisee (if any) and (ii) delete all software and applications relating to the foregoing from all memory and storage

- c The Franchisee shall also ensure that the Franchised Business at all times complies with the Payment Card Industry Data Security Standard (PCI DSS) and all other related, applicable laws and regulations

5 11 ***Hiring, Training and Appearance of Employees*** The Franchisee shall maintain a competent, conscientious staff and employ such minimum number of employees as are necessary to meet the anticipated volume of business and to achieve the goals of the System The Franchisee shall take such steps as are reasonably necessary to ensure that its employees meet the employment criteria, maintain a neat appearance, and comply with such dress code as Shula's may prescribe The Franchisee is exclusively responsible for the terms of their employment and compensation and, except for training provided by Shula's under this Agreement, for the proper training of all employees in operating the Franchised Business, which training must be conducted by the Head Coach The Franchisee is solely responsible for all employment decisions and functions, including those related to hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping Without the prior written permission of Shula's or such other franchisee, the Franchisee shall not recruit or hire any employee of a Company-Owned Unit or franchised unit operated by another franchisee within the Chain The Franchisee is solely responsible to ensure compliance with all applicable employment laws and regulations, including without limitation, the Fair Labor Standards Act, the Family Medical Leave Act, and the Americans with Disabilities Act

5 12 ***Management of the Franchised Business***

- a The Franchisee shall hire a Head Coach, who is the Franchised Business's general manager The Franchised Business must be supervised by the Head Coach The Head Coach must devote, on a full-time basis, his or her best efforts to managing and operating the Franchised Business At all times during the Term, the Franchised Business requires the Head Coach's day-to-day supervision
- b The Franchisee shall hire a Business Development Manager, who is primarily responsible for developing business from individuals and organizations within the Protected Territory The Business Development Manager's functions are more fully described in the Shula's Manuals The Business Development Manager must devote, on a full-time basis, his or her best efforts to performing the aforesaid functions

- c The Franchisee shall hire a Shula's Chef, who is Franchised Business's head chef and is primarily responsible for operating and managing its kitchen. The Shula's Chef's functions are more fully described in the Shula's Manuals. The Shula's Chef must devote, on a full-time basis, his or her best efforts to performing the aforesaid functions.
- d The Franchisee may not hire any person to be the initial or a replacement Head Coach, Business Development Manager, or Shula's Chef unless that person has first been reviewed and approved in writing by Shula's and satisfactorily completes all training that Shula's then requires such persons to undergo. As a condition to rendering its approval, Shula's may require a proposed Head Coach, Business Development Manager, or Shula's Chef to be interviewed at Shula's corporate headquarters or another location that Shula's designates. The Franchisee is responsible for paying all fees and expenses relating to training a replacement Head Coach, Business Development Manager, or Shula's Chef including all travel, lodging, and meal expenses the replacement and Shula's trainers incur.

5.13 ***Approved Specifications and Sources of Supply***

- a ***Authorized Specifications and Suppliers*** The Franchisee shall purchase or lease equipment, supplies, inventory, advertising materials, and any other products and services used to operate the Franchised Business solely from manufacturers and suppliers Shula's authorizes, as well as in accordance with any specifications that Shula's authorizes. Shula's may revoke such authorization at any time. Such authorized manufacturers and suppliers must demonstrate, to Shula's continuing satisfaction, that they possess (i) the ability to meet Shula's standards and specifications for such items, (ii) adequate quality controls and capacity to supply the Franchisee's needs promptly and reliably, and (iii) any other criteria or standard reasonably required by Shula's from time to time. When considering whether to approve suppliers for the System, Shula's may consider any other relevant factors, including any factors relating to the price and quality of the products or services, the reliability of the supplier, the frequency of delivery, standards of service (including prompt attention to complaints), advertising and promotional support, and concentration of purchases. Such approval may be provisional, pending Shula's further evaluation of such supplier. Shula's may approve a single supplier for any brand and may approve a supplier only as to a certain brand or brands. Shula's may concentrate purchases with one or more suppliers to obtain the lowest prices or the best advertising support or services for any group of franchised businesses or Company-Owned Units within the Chain. Shula's may designate itself, or an affiliate, as a supplier, or the exclusive supplier, of any of the products or services used to operate the Franchised Business. Without limiting the generality of the foregoing, Shula's or its affiliates may establish Shula's or affiliate-owned and operated food commissaries and distribution facilities, which Shula's may designate as an approved distributor or supplier.
- b ***Approval of New Suppliers*** Except for those products or services that Shula's has designated itself, an affiliate, or a specific manufacturer or distributor as the sole supplier of a specific product or service, if the Franchisee proposes to purchase or lease any equipment, supplies, inventory or other products or services from an unapproved supplier,

the Franchisee shall submit to Shula's a written request for such approval, or request the supplier itself to do so. As a condition of its approval, which it may grant or withhold in its discretion, Shula's may require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at Shula's option, either to Shula's or to an independent, certified laboratory Shula's designates for testing. Shula's is not liable for damage to any sample that may result from the testing process. Because Shula's must devote its resources where it deems appropriate it is not required to consider additional or replacement suppliers. Shula's will use its discretion in doing so. If it does so, the Franchisee shall pay a charge not to exceed the reasonable cost of the inspection and the actual cost of the testing. Shula's may, at its option, reinspect any such approved supplier's facilities and products and continue to sample the products at the supplier's expense and to revoke approval upon the supplier's failure to continue to meet Shula's standards and specifications. Shula's may also require as a condition to its approval, that the supplier present satisfactory evidence of insurance, such as product-liability insurance, protecting Shula's and its franchisees against any and all claims arising from the use of the supplied item(s) within the System.

- c The cost of those products and services purchased from Shula's shall be based on the price then in effect, as set forth and identified from time to time in the Shula's Manuals, on Shula's confidential published price lists, or through other written communications.

5 14 **Secret Recipe Products** Shula's may require the use of Secret Recipe Products and may continue to develop for use in the System certain additional products that are all confidential secret recipes and are trade secrets of Shula's. Due to the importance of quality control and uniformity of these products and the significance of such proprietary products to the System, it is to the parties' mutual benefit that Shula's closely control the production and distribution of the Secret Recipe Products. Accordingly, the Franchisee shall use the Secret Recipe Products and purchase from Shula's, or from an approved source designated by Shula's, all of the Franchisee's supplies of such Secret Recipe Products, all in accordance with Shula's requirements then in effect.

5 15 **Gift Card Program** The System includes a gift-card program, which, among other things, enables customers of any Shula's restaurant in the Chain to purchase gift cards that may be used to pay for meals at any other Shula's restaurant in the Chain. The gift-card program is currently operated by Shula's affiliate Shula's Gift Card Company, LLC. The Franchisee shall participate in the gift-card program, and make all payments due in connection therewith, in accordance with such rules and instructions as Shula's or its affiliate may prescribe from time to time in the Shula's Manuals or otherwise.

5 16 **Sales of Products and Services to the Franchisee's Affiliates** With respect to sales of products and services to any of the Franchisee's affiliates, such sales must be on terms regularly applicable to the Franchisee's non-affiliated customers, which in all cases shall be arm's-length.

5 17 **Credit Cards and Other Methods of Payment** At all times, so Franchisee can accept customers' credit and debit cards, checks, and other methods of payment, the Franchisee shall maintain credit-card relationships with VISA, MasterCard, American Express, Diners Club, Discover, and such other credit- and debit card issuers or sponsors, check-verification services, financial-center

services, and electronic-fund-transfer systems as Shula's may designate. From time to time Shula's may require the Franchisee to institute or terminate credit-card relationships and institute or terminate other methods of payment. The Franchisee shall also subscribe to an approved credit-verification service. The Franchisee shall comply with all Shula's credit-card policies, including minimum-purchase requirements for a customer's use of a credit card as prescribed in the Shula's Manuals.

5 18 *Telephones and Answering Service* The Franchisee shall

- a continuously maintain the number of operating telephone lines and telephone numbers to be used exclusively by the Franchisee for operating the Franchised Business that Shula's prescribes from time to time, as well as maintain, during normal business hours, sufficient staff to handle telephone calls in an efficient and courteous manner,
- b maintain voicemail after normal business hours, and
- c continuously maintain a dedicated operating telephone line and telephone number at the Franchised Business that must be used only by Shula's

5 19 *Compliance with Laws, Rules and Regulations* The Franchisee shall comply with all federal, state, and local laws, rules and regulations. The Franchisee shall timely obtain, maintain, and renew when required any and all permits, certificates, or franchises necessary for the full and proper conduct of the Franchised Business under this Agreement, including qualification-to-do-business, fictitious, trade, or assumed-name registration, building and construction permits, occupational licenses, sales tax permits, health and sanitation permits and ratings, fire clearances and environmental permits, and liquor licenses to dispense alcoholic beverages at the Premises. Within 24 hours of the Franchisee's receipt of such items, the Franchisee shall forward to Shula's copies of all fire, health, safety or other inspection reports, warnings, certificates, and ratings issued by any governmental entity in connection with the conduct of the Franchised Business that indicate the Franchisee's material non-compliance with any applicable law, rule or regulation. Without limiting the generality of anything in this paragraph, the Franchisee shall comply with the Americans with Disabilities Act to the extent it applies to the Premises and the improvements constructed thereon.

5 20 *Tax Payments, Contested Assessments* The Franchisee shall promptly pay when due all taxes levied or assessed by any federal, state or local tax authority. Such taxes include unemployment taxes, withholding taxes, sales taxes, income taxes, tangible commercial personal-property taxes, real-estate taxes, intangible taxes and any and all other indebtedness incurred by the Franchisee in the conduct of the Franchised Business. The Franchisee shall pay to Shula's an amount equal to any sales tax, goods and services taxes, gross-receipts tax, or similar tax imposed on Shula's with respect to any payments to Shula's required under this Agreement. It shall do so unless the tax is measured by or related to Shula's net income or its corporate status in a state. If Shula's pays any such tax, the Franchisee shall promptly reimburse it for the amount paid. In the event of any bona-fide dispute as to liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. In no event, however, may the Franchisee permit a tax sale or seizure

by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises or any assets used in connection with the Franchised Business

- 5 21 **Customer Surveys, Customer List** The Franchisee shall present customers with such evaluation forms as Shula's may periodically prescribe. If Shula's requests, the Franchisee shall participate and/or request its customers to participate in any marketing surveys performed by or on behalf of Shula's, including participation in the on-line marketing program called the **Team Shula Loyalty Clubsm**, as further described in Section 8.4. The Franchisee shall also maintain a current customer list (the "Customer List") containing as to each customer such customer's name, address, telephone number, zip code (5 digits) and email address, and supply a copy of such list to Shula's at such intervals as Shula's may from time to time require. Notwithstanding that it may have been created and maintained by the Franchisee, the Customer List is, and remains, Shula's exclusive property, as is all information pertaining to the Franchisee's customers and potential customers that the Franchisee may collect or maintain. After the expiration or sooner termination of this Agreement, without Shula's written authorization, the Franchisee may not use or disclose the Customer List, or any of the information contained therein or derivable therefrom.

5 22 **Inspections**

- a The Franchisee shall permit Shula's or its representatives to enter the Premises, and, if not located at the Premises, the Franchisee's office, to conduct inspections at any time during normal business hours. The Franchisee shall cooperate fully with Shula's or its representatives in such inspections by rendering such assistance as they may reasonably request and by permitting them, at their option among other things, to observe the manner in which the Franchisee is selling products and rendering services, to monitor sales volume, to conduct a physical inventory, to confer with the Franchisee's employees and customers and to remove samples of any products, supplies and materials in amounts reasonably necessary to return to Shula's office for inspection and record keeping. These inspections may be conducted without prior notice and at any time when the Franchisee or one of its employees is at the Franchised Business. The inspections will be performed in a manner that minimizes interference with operating the Franchised Business. Upon notice from Shula's, and without limiting Shula's other rights under this Agreement, the Franchisee shall take such steps as may be necessary to immediately correct any deficiencies detected during such inspections. Such steps may include immediately desisting from the further use of any equipment, advertising, materials, products, supplies, or other items that do not conform to Shula's then current requirements. If the Franchisee fails or refuses to correct such deficiencies, Shula's may, without any claim to the contrary by the Franchisee, enter the Premises, or the Franchisee's office, without being guilty of trespass or any other tort, to make or cause to be made the required corrections. All such corrections are at the Franchisee's expense and the Franchisee shall pay them upon demand.
- b Upon Shula's delivery of an invoice, the Franchisee shall reimburse Shula's for all expenses (including travel expenses—including air and land transportation, room, board, meals and related costs) related to the following visits and inspections that Shula's may conduct:

- I the first four visits and inspections in any calendar year, provided, however, that any inspections Shula's conducts related to (ii) – (vii) below do not count towards these four inspections,
 - II any visit or inspection to confirm whether a default under this Agreement by the Franchisee has been satisfactorily cured or has not reoccurred,
 - III any visit or inspection to confirm the occurrence of any default under this Agreement by the Franchisee that Shula's reasonably believes to have occurred,
 - IV any visit or inspection that results in Shula's discovery of a default under this Agreement by the Franchisee,
 - V any visit or inspection to assist or supervise the curing of any default under this Agreement by the Franchisee,
 - VI any visit or inspection as a result of an unsatisfactory or failing report in connection with any "mystery shopper" or similar program conducted pursuant to Section 5 25, or
 - VII any visit or inspection Shula's makes at the Franchisee's request
- c In addition to the reimbursable visits and inspections described in Section 5 22 b, the Franchisee shall provide Mr and Mrs Don Shula, if at any time they visit the Premises, with complimentary lodging, meals, refreshments and travel, including first-class airfare and local transportation and coach airfare for their assistant
- d In addition to the reimbursable visits and inspections in Section 5 22 b, Shula's president, or other executive officer, may, but has no obligation to, visit the Premises to commend and reward certain of the Franchisee's employees for exemplary performance of their duties. These visits will not occur more than twice a year. Upon Shula's delivery of an invoice, the Franchisee shall reimburse Franchisor for all expenses related to such visits (including travel expenses—including air and land transportation, room, board, meals, and related costs)

5 23 **Notices to Shula's**

- a If any of the following events occurs in connection with the Franchised Business, within two days of the occurrence thereof, the Franchisee shall notify Shula's in writing
- I the commencement of any action, suit, countersuit, or other proceeding against the Franchisee or any of its employees,
 - II the receipt of any notice of noncompliance by the Franchisee or any of its employees with any law, rule or regulation, or
 - III the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality entered against the Franchisee or any of its employees

- b Within two days of request, the Franchisee shall provide Shula's with any information it requests about the progress and outcome of the foregoing events
- 5 24 **Operating Suggestions** The Franchisee is encouraged to submit suggestions in writing to Shula's for improving elements of the System (such as products, services, equipment, service format, advertising and any other relevant matters) Shula's may consider such suggestions when adopting or modifying standards, specifications, and procedures for the System Any suggestions the Franchisee makes become Shula's exclusive property Shula's, however, has no obligation to use such suggestions or to compensate the Franchisee therefor Without Shula's prior consent, the Franchisee shall not implement any suggestions inconsistent with its obligations under this Agreement
- 5 25 **Quality-Control Programs** Shula's may, from time to time, designate an independent evaluation service to conduct a "mystery shopper," or similar type, quality-control and evaluation program with respect to company-owned or franchised Shula restaurants The Franchisee shall participate in such programs as required by Shula's and shall pay all expenses relating to the meals ordered in connection with the program If the Franchisee receives an unsatisfactory or failing report in connection with any such program, it shall immediately implement any remedial actions Shula's requires and pay Shula's all expenses (in addition to meal expenses) Shula's incurred to have the evaluation service evaluate the Franchised Business—as well as all expenses Shula's may have incurred to inspect the Franchised Business thereafter—together with any costs or expenses incidental thereto that Shula's incurs These programs may occur multiple times throughout the year
- 5 26 **Minimum and Maximum Pricing** To enhance the inter-brand competitiveness of the System, to enable competitive and system-wide price point advertising, and to benefit customers of the Chain, Shula's may, at its sole option, and where legally permitted, from time to time establish minimum and maximum prices below or above which the Franchised Business may not offer and sell products and services under this Agreement The Franchisee agrees to adhere to any such price requirements imposed on it by Shula's In addition, or alternatively, Shula's may from time to time suggest prices for products or services offered and sold at the Franchised Business The Franchisee agrees that any list or schedule of such prices suggested by Shula's will be recommendations only and not mandatory on the Franchisee unless Shula's expressly labels any or all of such prices as a minimum or maximum price The Franchisee understands and agrees that Shula's suggested or required minimum or maximum prices may not increase or optimize revenues or profitability of the Franchised Business
- 5 27 **Variance of Standards and Terms** The Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Shula's reserves the right, as it may consider in the best interests of all concerned, to vary standards for any franchisee based on any condition that Shula's considers important to the Chain and to the System The Franchisee will have no right under this Agreement or otherwise to require Shula's to disclose any variation to the Franchisee or to grant the Franchisee the same or similar variation

ARTICLE 6
PROPRIETARY PROPERTY

- 6 1 ***Franchisee's Use of the Proprietary Property*** The Franchisee may use the Proprietary Property only in accordance with standards and specifications Shula's determines from time to time Without limiting the foregoing, both during and after the Term
- a the Franchisee shall use the Proprietary Property only in connection with operating the Franchised Business at the Premises,
 - b the Franchisee has no right to pre-package or sell pre-packaged food products or beverages using the Proprietary Marks unless approved in writing by Shula's,
 - c the Franchisee shall use Proprietary Marks as the sole service-mark/trademark identifications for the Franchised Business and prominently display the Proprietary Marks on or in connection with all materials Shula's designates, and only in the manner Shula's prescribes, without limiting the generality of the foregoing, the Franchisee shall use the Designated Principal Trademark as the principal service-mark/trademark identification for the Franchised Business (including as the exclusive name of the *Shula's* restaurant the Franchisee must operate under this Agreement),
 - d the Franchisee shall not use the Proprietary Property as security for any obligation or indebtedness nor in any manner encumber it,
 - e the Franchisee shall not use the Proprietary Marks as part of its corporate, partnership, limited liability, or other legal name,
 - f the Franchisee shall not use or attempt to register any other trademark, service mark, company name or other commercial symbol that is the same as or similar to any of the Proprietary Marks, nor any mark with phonetic or graphic similarity to those of Shula's,
 - g the Franchisee shall comply with Shula's instructions concerning filing and maintaining the requisite fictitious, trade, or assumed name registrations for the Designated Principal Trademark and/or Proprietary Marks, and execute any documents Shula's or its counsel deems reasonably necessary to obtain protection for the Proprietary Property and Shula's and its affiliates (and any other entities from whom Shula's derives, directly or indirectly) interests therein,
 - h all materials including menus, matchbook covers, order books, plastic or paper products, and other supplies and packaging materials used in connection with the System must bear Shula's Proprietary Marks, as prescribed by Shula's in the Shula's Manuals or otherwise in writing, and
 - i the Franchisee shall exercise caution when using Shula's Proprietary Property to ensure that the Proprietary Property is not jeopardized in any manner
- 6 2 ***Infringement by the Franchisee*** Any use of the Proprietary Property not in strict accordance with, or outside the scope of, this Agreement, without Shula's prior consent, infringes Shula's rights in the Proprietary Property Both during and after the Term, the Franchisee shall not, directly

or indirectly, infringe or contest or aid in contesting, the validity of or right of Shula's to, the Proprietary Property, or take any other action in derogation of such rights

- 6 3 ***Claims Against the Proprietary Property*** In the event of any claim of infringement, unfair competition, or other challenge to the Franchisee's right to use any Proprietary Property, or in the event the Franchisee becomes aware of any use of, or claims to, any Proprietary Property by persons other than Shula's or its franchisees, the Franchisee shall notify Shula's in writing no later than seven days thereafter. Except pursuant to judicial process, the Franchisee shall not communicate with anyone except Shula's and its counsel in connection with any such infringement, challenge, or claim. Shula's has discretion as to whether it takes any action in connection with any such infringement, challenge or claim, and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Proprietary Property. Such discretion includes determining whether or not to settle such infringement, challenge, or claim, and on what terms. The Franchisee shall sign all instruments and documents, render any assistance, and perform any acts that Shula's attorneys deem necessary or appropriate to protect and maintain Shula's interest in any litigation or proceeding related to the Proprietary Property or otherwise to protect and maintain Shula's interests in the Proprietary Property.
- 6 4 ***Limited Indemnification of the Franchisee*** Shula's shall indemnify the Franchisee for all damages for which it is held liable in any litigation or proceeding arising out of its use of any Proprietary Property. Shula's need do so only if
- a the Franchisee's use of the Proprietary Property was in strict accordance with this Agreement,
 - b Franchisee timely notified Shula's of such litigation or proceeding and the underlying claim in accordance with Section 6 3,
 - c the Franchisee gives Shula's sole control of the defense and settlement of the action in accordance with Section 6 3, and
 - d the Franchisee has complied with all other provisions in this Agreement.
- 6 5 ***Shula's Right to Modify the Proprietary Marks*** If, at any time, in Shula's discretion, it becomes appropriate to modify or discontinue the use of any Proprietary Mark or use one or more additional or substitute names or marks—for reasons including the rejection of any pending application for registration or revocation of any existing registration of any of the Proprietary Marks, or the superior rights of senior users—the Franchisee shall do so at its sole expense within 30 days of Shula's request. In such event, Shula's has no liability of any nature to the Franchisee and thus need not reimburse it for any expenses the Franchisee incurs in connection with complying with this Section 6 5 (including any expenses relating to adopting or promoting a modified or substitute Proprietary Mark).
- 6 6 ***Shula's Reservation of Rights in Proprietary Marks*** The license of the Proprietary Marks granted to the Franchisee is non-exclusive. In addition to Shula's right to use and grant others the right to use the Proprietary Marks anywhere outside the Protected Territory (regardless how closely

located to the Premises), all rights not expressly granted in this Agreement to the Franchisee concerning the Proprietary Marks or other matters are reserved for Shula's

- 6.7 **Ownership, Inurement Solely to Shula's** Except as expressly granted in this Agreement, the Franchisee has no ownership or other rights in the Proprietary Property. Shula's is the owner or authorized licensee of the Proprietary Property. All goodwill associated with the Franchised Business inures directly and exclusively to Shula's, or its licensor's or other owner's, benefit. Such goodwill is their exclusive property, except that such exclusive rights do not prevent the Franchisee from receiving the profit from the operation or sale of the Franchised Business during the Term. If, in any jurisdiction, the Franchisee secures any rights whatsoever to any Proprietary Mark (or any other Proprietary Property) not expressly granted under this Agreement, the Franchisee shall immediately notify Shula's and assign all of the Franchisee's right, title and interest to the Proprietary Marks (or any other Proprietary Property) not expressly granted under this Agreement to Shula's.
- 6.8 **Non-Use of Trade Name** If the Franchisee is a corporation, partnership, or limited liability company, it may not use the Proprietary Property or the Principal Trademarks, or any confusingly similar words or symbols, i.e., "Shula's or Shula, in the Franchisee's corporate, partnership, or limited liability company name.
- 6.9 **Required Means of Identification** The Franchisee shall conduct its Franchised Business under the assumed business name designated in Schedule 1.1. The Franchisee agrees, at its expense, to perform all filings and procure all required or necessary governmental approvals or registrations required to do business under that assumed business name. The Franchisee agrees to identify itself at all time as a franchisee, but not an agent, of Shula's.

ARTICLE 7

SHULA'S MANUALS AND OTHER CONFIDENTIAL INFORMATION

- 7.1 **In General** To protect the reputation and goodwill of Shula's, and to maintain uniform standards of operation under the Proprietary Marks, the Franchisee shall conduct its Franchised Business in strict accordance with the Shula's Manuals (which may be in paper or CD-ROM or other electronic format, including posting on its website). The Shula's Manuals are an integral part of this Agreement and have the same force and effect as if fully set forth herein.
- 7.2 **Confidential Use** At all times, the Franchisee shall treat and maintain the Confidential Information as confidential and trade secrets of Shula's. At all times, the Franchisee shall keep the Shula's Manuals in a secure area within the Premises. The Franchisee shall strictly limit access to the Confidential Information to its employees, to the extent they have a "need to know" in order to perform their jobs. The Franchisee shall report the theft, loss, or destruction of the Shula's Manuals, or any portion thereof, immediately to Shula's. Without Shula's prior consent, the Franchisee shall not, at any time, copy, record, or otherwise reproduce any of the Confidential Information, in whole or in part. All persons to whom the Franchisee grants access to the Shula's Manuals or any other Confidential Information must first be required by the Franchisee to execute a form of Non-Disclosure Agreement substantially the same as attached to this Agreement as Exhibit 7.2.

- 7.3 **Periodic Revisions** Shula's may periodically revise and change the contents of the Shula's Manuals. Beginning on the 30th day (or such longer time as specified by Shula's) after delivery of written notice from Shula's, the Franchisee shall comply with each new or changed provision. Providing the Franchisee with an e-mail notification or posting the revision or change of the Shula's Manuals on Shula's website is considered delivery of written notice for purposes of this Section 7.3. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Shula's may, in its discretion and as it may deem in the best interests of all concerned in any specific instance, vary standards for any franchisee based upon the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, or any condition that Shula's deems important to the successful operation of such franchisee's franchised business. The Franchisee is not entitled to require Shula's to grant to the Franchisee a like or similar variation under this Agreement. The Franchisee shall at all times ensure that its copy of the Shula's Manuals contains all updates Shula's delivers. In the event of any dispute as to the contents of the Shula's Manuals, the terms contained in the master copy of each of the Shula's Manuals Shula's maintains at Shula's home office are controlling.
- 7.4 **Prior Information** All Confidential Information received before the Agreement Date was unknown to the Franchisee except through disclosure by Shula's in connection with the grant of a Franchise. The marketing practices and operating procedures developed by Shula's and franchised to the Franchisee for operating the Franchised Business are important for the success of the System. To the extent the Franchisee receives any Confidential Information after the execution of this Agreement, and, within 30 days thereafter, the Franchisee does not object in writing to Shula's that any or all of the information comprising the Confidential Information should not be considered Confidential Information, then the Franchisee is deemed to have irrevocably waived its right to make any such objection.
- 7.5 **Trade Secrets** Each of the parties acknowledges and agrees that for purposes of Florida Statutes, Chapter 688 (the "Uniform Trade Secrets Act"), all Confidential Information is considered to be "trade secrets" thereunder and any breach of this Agreement relating thereto is considered "misappropriation" irrespective of how such terms are defined in §§688.002 (2) and (4) respectively.
- 7.6 **Developments** If the Franchisee or any of its employees develop any new concept, process, product, recipe, or improvement in the operation or promotion of the Franchised Business, the Franchisee is required to promptly notify Shula's and provide Shula's with all related information. The Franchisee acknowledges that any such concept, process, product, recipe, or improvement will become the property of Shula's, and Shula's may use or disclose such information to other franchisees or developers as it determines to be appropriate, also without the benefit of compensation.

ARTICLE 8 ADVERTISING

- 8 1 **Local Advertising by the Franchisee** Each year during the Term, the Franchisee shall spend not less than \$30,000 on Local Advertising. The Franchisee shall substantiate its compliance with the foregoing requirement in such manner and form as Shula's may require in writing from time to time. The Franchisee shall submit to Shula's for approval all materials to be used for Local Advertising (and for any other advertising, promotional, or marketing activities it may conduct), unless they have already been approved or consist solely of materials provided by Shula's. If, within 10 days from the date Shula's receives such submitted materials, the Franchisee does not receive Shula's approval thereof, they are considered disapproved. All materials on which the Proprietary Marks are used must identify the Franchised Business as being independently owned and operated, and must also include the applicable designation service mark SM, trademark TM, registered [®], copyright [©], or such other designation as Shula's may specify. If, in Shula's judgment, such materials or advertising may injure or harm the System, Shula's may, by notice, require the Franchisee to withdraw or discontinue the use of any promotional materials or advertising, even if previously approved. Within five days after delivery of such notice, the Franchisee must withdraw and discontinue use of the relevant promotional materials and advertising. Submitting advertising to Shula's for approval does not affect the Franchisee's right to determine the prices at which the Franchisee sells its products or services. Notwithstanding anything in this Agreement to the contrary, the Franchisee may not use any advertising, promotional, or marketing materials that have not been approved in writing by Shula's.
- 8 2 **Grand Opening Program** The Franchisee shall promote the Grand Opening of the Franchised Business at the time and in the manner required by the Grand Opening Manual, including conducting a Grand Opening event at the Franchised Business. The Grand Opening event must benefit and support a charitable organization that will be the exclusive beneficiary of all monies collected at the Grand Opening event. The charitable organization must be approved in advance by Shula's. The Franchisee shall spend not less than \$25,000 on this Grand Opening event and related activities (the "Grand Opening Advertising Expenditure"). All Grand Opening activities that the Franchisee will conduct, and all materials it will use in connection therewith (as well as the amounts of money the Franchisee spends in connection with each of such activities and materials) must be preapproved in writing by Shula's. At such times and in such manner as Shula's may request, the Franchisee shall substantiate to Shula's satisfaction that it has spent the Grand Opening Advertising Expenditure and conducted the Grand Opening Advertising event in the manner approved by Shula's. The Grand Opening Advertising Expenditure is in addition to the Local Advertising expenditures the Franchisee must make under Section 8 1.
- 8 3 **Special Advertising Expenditures** If, at any time, the Franchisee fails to meet its Local Advertising requirements, upon Shula's request, the Franchisee shall expend it on such other advertising or promotional activities as Shula's may specify. The foregoing does not limit any of Shula's other rights and remedies for the Franchisee's failure to make the proper expenditures.

- 8 4 **On-line Marketing** Shula's conducts an on-line marketing program called the **Team Shula Loyalty Clubsm** for the benefit of the System and the Chain. The Franchisee shall participate in and make contributions to the Team Shula Loyalty Clubsm, in such manner and in such amounts, and at such times, as Shula's may require from time to time. Shula's may have an affiliate or Designee conduct the program rather than conduct it itself.
- 8 5 **Internet Advertising Prohibition** Franchisee shall not, without obtaining Shula's prior written consent (a) operate—or advertise, market, or otherwise promote—the Franchised Business, or use or display the Proprietary Marks, on any electronic medium (including any Internet web-page, social network or social media site, review site, etc., e-mail address, website, domain name, bulletin board, newsgroup or other Internet-related medium or activity) or (b) register any domain name containing the word **Shula's** or other Proprietary Marks, or any variation thereof, or establish, operate, or participate in a website on which such words appear. With respect to any aspect of the System, Chain, or Franchised Business (including the use of the Proprietary Marks), Shula's retains the sole right to advertise on the Internet, create or operate a website or sites, and use **Shula's** as part of any domain name. Shula's or its affiliate or licensor of the Proprietary Marks exclusively owns all rights in such domain names and such other domain names as Shula's designates in the Shula's Manuals. If Shula's consents to any Internet or other electronic medium advertising, then Franchisee may only advertise, market and promote the Franchised Business and use or display the Proprietary Marks in the manner and under the standards and procedures set forth by Shula's in the Shula's Manuals or as stated elsewhere in writing. In addition, if Shula's consents to Franchisee's establishment of a social media account on any social media site (including, YouTube, Twitter, Instagram, Facebook, Blogger, MySpace, LinkedIn, Flickr, Wikipedia, Yelp or other communication or social media platforms) to advertise and promote the Franchised Business, then Franchisee shall operate and maintain the account and site in accordance with Shula's standards and procedures as set forth in the Shula's Manuals or as stated elsewhere in writing. Franchisee shall add Shula's as an account administrator with full and unlimited access to control the content displayed, published or posted on such sites and, upon request, shall provide Shula's with Franchisee's current account IDs, user names and passwords. Franchisee understands and agrees that upon expiration or termination of this Agreement, Shula's shall have the absolute and unconditional right, in its sole discretion, to permanently close, delete, take exclusive control over, or transfer any social media accounts that Franchisee established to market, advertise and promote the former Franchised Business.
- 8 6 **Promotional Visits** Shula's may, from time to time in its sole discretion, send one or more members of our staff to the Franchised Business to conduct promotional and marketing activities. If it does, the Franchisee shall cooperate with Shula's to conduct such activities and shall reimburse Shula's for all travel, lodging, and meal expenses incurred by Shula's personnel conducting such activities at the Franchised Business.

ARTICLE 9
ACCOUNTING AND RECORDS

9 1 ***Books and Records*** The Franchisee shall maintain complete and accurate books and records for the Franchised Business's operations and shall do so in such manner and form as Shula's may prescribe from time to time. Such books and records must not contain information not relating to the Franchised Business. They must be preserved for at least six years (including the period after this Agreement expires or is sooner terminated) from the dates they were prepared. Franchisee shall create and maintain such books and records in accordance with the Uniform System of Accounts for the Lodging Industry and generally accepted accounting principles ("GAAP") consistently applied, or as otherwise prescribed in writing by Shula's, including Shula's Standard Profit & Loss and Accounting Guidelines contained in the Shula's Manuals.

9 2 ***Reports and Statements***

- a Beginning on the Opening Date, the Franchisee shall provide Shula's with a daily report of the previous day's Gross Revenues. This report must be in the form, and submitted in the manner, Shula's prescribes from time to time. If Shula's has developed or approved any software programs to create and maintain records for the Franchised Business, the Franchisee shall use them as required by Shula's.
- b By the 20th of each month during the Term (or at such other interval as Shula's may from time to time prescribe), the Franchisee shall submit to Shula's accurate records reflecting the preceding month's entire Gross Revenues and such other information as Shula's requires from time to time. Such records must be in the form Shula's prescribes.
- c Without limiting the generality of Section 9 2 a, by the 20th of each month during the Term (or at such other interval as Shula's may from time to time prescribe), the Franchisee shall submit to Shula's a monthly menu abstract and a monthly profit-and-loss statement, on forms prescribed by Shula's. Such profit-and-loss statement must accurately reflect all Gross Revenues and profit-and-loss items during the preceding calendar month and such other data and information regarding the operation of the Franchised Business as Shula's may require. Such profit-and-loss statements must reflect only business from the Franchised Business.
- d Within 20 days of the end of each fiscal year, Franchisee shall submit to Shula's a profit-and-loss statement for the Franchised Business for that fiscal year, together with a statement showing the Gross Revenues for that year that is reconciled with the prior monthly profit and-loss statements submitted to Shula's in accordance with Section 9 2 c.
- e Within 90 days of the end of each fiscal year, the Franchisee shall submit an annual balance sheet and income statement prepared in accordance with the Uniform System of Accounts for the Lodging Industry and GAAP consistently applied. Each annual statement must be accompanied by an unqualified review opinion from an independent certified public accountant acceptable to, or designated by, Shula's, as the case may be. Each annual statement must be signed by the Franchisee's treasurer or chief financial officer attesting that the financial statements are true and correct and fairly present the

Franchisee's financial position as at and for the times indicated Within 30 days of the end of each of its fiscal quarters, the Franchisee shall submit to Shula's an interim quarterly balance sheet and income statement prepared in accordance with the Uniform System of Accounts for the Lodging Industry and GAAP consistently applied

- f The Franchisee shall also provide Shula's with copies of its federal- and state-income tax returns and amendments, if any, within 10 days of when it files such returns with the appropriate tax authorities
- g The financial statements or other periodic reports described in this Section 9 2 must segregate the Franchised Business's income and related expenses from those of any other business that the Franchisee may conduct

9 3 Financial Review and Audit by Shula's

- a At all reasonable times during the Term, and during the three-year period beginning on the expiration or sooner termination thereof, and at Shula's expense, Shula's and its representatives may examine and copy the Franchisee's books and records, as well as inspect all cash-control devices and systems and conduct a physical inventory At any time, Shula's may access the Franchisee's P O S System to determine, among other things, sales activity and Gross Revenues At any time, Shula's may also have an independent audit made of the Franchisee's books and records The Franchisee must cooperate with Shula's and provide such information, at no cost to Shula's, as it may request
- b If an inspection reveals that any financial information reported to Shula's (including Gross Revenues or payments owed to Shula's) has been understated in any report, the Franchisee, upon demand, shall immediately pay Shula's all amounts due in connection with the understated amount, as well as interest thereon Such interest accrues at the Contract Interest Rate commencing from the time the required payment was due
- c In addition to the amounts described in 9 3 b, if any inspection discloses an understatement of two percent or more of Gross Revenues, the Franchisee shall reimburse Shula's for the costs and expenses connected with the inspection (including reasonable accounting and attorneys' fees and costs) Furthermore, Shula's may require all the Franchisee's future year-end financial statements to be audited and prepared and certified by an independent certified public accountant designated or approved by Shula's at the Franchisee's expense The remedies in this Section 9 3 are in addition to any other remedies Shula's may have under this Agreement or under applicable law If an audit discloses an overpayment of any amount paid by the Franchisee to Shula's, Shula's will promptly pay the Franchisee the amount of such overpayment or offset such overpayment against any amounts owed to Shula's

ARTICLE 10 INSURANCE

10.1 ***Types and Amounts of Coverage*** Throughout the entire Term, the Franchisee shall maintain such types of insurance in such amounts as Shula's may require. Such insurance is in addition to any other insurance that may be required by applicable law, the Franchisee's landlord, or otherwise. All such insurance policies must be written by an insurance company reasonably satisfactory to Shula's with a Best rating of "A" or better. At a minimum, such policies include, the following:

- a commercial general liability insurance, completed-operations and independent-contractors coverage in the amount of \$3,000,000, per person/per occurrence for bodily injury and property damage combined with a general aggregate of \$5,000,000,
- b workers'-compensation coverage in the amount of at least \$100,000/\$500,000/\$100,000, unemployment insurance and employer's liability insurance, as well as such other insurance as may be required by, and in the amounts required by, statute or rule of the state in which the Franchised Business is located,
- c fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than \$1,000,
- d automobile liability insurance—including coverage of vehicles not owned by the Franchisee, but used by employees in connection with the Franchised Business—with a combination of primary and excess limits of not less than \$1,000,000,
- e commercial blanket bond in the amount of \$100,000,
- f license bond, if required by applicable law,
- g advertising liability insurance in the minimum amount of \$1,000,000,
- h product liability insurance in the amount of \$1,000,000 each claim and \$3,000,000 in the aggregate,
- i business-interruption insurance for at least one year of actual losses arising because of business-interruption, extra-expense insurance in an amount adequate to re-establish normal business, and rent insurance for at least 12 months of actual rent,
- j liquor-liability insurance in the minimum amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate, and
- k such other insurance, in such amounts, as Shula's reasonably requires for its own and the Franchisee's protection.

At any time, Shula's may adjust the amounts of coverage required under such insurance policies and require different or additional kinds of insurance, including excess liability insurance. It may do so as a result of inflation, identification of new risks, changes in law or standards of liability,

higher damage awards, or other changes in circumstances or factors that Shula's considers relevant. To the extent legally permissible, all required policies must name Shula's as an additional insured and loss payee.

- 10.2 **Evidence of Insurance** No later than the date the Franchisee acquires the Premises (whether by lease, sublease, or purchase), an approved insurance company must issue a certificate of insurance showing compliance with the insurance requirements in this ARTICLE 10, and the Franchisee shall furnish Shula's with a paid receipt showing the certificate number. The certificate of insurance must include a statement by the insurer that the policy or policies must not be canceled, subject to nonrenewal, or materially altered without at least 30 days' prior written notice to Shula's. Upon Shula's request, the Franchisee shall supply it with copies of all insurance policies and proof of payment. By January 15th of each year, the Franchisee shall send current certificates of insurance and copies of all insurance policies to Shula's.
- 10.3 **Requirements for Construction and Renovation** In connection with any construction, renovation, refurbishment, or remodeling of the Premises, the Franchisee shall cause the general contractor to maintain commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability, and independent contractors coverage) with a reputable insurer. Such insurance must be in the amount of at least \$1,000,000 and must name Shula's and the Franchisee as an additional named insured, as their interests may appear. The Franchisee shall also cause the general contractor to maintain workers' compensation and employer's liability insurance as may be required by law.
- 10.4 **Waiver of Subrogation** To the extent this Section 10.4 may be effective without invalidating, or making it impossible to secure, insurance coverage from responsible insurance companies doing business in the state in which the Franchised Business is located (even though an extra premium may result), with respect to any loss covered by insurance Shula's and Franchisee then carry, neither party's insurance companies have any right of subrogation against those of the other.
- 10.5 **Effect of Shula's Insurance** The insurance maintained by Shula's does not in any way limit or affect the Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified in this ARTICLE 10. Nor does Shula's performance of the Franchisee's obligations relieve the Franchisee of liability under the indemnity provisions set forth in this Agreement.
- 10.6 **The Franchisee's Failure to Maintain Insurance** If, for any reason, the Franchisee fails to procure or maintain the insurance required by this Agreement (as revised from time to time by Shula's), Shula's has the right (but not the duty) to immediately procure such insurance. If it does so, Shula's may charge the cost of such insurance to the Franchisee, plus interest at the Contract Interest Rate. Upon demand, the Franchisee shall immediately pay Shula's such charges, together with a reasonable fee for Shula's expenses in so acting.

ARTICLE 11
TRANSFER OF INTEREST

11 1 **Transfer by Shula's** Without the Franchisee's consent, Shula's has the absolute right to transfer or delegate any or all of its rights or obligations under this Agreement to any person. If Shula's transferee or delegatee assumes Shula's obligations under this Agreement, within seven days of Shula's delivery of written notice thereof, the Franchisee shall execute and deliver to Shula's a release of Shula's. Without the Franchisee's consent, Shula's may also transfer its stock, engage in public and private securities offerings, merge, consolidate, reorganize, acquire other businesses (including competing businesses), sell all or substantially all of its assets, borrow money (with or without providing collateral), and otherwise deal in its assets or operate its business.

11 2 **Transfer by the Franchisee**

- a **Personal Rights** The rights and duties set forth in this Agreement are personal to the Franchisee. Shula's grants the Franchise in reliance on the Franchisee's, and its owners', business and personal skill, reputation, aptitude, and financial capacity. Accordingly, unless otherwise expressly permitted by this Agreement, without Shula's prior consent, the Franchisee may not sell, assign, convey, or otherwise dispose of—voluntarily, involuntarily, directly or indirectly, by operation of law or otherwise—any direct or indirect interest in this Agreement. For the purposes of this ARTICLE 11, the term "transfer" refers to any of the preceding actions.

If the Franchisee is a corporation, partnership, limited partnership, or other entity, the Franchisee shall provide Shula's with prior written notice of any transfer of voting or ownership interests therein, even if it does not constitute a transfer of an interest in this Agreement as provided in the next sentence. A transfer of 25% or more of such voting or ownership interests—individually or in the aggregate, directly or indirectly—is considered a transfer of an interest in this Agreement by the Franchisee, as is a transfer of all or substantially all of the Franchisee's assets used to operate the Franchised Business.

Any purported or attempted transfer by the Franchisee—by operation of law or otherwise—in violation of this Agreement is null and void, as well as a material breach of this Agreement.

- b **No Encumbrance** Neither the Franchisee nor its owners (or their respective owners) may create, permit, or suffer a lien against, nor pledge, mortgage, hypothecate, grant a security interest in, or in any manner encumber this Agreement (or any interest herein) or 25% or more of the Franchisee's other assets or any 25% or more of the voting or ownership interests in the Franchisee (or in any owner of the Franchisee). Any of the acts in the foregoing sentence is considered a transfer of an interest by the Franchisee under Section 11 2 a.
- c **"For Sale" Restrictions** The Franchisee may not place a "Business For Sale," "For Sale" sign, or any sign of a similar nature or purpose upon the Premises. The Franchisee shall not use the Proprietary Marks to advertise the sale of the Franchise or the sale or lease of the

Premises These prohibitions apply to any activities conducted under any listing agreement that the Franchisee may enter with a real-estate or business broker

- d **Permitted Transfer** Unless the Franchisee satisfies all the following conditions—any of which Shula’s, in its discretion, may waive—Shula’s need not consent to a transfer of any interest in this Agreement
- i the Franchisee has complied with its obligations under Section 11.4 and Shula’s has not exercised its right of first refusal thereunder,
 - ii all the Franchisee’s accrued monetary obligations and all other outstanding obligations to Shula’s have been satisfied,
 - iii the Franchisee has not defaulted under any provision of this Agreement or any other agreement between the Franchisee and Shula’s or its affiliates,
 - iv the Franchisee has executed a general release of all claims against Shula’s, its affiliates, and their respective officers, directors, owners, representatives, agents and employees (in their corporate and individual capacities),
 - v the transferee enters an assumption agreement, in form and substance satisfactory to Shula’s, under which it assumes all of the transferor’s obligations under this Agreement, or, if Shula’s requests, the transferee enters the form of franchise agreement Shula’s then offers to new franchisees (for a term equal to the then remaining Term of this Agreement) and such other ancillary agreements as Shula’s may require for the Franchised Business, the terms of such agreements may differ from those of this Agreement—such differing terms may include a smaller Protected Territory, and higher Royalty Fee,
 - vi the transferor pays Shula’s a transfer fee equal to twenty-five percent (25%) of the total purchase price as provided for in a fully executed Asset Purchase Agreement, or \$5,000, whichever is greater, if Shula’s requires the transferee to enter a new franchise agreement, the transferee need not pay any initial franchise fee due thereunder, such transfer fee being in lieu thereof,
 - vii the transferee has been interviewed at Shula’s principal office, without expense to Shula’s, and has demonstrated to Shula’s satisfaction that the transferee has the business and personal skills, reputation, and financial capacity Shula’s requires,
 - viii the transferee has satisfactorily completed Shula’s application procedures for new franchisees,
 - ix the transferee, at its expense and within the time Shula’s reasonably specifies, has renovated the Franchised Business to conform to the trade dress and operating or design concepts then used in the System,
 - x the transferee has demonstrated to Shula’s sole satisfaction that it, he, or she has properly assumed, and will be able to comply with, all of its, his, or her obligations

in connection with the Franchised Business—if the Premises are leased, the foregoing includes the transferee's assuming the lease,

- xI at the transferee's expense and upon such terms and conditions as Shula's may reasonably require, the transferee's Franchise Owner, Head Coach, Business Development Manager, Shula's Chef and such of the prospective franchisee's personnel as Shula's may require attend and satisfactorily complete Basic Training,
- xII Shula's is reasonably satisfied that the proposed sale terms and other factors involved in the transfer do not materially reduce the transferee's ability to assume and carry out its obligations effectively—Shula's, however, has no duty to consider such factors, and
- xIII the Franchisee and the transferee timely satisfy any other conditions Shula's reasonably imposes

Shula's approval of a proposed transfer is not an expression of its opinion concerning the appropriateness or fairness of the terms of the transfer or the likelihood of the transferee's success. If Shula's disapproves of the transfer because all the transfer conditions contained in this Section or elsewhere in this Agreement have not been satisfied (or for any other reason), it has no liability of any nature to the Franchisee or the transferee in connection therewith. Notwithstanding anything in this Agreement to the contrary, the Franchisee may not transfer this Agreement or any interest therein if it is the subject of either a voluntary or involuntary bankruptcy proceeding. For the purposes of the foregoing sentence, a debtor's or trustee-in-bankruptcy's assumption of this Agreement under Section 365 of the Bankruptcy Act (11 U.S.C. §365), or any other section thereof, is considered a transfer of this Agreement.

Shula's consent to a transfer does not constitute a waiver of (i) any claims it may have against the Franchisee or (ii) Shula's right to demand the transferee's exact compliance with all the terms of this Agreement. Without limiting the foregoing, Shula's approval of a transfer does not release the Franchisee (or any other transferor) of liability for its conduct before the transfer, including conduct in breach of this Agreement. The Franchisee (or other transferor) shall execute any agreements or documents that Shula's may request to evidence continuing liability for such conduct before the transfer.

11.3 Death Within six months of the death of any of the following individuals, such individual's estate must transfer his or her interests in the Franchisee (or in any of the Franchisee's owners) or in this Agreement in accordance with the terms of this ARTICLE 11:

- a any individual who holds a 25% or greater voting or ownership interest in the Franchisee (or in any of the Franchisee's owners), or
- b any individual who is the Franchisee

11.4 *Shula's Right of First Refusal*

a If, at any time

- i any person who owns at least a 10% ownership or voting interest in the Franchisee (or in any entity with an ownership interest in the Franchisee) receives an arm's-length written offer from an independent third party to purchase such person's interest, or any part thereof, (such interest, or the part thereof, subject to the offer referred to as the "Interest," and such offer referred to as the "Interest Offer"), or
- ii the Franchisee receives an arm's length written offer from an independent third party to purchase the Franchisee's interests under this Agreement or, outside the ordinary course of business, a material part or all of the Franchised Business's operating assets, including the Premises if owned by the Franchisee or an affiliate (such interests and assets subject to the offer referred to as the "Assets," and such offer referred to as the "Asset Offer"),

and such person receiving the Interest Offer, or the Franchisee receiving the Asset Offer, as the case may be (in either case the person receiving such third-party's offer referred to as the "Offeror"), desires to accept such offer, **then** such party must first offer to sell Shula's the Interest or the Assets for the consideration and on the terms set forth in such third party's written offer. The Offeror's Interest Offer or Asset Offer (in each case, the "Offer") must be made by written notice to Shula's setting forth the name and address of the prospective purchaser and the price and terms of the Offer. The written notice must also include a franchise application completed by the prospective purchaser, as well as any other information Shula's reasonably requests to evaluate the Offer. Such information may include, among other things, any purchase and sale and related agreements executed, or proposed to be executed, by the Franchisee or the third party. Shula's has an option to purchase the Interest or the Assets that is superior to any third-party's right to purchase the Interest or Assets. Shula's may exercise such option by delivering written notice of acceptance of the Offer ("Notice of Exercise") to the Offeror within 30 days after receipt thereof (including all information Shula's requests pertaining thereto).

- b If Shula's accepts the Offer, the Offeror shall sell the Interest or the Assets to Shula's—and Shula's shall purchase the Interest or the Assets from the Offeror—for the consideration and upon the terms set forth in the Offer, less any broker's commission that would have been due if Shula's had not exercised its right of first refusal and the sale made instead to the proposed third-party purchaser. Shula's creditworthiness must be deemed at least equal to the proposed purchaser's creditworthiness.
- c If an independent third party's written offer (and the Offeror's corresponding Offer to Shula's) provides for the purchaser's payment of a Unique Consideration, then Shula's may, in lieu thereof, substitute a cash consideration. If Shula's elects to do so, it must inform the Offeror of such election in its Notice of Exercise. Within 15 days after Shula's delivers its Notice of Exercise, the Offeror and Shula's shall agree on the amount of the cash to be substituted for the Unique Consideration. If the parties cannot conclude an agreement

within such time, an independent appraiser Shula's selects must determine the amount of cash "Unique Consideration" is any noncash consideration that is of such a nature that Shula's cannot reasonably duplicate it

- d If the proposed sale includes assets of the Offeror not related to operating the Franchised Business, Shula's may, at its option, elect to purchase only the assets related to operating Franchised Business In such event, Shula's, exercising reasonable discretion, must determine an equitable purchase price for such operating assets, which it must allocate to each asset included in the proposed sale
- e Unless the Offeror and Shula's agree otherwise, the closing of the purchase of the Interest or the Assets must be held at Shula's then principal office, or any other location Shula's designates, no later than the 30th day after it delivers its Notice of Exercise to the Franchisee Notwithstanding the foregoing, the closing of any such purchase for which the amount of the cash is determined by an appraiser in accordance with Section 11 4 c must be held on the 15th day after such amount is finally determined At any such closing, the Offeror shall deliver to Shula's an assignment and any other documents Shula's reasonably requests to evidence and document the transfer of ownership of the Interest or the Assets (such assignment and other documents, collectively, the "Transfer Documents") The Transfer Documents must evidence and document that the transfer is free and clear of all liens, claims, pledges, security interests, options, restrictions, charges, and encumbrances The Transfer Documents must be in proper form for transfer (if they are negotiable securities or documents or like instruments) and be accompanied by evidence of payment of all applicable transfer taxes by the Offeror Simultaneously therewith, after setting off any amounts the Offeror owes Shula's against the amount due the Offeror, Shula's shall pay the consideration due the Franchisee for the Interest or the Assets, as the case may be Shula's shall deliver a cashier's check or certified check drawn on a bank or thrift institution doing business in the county of its principal place of business The remaining terms of such purchase and sale are those set forth in the Offer
- f If Shula's does not accept the Offer (or is deemed under this Agreement to have waived its right to do so because it did not timely deliver a Notice of Exercise) as provided above, for a period of 60 days after Shula's elected not to exercise its option (or is deemed to have waived its right to do so), the Offeror may sell the Interest or the Assets to the independent third party for the consideration and upon the terms specified in such third party's written offer Such sale is, however, subject to Shula's prior approval and must strictly comply with all the provisions of this Agreement relating to transfers, including those set forth in Section 11 2 d As a condition precedent to any sale of an Interest or Assets as provided above, to an independent third party, such party must deliver to Shula's a written acknowledgement that the Interest it is purchasing is subject to all the terms of this Agreement Without limiting the generality of the foregoing, the written acknowledgment must also contain the third party's agreement to be bound by all the terms of this ARTICLE 11 with respect to the transfer of the Interest or Assets as provided above, in the same manner as the Offeror If, within the aforesaid 60-day period, the Offeror does not sell the Interest or the Assets as

provided above, any transfer by him or her of the Interest or the Assets is again subject to the restrictions set forth in this Agreement

ARTICLE 12

DEFAULT AND TERMINATION

12.1 Termination by Shula's—Without Notice

- a Subject to applicable law, this Agreement shall immediately terminate upon the occurrence of any of the following events (which are considered non curable defaults by the Franchisee)
 - i the Franchisee becomes insolvent or makes a general assignment for the benefit of creditors,
 - ii a petition in bankruptcy is filed by the Franchisee or such a petition is filed against or consented to by the Franchisee and such petition is not dismissed within 45 days,
 - iii the Franchisee is adjudicated as bankrupt,
 - iv a bill in equity or other proceeding for the appointment of a receiver of the Franchisee or other custodian for the Franchisee's business or assets is filed and consented to by the Franchisee,
 - v a receiver or other custodian (permanent or temporary) of the Franchisee's business or assets is appointed by any court of competent jurisdiction,
 - vi proceedings for a composition with creditors under Federal or any state law is instituted by or against the Franchisee,
 - vii a final judgment against the Franchisee in excess of \$5,000 remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed),
 - viii execution is levied against the Franchisee's operation or property, or suit to foreclose any lien or mortgage against the Premises or its other assets is instituted against the Franchisee and not dismissed within 45 days, or
 - ix a substantial portion of the Franchisee's real or personal property used in the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable
- b Each of the foregoing events in Section 12.1 a shall be deemed a "Material and Non-Curable Default" under this Agreement
- c Within three days of the occurrence of a Material and Non-Curable Default, the Franchisee shall provide written notice thereof to Shula's

12.2 Termination by Shula's—Upon Notice Upon the occurrence of any of the following events, without providing the Franchisee with any opportunity to cure, Shula's may, by written notice, immediately terminate this Agreement

- a the Franchisee fails to satisfy any of the conditions in Section 5.5 pertaining to opening the Franchised Business—or is not otherwise prepared to open for business—by the Opening Date Deadline,
- b within 10 days after Shula's delivers a Notice of Default, the Franchisee fails to pay Shula's or any affiliate any amount due under this Agreement or any other agreement,
- c Franchisee or any of its owners made any material misrepresentation in obtaining the Franchise, including in any franchise application submitted to Shula's
- d the Franchisee abandons the Franchised Business or, for more than 7 consecutive days or 14 days in any calendar year, the Franchisee ceases to conduct the Franchised Business at the Premises without Shula's prior written consent, the Franchisee, after the expiration of all redemption periods, loses the right to possess the Premises, or the Franchisee otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located,
- e a serious or imminent threat or danger to public health or safety results from constructing, maintaining, or operating the Franchised Business and such threat or danger remains uncorrected for three days (or such shorter cure period as the governmental authority may require) after Shula's or any governmental authority delivers written notice thereof—unless a cure cannot be reasonably completed in such time, in which event the Franchisee shall, immediately begin to take all reasonable steps to cure, and such cure is not completed within 30 days after delivery of such written notice (or such shorter cure period as the governmental authority may permit), Shula's shall have the right to require the Franchisee, during the time it is attempting to cure, to immediately close its Franchised Business for any breach under this section,
- f the Franchisee fails or refuses to comply with any mandatory specification, standard or operating procedure Shula's prescribes in this Agreement, in the Shula's Manuals, or otherwise in writing, relating to the cleanliness or sanitation of the Franchised Business or violates any health, safety, or sanitation law, ordinance, or regulation and does not correct such failure or refusal within three days (or such shorter cure period as the governmental authority may require) after Shula's or any governmental authority delivers written notice thereof—unless a cure cannot be reasonably completed in such time, in which event the Franchisee shall immediately begin to take all reasonable steps to cure, and such cure is not completed within 30 days after delivery of such written notice (or such shorter cure period as the governmental authority may permit), Shula's shall have the right to require the Franchisee, during this time it is attempting to cure, to immediately close its Franchised Business for any breach under this Section,

- g the Franchisee, or any of its officers, directors, owners or managerial employees is convicted of, or pleads *nolo contendere* to, a felony, a crime of moral turpitude or any other crime or offense that Shula's believes is likely to have a material adverse effect on the System, the Proprietary Property, the goodwill associated with the Proprietary Marks, or Shula's interest in any of the Proprietary Property unless the Franchisee immediately and legally terminates such individual as an officer, director, owner, or employee of the Franchisee,
- h the Franchisee denies Shula's the right—or otherwise interferes with, impedes, or impairs Shula's exercising its right—to inspect the Franchised Business or to audit the sales and accounting records of the Franchised Business or to access or retrieve information from the P O S System,
- i the Franchisee engages in conduct that is deleterious to, or reflects unfavorably on, the Franchisee, Shula's, the Proprietary Property, the Proprietary Marks, or the System, or the Franchisee engages in conduct that exhibits a reckless disregard for the physical or mental wellbeing of employees, customers, Shula's representatives, or the public at large—such conduct includes battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse, or other forms of threatening, outrageous, or unacceptable behavior,
- j except as expressly permitted hereunder, any person attempts or purports to transfer any rights or obligations under this Agreement, without Shula's prior consent or otherwise breaches any of the provisions of Section 11 2,
- k any breach occurs under ARTICLE 7 or ARTICLE 14, or any other provisions related to Confidential Information or noncompetition by the Franchisee,
- l the Franchisee maintains false books or records, or submits any false reports to Shula's,
- m the Franchisee misuses or makes any unauthorized use of the Proprietary Property or otherwise materially impairs the goodwill associated with the Proprietary Property or Shula's rights in the Proprietary Property,
- n during any 12-consecutive-month period, the Franchisee receives from Shula's two or more Notices of Default—whether for the same or different defaults—notwithstanding that such defaults might have been cured,
- o the Franchisee receives two or more unsatisfactory or failing reports in connection with any “mystery shopper,” or similar type, quality-control and evaluation program,
- p the Franchisee or any of its affiliates defaults under any other agreement with Shula's or any of its affiliates (including any sublease or franchise agreement) and Shula's or any of its affiliates terminates such agreement on account thereof,
- q the Franchisee fails to provide an acceptable Site or fails to acquire or lease the Premises within the periods required by Section 5 1,
- r the Franchisee breaches any of its obligations under Section 16 7 (Antiterrorism Laws), or

s the Franchisee's failure to complete (or failure to have Franchisee's representatives and/or employees complete) Shula's Basic Training or Managers' Training as required, to the satisfaction of Shula's

12 3 **Termination by Shula's—After Notice and Right to Cure** The Franchisee is in default under this Agreement if it fails to comply with any obligation or requirement imposed by this Agreement, as it may from time to time be revised or supplemented by the Shula's Manuals. Except as otherwise provided above in Sections 12 1 and 12 2, or elsewhere in this Agreement, the Franchisee has 30 days after Shula's delivers a Notice of Default to cure any default described therein and provide evidence of cure satisfactory to Shula's. If the Franchisee fails to timely do so, Shula's may immediately terminate this Agreement. To the extent a cure is permitted under this Agreement, the Franchisee has the burden of proving it properly and timely cured any default.

ARTICLE 13

OBLIGATIONS OF THE FRANCHISEE UPON TERMINATION OR EXPIRATION

Upon the expiration or sooner termination of this Agreement, all rights granted under this Agreement to the Franchisee terminate immediately, and the Sections of this ARTICLE 13 shall apply to the rights and obligations of the parties.

13 1 **Cease Operations** The Franchisee shall immediately cease operating the Franchised Business. Thereafter the Franchisee shall not, directly or indirectly: (a) use any of the Proprietary Property, (b) represent itself as a present or former franchisee of Shula's (except to the extent required by federal or state franchise-registration and disclosure laws), or (c) in any other way affiliate itself with the System. The Franchisee shall immediately cease using all stationery, signage, and any other materials displaying the Proprietary Marks. The Franchisee shall also immediately cease using any telephone numbers for the Franchised Business used at any time before such expiration or termination. To ensure that the Franchisee has ceased using such telephone numbers, the Franchisee authorizes Shula's to take whatever actions are necessary to comply with the foregoing in accordance with the Limited Power of Attorney to Transfer Telephone Listing and Number, which the Franchisee is executing concurrently with this Agreement, in substantially the same form as Exhibit 13 1. For the purposes of this Agreement, the use of the Proprietary Property includes its display.

13 2 **Payment of Outstanding Amounts** Except for refunds expressly required hereunder, Shula's may retain all fees paid under this Agreement. In addition, within 10 days after the effective date of termination or expiration (or such later date(s) as it is determined that amounts are due to Shula's), the Franchisee shall pay Shula's all Royalty Fees, amounts owed for products or services the Franchisee purchased from Shula's or its affiliates, and all other unpaid amounts the Franchisee owes to Shula's or its affiliates (including gift-card balances, if any).

13 3 **Assignment of Lease of Premises** If the Premises are leased from a third party and if Shula's requests, the Franchisee shall immediately assign its lease to Shula's and immediately surrender possession of the Premises to Shula's. The Franchisee is and remains liable for all of its obligations accruing up to the effective date of any lease assignment.

13.4 ***Distinguishing Operations***

- a If Shula's does not exercise its rights under Section 13.4 and the Franchisee desires to operate a business that is not a Competitive Business at the Premises, the Franchisee shall make such modifications or alterations to the Premises that may be needed to distinguish the appearance of the Premises from that of other franchised units and Company owned units under the System. The Franchisee shall make all such modifications and alterations immediately upon termination or expiration of this Agreement. At such time, the Franchisee shall also make such specific additional changes to the Premises as Shula's reasonably requests for that purpose—including, changing the use of the Premises. The Franchisee shall not take any action that impairs the goodwill of its customers or potential customers toward Shula's, its franchisees, or any other aspect of the System.
- b In the manner Shula's specifies, the Franchisee shall immediately remove all identifying architectural superstructure and signage on or about the Premises, as well as any other items bearing the name or logos of ***Shula's*** (or any name or logo similar to ***Shula's***) or any other of the Proprietary Marks. Upon request, the Franchisee shall hold for delivery to Shula's, at the latter's expense, all such property belonging to Shula's. Until the time of their removal, the Franchisee shall completely cover any signage that the Franchisee cannot remove within one Business Day of the expiration or termination of this Agreement. If the Franchisee fails or refuses to comply with this obligation, without being guilty of trespass or any other tort or criminal act, Shula's may enter upon the Premises for the purpose of removing such signage and storing it at another location. Shula's does so at the Franchisee's reasonable expense. The Franchisee shall pay such expense upon demand.
- c Until all modifications and alterations required by this Section 13.4 are completed, the Franchisee shall maintain a conspicuous sign, in the form Shula's specifies, at the Premises stating that the Franchisee's restaurant is no longer associated with Shula's System, and advise all customers or prospective customers telephoning the Franchisee's restaurant that the Franchisee and the restaurant are no longer associated with Shula's System.
- d If the Franchisee fails or refuses to comply with the requirements of this Section 13.4, Shula's may enter upon the Premises to make, or cause to be made, the required modifications, alterations, and changes. It does so at the Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of the Franchisee or others, and without liability for trespass or other tort or criminal act. The Franchisee's failure to make such modifications, alterations, or changes will cause irreparable injury to Shula's.

- 13.5 ***Unfair Competition*** If the Franchisee, or any of its owners, continues to operate, or subsequently begins to operate, any other business, it may not, in connection with such business or the promotion thereof, use any reproduction or colorable imitation of the Proprietary Marks or trade dress, imitate any methods of operation, or undertake any other conduct that is likely to cause confusion, mistake, or deception, or that is likely to dilute Shula's (or any of its affiliate's) rights in and to the Proprietary Marks or trade dress. Without limiting the foregoing, neither the Franchisee nor any of its owners shall, at any time after the expiration or termination of this Agreement, use

or attempt to register (or assist any third party to do the same) any trademarks, service marks, or other commercial symbol that is the same as or similar to any of the Proprietary Marks, nor any mark with phonetic or graphic similarity to those of Shula's or its affiliates. In addition, neither the Franchisee nor any of its owners shall use any designation of origin or description or representation that falsely suggests or represents an association or connection with the System or Shula's, or any of its affiliates. Any such action undertaken by the Franchisee or any of its owners is considered unfair competition. This Section 13.5 does not, directly or indirectly, discharge the Franchisee's obligations under ARTICLE 14.

13.6 ***Return of Materials*** At its expense, the Franchisee shall immediately deliver to Shula's at its then current headquarters all tangible and intangible Proprietary Property (together with all copies and any other forms of reproductions of such materials) in the Franchisee's possession or control. All such Proprietary Property, as well as copies and reproductions thereof, are Shula's (or its affiliate's) exclusive property.

13.7 ***Shula's Purchase Rights*** Upon the expiration or sooner termination of this Agreement, Shula's has an option to purchase any or all of the Franchisee's assets used in connection with the Franchised Business. It may purchase such items at a price equal to the Franchisee's cost or fair market value, whichever is less. Shula's may exercise such option by delivering a notice of intent to purchase to the Franchisee within 30 days after the expiration or sooner termination of this Agreement. If, within a reasonable time, the parties cannot agree on the fair market value of the items to be purchased, Shula's shall designate an independent appraiser to do so. The appraiser's determination is final and binding. The parties shall equally bear the costs of the appraiser. The fair market value of tangible assets must be determined without reference to goodwill, going-concern value, or other intangible assets. If Shula's exercises its option to purchase, it may setoff all amounts due from the Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment due the Franchisee. If the Franchisee fails to deliver any of the items purchased under this Section to Shula's or its nominee, fails to execute or deliver the necessary documents to transfer good title to the Franchisee's assets, fails to surrender possession of the Premises to Shula's or its nominee, or otherwise fails to comply with any of the provisions of this ARTICLE 13, Shula's may apply to any court of competent jurisdiction for an injunction to compel the Franchisee to comply therewith. If it does so, it need not post any bond or other security in excess of \$1,000 nor demonstrate irreparable harm. The Franchisee shall pay Shula's all costs and expenses relating to seeking such injunction, including Shula's reasonable attorneys' fees and costs. In lieu of such payment, Shula's may take a credit against the purchase price equal to the total amount of such related costs and expenses.

13.8 ***Liquidated Damages for Premature Termination*** If this Agreement is terminated in accordance with ARTICLE 12, the Franchisee shall pay Shula's a lump-sum payment equal to the total of all Royalty Fees for

- a If the Franchised Business has been operating for 24 months or more and there are more than 24 months remaining in the Term had it naturally expired and not been terminated, the 24-calendar months of operating the Franchised Business preceding the Franchisee's default,

- b If the Franchised Business has been operating for 24 months or more and there are less than 24 calendar months remaining in the Term had it naturally expired and not been terminated (the number of such remaining months, the "Remaining Months"), the period of months (and any portion thereof) the Franchised Business has been operating preceding the Franchisee's default equal to the number of Remaining Months, or
- c if the Franchised Business has been operating for less than 24 months, the period of time the Franchised Business has been operating preceding the default, projected on a 24-calendar month basis

This payment constitutes liquidated damages for causing the premature termination of this Agreement and not a penalty. The Franchisee agrees and acknowledges that a precise calculation of the full extent of damages that Shula's will incur if this Agreement terminates because the Franchisee defaults cannot be reasonably determined. Nevertheless, the Franchisee acknowledges that the lump-sum payment provided under this Section 13.8 is reasonable in light of the damages for premature termination that Shula's may reasonably be expected to incur in such event.

This sum is not a penalty and is intended by the parties only as a compensatory remedy for past breaches and not as a preventative remedy to deter future breaches. This sum does not represent a price for the privilege of not performing nor does the payment of this sum represent an alternative manner of performance. Accordingly, as a purely liquidated damage provision, this Section 13.8 does not preclude, nor is it inconsistent with, a court granting Shula's specific performance or any other equitable remedies, such as an injunction, to prevent future breaches. Shula's rights to liquidated damages and specific performance or any other equitable relief are not mutually exclusive.

13.9 ***Social Media Accounts***

Upon the expiration or termination of this Agreement, Franchisee shall immediately provide Shula's with Franchisee's current account IDs, user names and passwords for all social media accounts it established to market, advertise and promote the former Franchised Business. Franchisee understands and agrees that upon expiration or termination of this Agreement, Shula's shall have the absolute and unconditional right, in its sole discretion, to permanently close, delete, take exclusive control over, or transfer any social media accounts that Franchisee established to market, advertise and promote the former Franchised Business.

ARTICLE 14 INDEPENDENT COVENANTS OF THE FRANCHISEE

14.1 ***Diversion of Business, Competition and Interference With Shula's***

- a If franchisees were permitted to hold interests in a Competitive Business, Shula's would be unable to protect, among other legitimate business interests, the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information between the franchisees in the Chain. Accordingly, during the Term, none of the Franchisee, its affiliates or any of their respective owners, officers, or directors or any of their respective spouses (the Franchisee and such other persons,

collectively, the "Restricted Parties" and, individually, a "Restricted Party") may, directly or indirectly

- I solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Shula's Business Affiliates to terminate or modify his, her, or its business relationship with Shula's or to compete against Shula's,
 - II as owner, officer, director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever be connected in any manner with the ownership, management, operation or control, or conduct of a Competitive Business in the United States or any other market area in which a Shula's restaurant is (1) operating under the System then in operation, (2) under construction or development, or (3) demonstrably expected to be under development during the Term, and
 - III in any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the business of Shula's or any of its other franchisees
- b Furthermore, during the 36-month period after the expiration or sooner termination of this Agreement, neither the Franchisee nor any of the other Restricted Parties may, directly or indirectly
 - I solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Shula's Business Affiliates to terminate or modify his, her, or its business relationship with Shula's or to compete against Shula's,
 - II as owner, officer, director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever be connected in any manner with the ownership, management, operation or control, or conduct of a Competitive Business within 15 miles of the Premises or the premises of any other *Shula's* restaurant (1) then in operation, (2) under construction or development, or (3) demonstrably expected to be under development within the 12 months after such expiration or termination, and
 - III in any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the business of Shula's or any of its other franchisees
- c Both during and after the Term, none of the Restricted Parties may disparage, by any means or via any medium, either Shula's or its affiliates or any of their respective officers, directors, stockholders, employees, or representatives, or any aspect of the System or Chain
- d The Franchisee and each of the other Restricted Parties acknowledges and confirms that the scope of activities prohibited in this Section 14 1, as well as the length of the term and geographical restrictions contained therein, are necessary to protect Shula's legitimate business interests and are fair and reasonable and not the result of overreaching, duress,

or coercion of any kind. The Franchisee's and each of the other Restricted Parties' full, uninhibited, and faithful observance of each of the covenants contained in this Section will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants contained in this Section 14.1 will not impair the Franchisee's or any of the other Restricted Parties' ability to obtain employment commensurate with its abilities and on terms fully acceptable to it or otherwise to obtain income required for the comfortable support of itself and its family, and the satisfaction of the needs of its creditors. The Franchisee's and the other Restricted Parties' special knowledge of the business of a Shula's restaurant (and anyone acquiring such knowledge through the Franchisee or the other Restricted Parties) is such as would cause Shula's and its franchisees serious injury and loss if it (or anyone acquiring such knowledge through the Franchisee or the other Restricted Parties) were to use such knowledge to the benefit of a competitor or were to compete with Shula's or any of its franchisees.

- e. If any court finally holds that the time or territory for or to which this Section 14.1 applies or the scope of activities prohibited thereunder—or that any provision stated in this Section 14.1—constitutes an unreasonable restriction upon the Franchisee or the other Restricted Parties, the provisions of this Agreement are not thereby rendered void, but apply as to time and territory or to such other extent as such court finally concludes or indicates is a reasonable restriction under the circumstances. The time periods set forth in this Section 14.1 are suspended during any period in which the Franchisee or any of the other Restricted Parties is breaching any of its terms or involved in a legal action or proceeding challenging the validity or enforceability thereof.
- f. Without the Franchisee's or the other Restricted Parties' consent, Shula's, in its discretion, may reduce the scope of any covenants set forth in this ARTICLE 14. Any such reduction is effective immediately upon Shula's delivery of written notice. The Franchisee and the other Restricted Parties shall comply immediately with any covenant as so modified. Such modified covenant is fully enforceable to the extent permitted by applicable law.
- g. The foregoing covenants in this ARTICLE 14 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim the Franchisee or any other Restricted Party may have against Shula's or any of its affiliates (regardless of whether arising from this Agreement) is not a defense to the enforcement of the foregoing covenants against the Franchisee or any of the other Restricted Parties.

ARTICLE 15

INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 15.1 **Independent Status.** This Agreement does not create a fiduciary relationship between the parties to this Agreement. The Franchisee is an independent contractor. Unless expressly provided to the contrary, nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, affiliate or servant of the other party for any purpose whatsoever. Nothing in this Agreement authorizes the Franchisee to make any contract, agreement, warranty, or representation on Shula's behalf. The Franchisee shall not incur any debt or other obligation in Shula's name. The Franchisee shall take such affirmative action as

Shula's requests to disclose to the public that the Franchisee is an independent contractor. Such actions shall include, without limitation, placing and maintaining a plaque in a conspicuous place within the Premises and a notice on all stationery, menus, business cards, sales literature, advertising and marketing materials, contracts, and similar documents that states that the Franchised Business is independently owned and operated by the Franchisee. The content of such plaque and notice is subject to the prior approval of Shula's.

- 15.2 **Indemnification** The Franchisee shall indemnify Shula's and its affiliates, and their respective officers, directors, owners, employees and representatives from any and all actions, judgments, damages, claims liabilities, losses, costs, and expenses (including reasonable attorney's fees and costs, even if incident to appellate, post judgment, or bankruptcy proceedings) to which they become subject or that they incur arising from or relating in any manner to the Franchisee's ownership or operation of the Franchised Business. In no event, however, need the Franchisee indemnify Shula's for any matter caused directly by Shula's gross negligence or intentional misconduct. Notwithstanding the expiration or sooner termination of this Agreement, this indemnity continues in full force and effect.

ARTICLE 16 REPRESENTATIONS AND WARRANTIES

- 16.1 **No Reliance** Except as expressly provided to the contrary in this Agreement, Shula's makes no representations, warranties, or guarantees upon which the Franchisee may rely. Shula's does not assume any liability or obligation to the Franchisee by providing any waiver, approval, consent, or suggestion to the Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor unless such conduct would otherwise constitute a breach of an express obligation of Shula's under this Agreement.
- 16.2 **True Copies** The Franchisee represents and warrants that copies of all documents it furnishes to Shula's in connection with obtaining the Franchise, and as required in the future, have been and will be true and complete copies of such documents (including all amendments or modifications thereof) and contain no misleading or incorrect statements or material omissions.
- 16.3 **Receipt of FDD** The Franchisee acknowledges that it received from Shula's a Franchise Disclosure Document ("FDD") for the state where the Franchised Business will be located and, if different, the state where the Franchisee resides (with all exhibits and supplements thereto), at least 14 calendar days before signing this Agreement or any other binding agreement with, or making any payment to, Shula's or an affiliate in connection with the sale of the Franchise.
- 16.4 **Receipt of Completed Franchise Agreement** The Franchisee acknowledges that it received from Shula's a completed copy of this Agreement and all related agreements, containing all material terms, with all blanks filled in (except for the date, signatures and any minor matters not material to the agreements) at least seven calendar days before signing this Agreement.
- 16.5 **Acknowledgement of Risk** The Franchisee acknowledges and agrees to the following:
- a. THE FRANCHISEE'S SUCCESS IN OWNING AND OPERATING THE FRANCHISED BUSINESS IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS. SUCH FACTORS INCLUDE, TO A

LARGE EXTENT, THE FRANCHISEE'S INDEPENDENT BUSINESS ABILITY EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT, NO REPRESENTATIONS OR PROMISES, EXPRESS OR IMPLIED, HAVE BEEN MADE BY SHULA'S OR ANY EMPLOYEE, BROKER, OR REPRESENTATIVE OF SHULA'S, TO INDUCE THE FRANCHISEE TO ENTER INTO THIS AGREEMENT NO EMPLOYEE, OFFICER, DIRECTOR, BROKER OR REPRESENTATIVE IS AUTHORIZED TO DO OTHERWISE

- b THE FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH SHULA'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, SUCH INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY THE FRANCHISEE FURTHER ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN THE FRANCHISEE AND SUCH INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN THE FRANCHISEE AND SHULA'S NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, SUCH BROKER SHALL BE SOLELY LIABLE FOR ITS CONDUCT IN CONNECTION WITH THE FRANCHISEE EXCEPT THAT FRANCHISOR SHALL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT REGARDING ENGAGING SUCH BROKER
- c IN ADDITION, SHULA'S MAKES NO WARRANTY AS TO THE FRANCHISEE'S ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH THE FRANCHISED BUSINESS IS TO BE OPERATED THE FRANCHISEE ITSELF MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY WITH RESPECT TO THIS ISSUE IF LEGISLATION ENACTED, OR REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY PREVENTS THE FRANCHISEE FROM OPERATING THE FRANCHISED BUSINESS, SHULA'S IS NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY THE FRANCHISEE IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM THE FRANCHISEE

16 6 ***Business Opportunity Disclaimers*** Shula's makes no representation, warranty, or guaranty—express or implied—concerning any of the following matters

- a that it will purchase any products made, produced, fabricated, or modified by the Franchisee using supplies or services sold to the Franchisee, or
- b that the Franchisee may or will earn a profit, or that the Franchisee may or will derive income from the Franchise that exceeds the price paid for it,
- c that Shula's will refund all or part of the purchase price for the Franchise, or
- d that Shula's will repurchase any of the products, equipment, or supplies provided by Shula's if the Franchisee is unsatisfied with the Franchise

16 7 ***Antiterrorism Laws***

- a For the purposes of this Section 16 7, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U S Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U S Code of Federal Regulations), the Cuban

Assets Control Regulations (Title 31, Part 515 of the U S Code of Federal Regulations), the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war

- b The Franchisee and its principals certify that none of its employees, or anyone associated with Franchisee or its principals are listed in the Annex to Executive Order 13224 (The Annex is available at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>) Franchisee agrees not to hire any individual listed in the Annex
- c The Franchisee certifies that it has no knowledge or information that, if generally known, would result in the Franchisee, its principals, its employees, or anyone associated with the Franchisee to be listed in the Annex to Executive Order 13224
- d The Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with the Anti Terrorism Laws The Franchisee shall indemnify Shula's for any damages, liabilities, or expenses of any nature that it may incur in connection with the Franchisee's, or any of its principal's, breach of any of its obligations (including any misrepresentation) under this Section 16.7
- e Any misrepresentation by the Franchisee under this Section 16.7 or any violation of the Anti-Terrorism Laws by the Franchisee, its principals, or the Franchisee's employees constitutes grounds for immediate termination of this Agreement and any other agreement the Franchisee has entered with Shula's or an affiliate of Shula's
- f Franchisee shall require and obtain execution of covenants similar to those set forth in Section 16.7 (as modified to apply to an individual) from any or all of the following persons the Head Coach, Business Development Manager, Shula's Chef and any other of the Franchisee's general managers, supervisors, and principals

ARTICLE 17

MEDIATION, EQUITABLE RELIEF

17.1 Mediation

- a In connection with any Dispute between the parties, before any legal action or proceeding may be conducted, either party may, at its option, submit the controversy or claim to nonbinding mediation before the AAA. If the AAA is unable to conduct the mediation, the controversy or claim may be submitted to any other mutually agreeable mediator. In the event of any such mediation, both parties shall execute a confidentiality agreement reasonably satisfactory to Shula's. Once the controversy or claim is submitted to mediation, the obligation to attend mediation is binding on both parties. Each party shall bear its own costs with respect to the mediation. The fee for the mediation, however, will be split equally.

- b The provisions of this Section 17 1 are to be construed as independent of any other covenant or provision of this Agreement But if a court of competent jurisdiction determines that any such provisions are unlawful in any way, such court must modify or interpret such provisions to the minimum extent necessary to have them comply with the law
- c Mediation must take place in Broward County, Florida
- d All references to the Franchisee in this Section 17 1 and 17 2, include the Franchisee's owners and the Restricted Parties

17 2 *Exceptions to Mediation, Equitable Relief*

- a Notwithstanding anything in this Agreement to the contrary, the obligation to mediate is not binding upon Shula's with respect to any of the following matters
 - i claims relating to the Proprietary Property or claims under ARTICLE 14,
 - ii claims relating to any lease or sublease of real property between the parties or their related entities,
 - iii claims relating to the Franchisee's obligations upon termination or expiration of this Agreement,
 - iv claims relating to any transfer of an interest in the Franchisee, the Franchised Business or its assets, or this Agreement restricted under this Agreement,
 - v claims relating to actions that may impair the goodwill associated with the Proprietary Marks,
 - vi matters involving danger, health, or safety involving the Franchisee, its employees or customers, or the public, or
 - vii requests for restraining orders, injunctions, or other procedures to obtain specific performance in a court of competent jurisdiction when such court considers the restraining order, injunction, or specific performance necessary to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties by mediation
- b The Franchised Business is intended to be one of a large number of businesses identified by the Proprietary Marks selling the public the products and services associated with the Proprietary Marks Consequently, a single franchisee's failure to comply with the terms of its franchise agreement is likely to cause irreparable damage to Shula's, and damages at law would, therefore, be an inadequate remedy Accordingly, in the event of a breach or threatened breach of any of the terms of the Agreement by the Franchisee concerning any matters referenced in Section 17 2 a, Shula's may seek an injunction restraining such breach or a decree of specific performance (together with recovery of reasonable attorneys' fees and costs incurred in obtaining such equitable relief) It may do so without demonstrating or proving any actual damage Moreover, Shula's may seek such relief without posting any bond or security But if a court of competent jurisdiction, nevertheless,

requires a bond or security, a bond or security of \$1,000 will be adequate. The foregoing equitable remedies are in addition to all other rights or remedies to which Shula's may otherwise be entitled because of any breach of this Agreement by the Franchisee. Notwithstanding anything in this Agreement to the contrary, Shula's may seek injunctive relief in any jurisdiction that has jurisdiction over the Franchisee or any Restricted Party.

ARTICLE 18

TERM

18.1 Term Unless sooner terminated under ARTICLE 12, the Term of this Agreement commences on the Agreement Date and expires 10 years thereafter. Upon the expiration of the Term, the Franchisee may extend its SHULA'S franchise for two additional 10-year terms (each, a "Successor Term") as provided in Section 18.2.

18.2 Option to Obtain Successor Franchise Agreement

- a. Upon the expiration (but not the sooner termination) of the Term and the first Successor Term, the Franchisee may enter a Successor Franchise Agreement with a 10-year Successor Term. The Franchisee may do so only if it satisfies the following conditions at the time the option is exercised (unless another time is specified below) and remain satisfied at all times thereafter:
 - i. the Franchisee has strictly complied with this Agreement at all times during the Term or the First Successor Term, as the case may be, as well as with any other agreement between the Franchisee and Shula's or its affiliates,
 - ii. not less than 9 months nor more than 12 months before the end of the Term or the first Successor Term, as the case may be, the Franchisee gives Shula's written notice of its intention to exercise the option to obtain a Successor Franchise Agreement,
 - iii. beginning on the Opening Date, the Franchisee earns minimum annual Gross Revenues of \$2,000,000 (the "Annual Performance Standard") each year of the Term, or the first Successor Term, as the case may be (for the purposes of the foregoing, Gross Revenues are not considered earned unless the Franchisee has paid Royalty Fees and any other amounts due Shula's in connection therewith),
 - iv. if Shula's, in its discretion, chooses to inspect the Franchised Business and gives notice of any required maintenance, refurbishing, renovating, and upgrading at least 6 months before the expiration of the Term, and the Franchisee completes all such required maintenance, refurbishing, renovating, and upgrading no later than 60 days before expiration of the Term or the first Successor Term, as the case may be,
 - v. the Franchisee satisfies all its monetary obligations owed to Shula's and its affiliates,
 - vi. within 30 days before Term or first Successor Term expires, the Franchisee executes, and delivers to Shula's, a Successor Franchise Agreement, the terms of which may significantly differ from the terms of this Agreement, including a smaller Protected Territory or a higher Royalty Fee,

- vii the Franchisee complies with all requirements Shula's imposes under the Successor Franchise Agreement upon its execution,
 - viii the Franchisee pays Shula's a fee of \$5,000 (the "Extension Fee"), this Extension Fee is in lieu of any initial franchise fee due under the Successor Franchise Agreement,
 - ix the Franchisee executes a general release of all claims against Shula's and its affiliates, and their respective officers, directors, shareholders, agents, and employees, and
 - x the Franchisee is lawfully entitled to continue to occupy the Premises for the entire following Successor Term
- b If the Franchisee does not satisfy any of the conditions set forth in Section 18 2 a, Shula's may elect not to enter into a Successor Franchise Agreement

18 3 **Reinstatements and Extensions** If termination or expiration of the Term would violate any applicable law, Shula's may reinstate or extend the Term to comply with such laws Shula's may do so by written notice to the Franchisee Such reinstatement or extension is for the period set forth in the notice Such reinstatement or extension does not waive any of Shula's rights under this Agreement or otherwise modify it

ARTICLE 19 GENERAL PROVISIONS

19 1 **Release of Prior Claims** By executing this Agreement, the Franchisee, and each of its successors under this Agreement, forever releases and discharges Shula's and its affiliates, its Designees, franchise sales brokers, if any, and other agents, and their respective officers, directors, representatives, employees and agents, from any and all claims of any kind, in law or in equity, that may exist as of the Agreement Date relating to this Agreement or any other agreement between the parties, or relating in any other way to the conduct of Shula's, its affiliates, its Designees, franchise sales brokers, if any, or other agents, and their respective officers, directors, representatives, employees and agents before the Agreement Date, including any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, business opportunity, securities, antitrust or other laws of the United States, any state or locality Nothing in this Section 19 1, however, is intended to disclaim or waive any claims arising from representations in the FDD or its exhibits or amendments that Shula's has provided to the Franchisee, and any such claims are expressly excluded from the forgoing release

19 2 **Amendments** The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by the party as to whom enforcement of any such amendment, supplement, waiver, or modification is sought and making specific reference to this Agreement This Section 19 2 is subject to the terms of Sections 7 3, 14 1, and 19 3

19 3 **Modification of the System** FROM TIME TO TIME AFTER THE AGREEMENT DATE, SHULA'S MAY CHANGE OR MODIFY THE SYSTEM (INCLUDING THE TYPES OF GOODS AND SERVICES OFFERED BY THE FRANCHISED BUSINESS) THE FRANCHISEE SHALL ACCEPT, AND IS BOUND BY, SUCH CHANGES

TO AND MODIFICATIONS OF THE SYSTEM AS IF THEY WERE PART OF THIS AGREEMENT AT THE TIME IT WAS EXECUTED THE FRANCHISEE SHALL MAKE ALL SUCH EXPENDITURES AS SHULA'S MAY REASONABLY REQUIRE TO TIMELY AND EXPEDITIOUSLY IMPLEMENT AND COMPLY WITH SUCH CHANGES OR MODIFICATIONS

19 4 **Binding Effect** All of the terms and provisions of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors, and permitted assigns

19 5 **Notices** All notices, requests, demands, approvals, consents and other communications required or permitted under this Agreement must be in writing and must be (as elected by the person giving such notice) hand delivered by messenger or courier service, mailed by registered or certified mail (postage prepaid), return receipt requested, or sent by facsimile or email (provided that the sender confirms the facsimile or email by delivering an original confirmation copy by mail or expedited delivery service, in accordance with this Section 19 5, within three Business Days after transmission), addressed to the appropriate party at its address set forth below or to such other address as that party may designate by notice complying with the terms of this Section 19 5 Each such notice is deemed delivered

a on the date delivered if by personal delivery,

b on the date of transmission (provided confirmation is sent as described above)with confirmed answer back if by facsimile or email, or

c on the date upon which the return receipt is signed or delivery is refused or the notice is designated by the postal authorities or courier service as not deliverable, as the case may be, if mailed or couriered

Shula's address is Shula's Steak Houses, LLLP, 3020 NE 32nd Avenue, Suite #347, Fort Lauderdale, FL 33308

The Franchisee's address is _____

19 6 **Headings** The headings and subheadings contained in this Agreement are for convenience of reference only They are not to be considered a part of this Agreement, and do not limit or otherwise affect, in any way, the meaning or interpretation of this Agreement

19 7 **Severability** If any provision of this Agreement, or any other agreement entered into under this Agreement, is contrary to, prohibited by, or deemed invalid under applicable law or regulation, such provision is inapplicable and deemed omitted to the extent so contrary, prohibited, or invalid, but the remainder of this Agreement is not invalidated thereby and must be given full force and effect so far as possible If any provision of this Agreement may be construed in two or more ways, one of which would render the provision invalid or otherwise voidable or unenforceable and another of which would render the provision valid and enforceable, such provision has the meaning that renders it valid and enforceable

19 8 **Waivers** The failure or delay of any party at any time to require performance by another party of any provision of this Agreement, even if known, does not affect the right of such party to require performance of that provision or to exercise any right, power or remedy hereunder A waiver by

any party of any breach of any provision of this Agreement must not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles such party to any other or further notice or demand in similar or other circumstances.

19 9 **Enforcement Costs** If any legal action, or other proceeding is instituted for the enforcement of this Agreement in connection with any Dispute, the successful or prevailing party or parties is entitled to recover reasonable attorneys' fees (including pre-institution and post-institution fees), court costs and all expenses even if not taxable as court costs (including all such fees, costs and expenses incident to appellate, bankruptcy and post judgment proceedings), incurred in connection with such action or proceeding, in addition to any other relief to which such party or parties may be entitled. If Shula's is required to engage legal counsel or other professionals in connection with any failure by the Franchisee to pay when due any monies owed under this Agreement or submit when due any reports, information or supporting records, or in connection with any failure otherwise to comply with this Agreement, the Franchisee shall reimburse Shula's on demand for all of the above-listed costs and expenses it incurs, whether or not a legal action or other proceeding is initiated.

19 10 **Jurisdiction and Venue** A substantial portion of the negotiations, anticipated performance, and execution of this Agreement occurred or will occur in Broward County, Florida. Therefore, subject to the provisions of ARTICLE 17, each of the parties irrevocably and unconditionally

- a agrees that any suit, action or legal proceeding arising out of or relating to any Dispute must be brought only in the courts of record of the State of Florida in Broward County or the District Court of the United States, Southern District of Florida,
- b consents to the jurisdiction of each such court in any suit, action, or proceeding,
- c waives any objection that he, she or it may have to the laying of venue of any such suit, action, or proceeding in any of such courts, and
- d agrees that service of any court paper may be effected on such party by mail, as provided in this Agreement, or in such other manner as may be provided under applicable laws or court rules in the State of Florida.

19 11 **Remedies Cumulative** Except as otherwise expressly provided in this Agreement, no remedy in this Agreement conferred upon any party is intended to be exclusive of any other remedy. Each and every such remedy is cumulative and is in addition to every other remedy given under this Agreement or, subject to any choice of law provided in this Agreement, now or later existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power, or remedy under this Agreement precludes any other or further exercise of such right, power, or remedy.

19 12 **Effectiveness, Counterparts** The Franchisee is advised not to incur any expenses with respect to opening the Franchised Business until the Franchisee has received a final executed copy of this Agreement duly signed by the President or Chief Executive Officer of Shula's. This Agreement may be executed in two or more counterparts, each of which is an original, but all of which together

constitute one and the same instrument Confirmation of execution by facsimile, or scanned and emailed, signature page shall be binding upon any party so confirming

- 19 13 **Consents, Authorizations, Approvals or Other Satisfaction** Whenever Shula's consent, authorization, approval or other satisfaction (collectively, "Approval") is required under this Agreement, unless such Approval is in writing and signed by the President and/or a Manager of Shula's general partner, Shula Sports, LLC, such Approval is not binding upon Shula's No other officer, employee, or agent of Shula's has authority to execute any Approval on behalf of Shula's Shula's Approval, whenever required, may be withheld if any default by the Franchisee exists under this Agreement Any Approval of Shula's under or arising out of this Agreement shall be granted or withheld in its sole and absolute discretion and judgment, unless this Agreement expressly requires otherwise Further, any Approval provided by Shula's under or arising out of this Agreement (including the approval of a Site, the approval of personnel, the approval of plans for construction, or the approval of suppliers) is not, directly or indirectly, a representation or warranty (including whether the Franchised Business will be profitable or whether the Franchisee's sales will attain any predetermined levels) relating to the subject of such Approval Such Approval is an expression only that Shula's minimum requirements for Shula's to grant it have been met, or waived, in Shula's discretion Additionally, the Franchisee shall not claim that the provision or withholding of any Approval by Shula's imposes any liability on Shula's
- 19 14 **Governing Law** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C §§ 1051 *et seq*) or other federal law, this Agreement and any other agreement relating thereto, and all transactions contemplated thereby, as well as Shula's offer, sale, or negotiation of a *Shula's* restaurant franchise or the relationship of the parties arising therefrom or from entering this Agreement, are governed by, and must be construed and enforced in accordance with, the internal laws of Florida, without regard to its conflict-of laws principles NOTWITHSTANDING THE FOREGOING, ANY STATUTES IN THE FOREGOING JURISDICTION REGULATING THE OFFER OR SALE OF FRANCHISES, BUSINESS OPPORTUNITIES, OR SIMILAR INTERESTS OR GOVERNING THE RELATIONSHIP BETWEEN THE PARTIES TO THIS AGREEMENT, OR BETWEEN SHULA'S AND THE FRANCHISEE'S GUARANTORS AND OWNERS, IF ANY, DO NOT APPLY UNLESS THEIR RESPECTIVE JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION 19 14
- 19 15 **Interpretation** Each of the parties has been or has had the opportunity to have been represented by their own counsel throughout the negotiations, as well as at the execution of this Agreement and all the other documents executed incidental to this Agreement Therefore, while this Agreement is effective as well as after its expiration or sooner termination, none of the parties may claim or assert that any provision of this Agreement or of the other documents should be construed against the drafter thereof
- 19 16 **Entire Agreement** This Agreement, together with any agreements referred to herein, represents the entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and supersedes all other negotiations, understandings, and representations, if any, made by and between the parties All representations, inducements, promises, or agreements, oral or otherwise, if any, not embodied in this Agreement, or any agreement not

referred to herein, are of no force and effect. Nothing in this Section 19.16, or any other provision of this Agreement, is intended to disclaim, or require the Franchisee to waive reliance on, any representation made in the FDD that Shula's has provided the Franchisee, except with respect to specific contract terms and conditions set forth in the FDD that the Franchisee has voluntarily waived during the course of franchise-sale negotiations.

19.17 Survival All Shula's and Franchisee's respective obligations that expressly or by their nature survive the expiration or sooner termination of this Agreement continue in full force and effect subsequent to and notwithstanding its expiration or termination. Such obligations continue in full force and effect until they are satisfied or by their nature expire.

19.18 Force Majeure Shula's is not liable for loss or damage, or deemed in breach of this Agreement, if its failure to perform its obligations results from any of the following causes:

- a telecommunications and utilities interruptions (including loss of Internet and electrical service), computer malfunctions (including malfunctioning computer hardware and software and peripherals), extreme weather and climatic conditions (including hurricanes, cyclones, and flooding), transportation shortages or inadequate supply of equipment, merchandise, labor, material, or energy,
- b compliance with any applicable law,
- c war, acts of terrorism, strikes, natural disaster, or acts of God, or
- d any cause beyond its control.

Any delay in Shula's performance resulting from any of said causes extends the time for performance accordingly or excuses performance, in whole or in part, as may be reasonable. Without limiting the generality of the foregoing, the Franchisee acknowledges that services involving, or depending upon, computers or the Internet may be unreliable and that service interruptions thus will occur even with the exercise of the greatest care. Accordingly, Shula's disclaims any representations, warranties, and covenants—express or implied—that the services it is obligated to perform that involve, or depend upon, using computers, software, or the Internet will be provided free from interruption or malfunction.

19.19 Liability of Multiple Franchisees If the Franchisee consists of more than one person, all such persons are jointly and severally liable for the Franchisee's liabilities and obligations under this Agreement.

19.20 Third Parties Except as provided in this Agreement to the contrary with respect to any affiliates of Shula's, nothing in this Agreement, whether express or implied, confers any rights or remedies under or by reason of this Agreement on any persons (including other Shula's franchisees) other than the parties and their respective personal or legal representatives, heirs, successors, and permitted assigns. Further, except as provided in this Agreement to the contrary with respect to any Designee of Shula's, nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement. Nor does any provision give any third persons any right of subrogation or action over or against any party to this Agreement. Notwithstanding anything to the contrary contained in this Agreement, the parties agree that each of their

respective owners, officers, directors, employees, agents, attorneys and other representatives are third-party beneficiaries of the provisions of ARTICLE 17 and Sections 16 5 b, 19 9, 19 10, 19 14, 19 23 and 19 24

- 19 21 **Right of Parties** If the Franchisee defaults in performing any of its obligations under this Agreement, Shula's has the right (but not the duty) to perform the Franchisee's obligations If it does, the Franchisee shall immediately reimburse Shula's for the actual costs of so performing Interest accrues on all amounts due Shula's under this Section 19 21 at the Contract Interest Rate commencing on the 10th day after Shula's demand for reimbursement
- 19 22 **Cost of Living Adjustment** The Annual Performance Standard, the Local Advertising expenditure, the Extension Fee, and the Transfer Fee are subject to annual increases based upon changes in the Consumer Price Index Such dollar amounts must be adjusted annually on the first and each subsequent anniversary of the Agreement Date during the Term (the "Adjustment Date") to reflect changes in the Consumer Price Index If the latest Consumer Price Index published immediately before the Adjustment Date (the "Adjustment Date Level") is at a level higher than the level at which such Consumer Price Index was as published immediately before the Agreement Date (the "Effective Date Level"), then those dollar amounts that are subject to adjustment as specified above must be amended and adjusted as of the Adjustment Date by multiplying said amounts by a factor that is determined by dividing the Adjustment Date Level by the Effective Date Level From time to time, Shula's may, in its discretion, waive or defer the adjustments required in this Section 19 22, provided that such waiver or deferral is subject to the terms of Section 19 8 Unless Shula's otherwise agrees in writing, any failure of Shula's to timely make or require the adjustments required under this Agreement is deemed a deferral of such adjustments until such time as Shula's may specify in writing that such adjustments are necessary or have been waived for any particular year or years If the Consumer Price Index is discontinued, Shula's must substitute a comparable index reflecting changes in the cost of living or the purchasing power of money, published or recognized as being reliable by the U S Government
- 19 23 **Waiver of Punitive Damages Claims** TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES MUTUALLY AND WILLINGLY WAIVE ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, EACH IS LIMITED TO RECOVERING ONLY THE ACTUAL DAMAGES IT SUSTAINS
- 19 24 **Waiver of Jury Trial** THE PARTIES MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE—INCLUDING ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSS CLAIMS, THIRD-PARTY CLAIMS AND INTERVENOR'S CLAIMS—WHETHER ARISING FROM OR RELATED TO THE SALE, NEGOTIATION, EXECUTION, OR PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS AGREEMENT RELATES
- 19 25 **Joinder** All the Franchisee's legal and beneficial owners shall enter the Joinder set forth below By doing so, each of such owners agrees that he or she is bound by all the terms of this Agreement as if he or she were the Franchisee thereunder and agrees that he or she is jointly and severally liable with the other owners and the Franchisee for all the Franchisee's obligations under this

Agreement Likewise, all Restricted Parties other than Franchisee and its owners shall enter the Restricted Party Joinder set forth below

The parties are executing this Agreement on the date set forth in the first paragraph of this Agreement

SHULA'S

SHULA'S STEAK HOUSES, LLLP

By Shula Sports, LLC

Its General Partner

THE FRANCHISEE

By _____

Print Name _____

Its Manager

By _____

Print Name _____

Its _____

JOINDER

The parties signing below constitute all the Franchisee's beneficial and legal owners. Each of such parties agrees that he or she is jointly and severally liable with each other and the Franchisee for the timely and complete performance and payment of all the Franchisee's obligations under this Agreement and is bound by all the terms of the Agreement as if he or she were the Franchisee thereunder (as well as bound by all the provisions of the Agreement applicable to Restricted Parties under Section 14.1)

Print Name

Print Name

Ownership Percentage _____ % Ownership Percentage _____ %

Print Name

Print Name

Ownership Percentage _____ % Ownership Percentage _____ %

RESTRICTED PARTY JOINDER

Each of the parties signing below, being a "Restricted Party" under Section 14.1 of the Franchise Agreement, agrees that he or she is bound by the terms of ARTICLE 14 and all other provisions in the Franchise Agreement pertaining to not competing with Shula's and preserving Shula's confidential information and trade secrets, including those in ARTICLE 7, along with the provisions of Section 16.7 (Antiterrorism Laws)

(signature)

(signature)

Print Name

Print Name

Schedule 1 1
Principal Trademark

The Principal Trademark is _____

[INSERT ONE OF THE FOLLOWING *Shula's Steak House*°, *Shula's 2 Steak & Sports*°, *Shula's 347 Grill*°, *Shula's On The Beach*°, *Steakbar 347 By Shula's*]

Schedule 2 2
The Premises, Reserved Area, and Protected Territory

The Premises are

(If the Premises are part of a hotel or larger facility or complex, please attach a floor plan depicting the precise location of the Premises within the hotel, facility, or complex)

The Reserved Area is _____

The Protected Territory is (attach map or illustration if necessary)

Exhibit 4 7
UCC-1 Financing Statement and Rider
(See attached)

Exhibit 4 7 to Shula's Franchise Agreement

Rider To UCC-1 Financing Statement

The Debtor (Franchisee) grants to the Secured Party (Franchisor) a security interest in all the Debtor's assets including, without limitation, the following described property whether now owned or hereafter acquired

- (a) All of the Debtor's right, title and interest as Franchisee under the Franchise Agreement with the Secured Party of even date herewith and all related documents,
- (b) All of the Debtor's inventory, of whatever type or description, wherever located,
- (c) All of the Debtor's accounts, which include all notes receivable, accounts receivable, contract rights and all other forms of customer obligations,
- (d) All of the Debtor's vehicles, equipment, machinery, furniture, fixtures and other items of personal property,
- (e) All of the Debtor's permits, licenses and other governmental approvals,
- (f) The Debtor's business on an ongoing basis, together with all good will of the business, and all of the Debtor's customer lists, routes, price lists, patents, trademarks, service marks, trade names, trade secrets and other proprietary information and intellectual property,
- (g) All of the Debtor's cash, certificates of deposit, securities, instruments and general intangibles,
- (h) All personal property of the Debtor of every kind and description, tangible or intangible, in the possession, custody or control of the Debtor
- (i) The right to all insurance proceeds of all insurance covering the foregoing property, and
- (j) All proceeds, products, replacements, additions, substitutions and accessions of and to all the foregoing property

Exhibit 5.1 b
Lease or Sublease Agreement with Landlord
(See attached)

Exhibit 5 1 b to Shula's Franchise Agreement

AGREEMENT WITH LANDLORD

This Agreement with Landlord (the "Agreement") is dated _____, and is between Shula's Steak Houses, LLLP (the "Franchisor"), a Delaware limited liability limited partnership, with principal offices located at 3020 NE 32nd Avenue, Suite #347, Ft Lauderdale, Florida 33308, (the "Landlord") a _____, with principal offices located at _____, and _____ (the "Tenant/Franchisee"), a _____, with principal offices located at _____

Background

- A On _____, the Tenant/Franchisee and the Franchisor entered a SHULA'S Franchise Agreement (the "Franchise Agreement") Under the Franchise Agreement, the Franchisor granted the Tenant/Franchisee the right—and the Tenant/Franchisee undertook the duty—to operate a SHULA'S business (the "Franchised Business") at a location that must be approved by, the Franchisor
- B Simultaneously with entering this Agreement, the Landlord and the Tenant/Franchisee are entering a lease agreement (the "Lease") Under the Lease, the Tenant/Franchisee is leasing the premises described in Exhibit "A" (the "Premises")
- C To ensure that a SHULA'S business continues to operate at the Premises and to protect the Franchisor's rights and interests under the Franchise Agreement, the Landlord grants certain rights to the Franchisor under the Lease as set forth below

The parties, therefore, agree as follows

Terms and Conditions

ARTICLE 20 Consideration As consideration for Landlord's entering this Agreement, the Tenant/Franchisee shall pay the Landlord \$250 when the Tenant/Franchisee signs this Agreement The Landlord hereby acknowledges receipt of the aforesaid \$250 and further acknowledges that its entering this Agreement has induced the Franchisor to consent to the Tenant/Franchisee's operating the Franchised Business at the Premises, and entering the Lease, which the Franchisor would not have done but for, and in reliance upon, the Landlord's entering this Agreement

ARTICLE 21 Lease Incorporation This Agreement is considered an integral part of the Lease and, as such, is binding upon the Landlord's heirs, successors, and assigns as if originally made part of and integrated into the Lease If Landlord assigns the Lease, it shall provide this Agreement to the assignee and inform the assignee that this Agreement constitutes an integral part of the Lease

ARTICLE 22 Use of Premises During the term of the Franchise Agreement, the Tenant/Franchisee shall use the Premises to operate the Franchised Business It shall not use the Premises for any other purpose, without the Franchisor's consent

ARTICLE 23 Proprietary Marks The Landlord hereby permits the Tenant/Franchisee to use and display all proprietary marks, signs, decor items, color schemes, graphic packages, trade dress, and related

components of the Franchisor's system that the Franchisor may from time to time prescribe for the Franchised Business

ARTICLE 24 *Notices* At the same time such notices are sent to the Tenant/Franchisee, the Landlord shall provide the Franchisor with copies of all written notices it sends to the Tenant/Franchisee (including, without limitation, all notices of default) The Landlord shall send such copies by first-class mail, postage prepaid, to the Franchisor at its address set forth above or such other address as the Franchisor may notify the Landlord in writing, as well as send such copies in the same manner as the original written notices are sent to the Franchisee, if other than by first-class mail

ARTICLE 25 *Right to Cure* If the Tenant/Franchisee defaults under the Lease, the Franchisor has the right (but not the duty) to cure such default within 30 days after it receives written notice thereof from the Landlord (or such longer period of time if the default cannot reasonably be cured within 30 days and the Franchisor diligently proceeds to cure the default) Furthermore, in such event, without the Landlord's or the Tenant/Franchisee's consent, the Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease The Franchisor may thereafter assign the Lease to another SHULA'S franchisee or affiliate If it does, the Franchisor shall first obtain the Landlord's written approval of the assignee The Landlord, however, shall neither unreasonably withhold nor delay its approval thereof No assignment permitted under this Section is subject to any assignment or similar fee Nor will such an assignment cause any rental acceleration or escalation

ARTICLE 26 *Right to Assign* At any time (including, without limitation, upon the expiration or sooner termination of the Franchise Agreement) without the Landlord's prior consent, the Tenant/Franchisee may assign the Lease to the Franchisor In such event, the Franchisor may thereafter assign the Lease to another SHULA'S franchisee or affiliate If it does, the Franchisor shall first obtain the Landlord's written approval of the assignee The Landlord, however, shall neither unreasonably withhold nor delay its approval thereof No assignment permitted under this Section is subject to any assignment or similar fee Nor will such an assignment cause any rental acceleration or escalation

ARTICLE 27 *Acknowledgement of Rights* The Landlord acknowledges the Franchisor's rights under the Franchise Agreement to enter the Premises to take such actions as needed to protect its rights and interests under the Franchise Agreement Such actions include, without limitation, altering the Premises, removing any signs and other items displaying the Franchisor's proprietary marks, and curing defaults under the Franchise Agreement and the Lease

ARTICLE 28 *Modification of Lease* Without the Franchisor's prior written consent, the Landlord and the Tenant/Franchisee shall not modify, supplement, terminate, renew or extend the Lease Nor, except as expressly provided otherwise in this Agreement, without the Franchisor's prior written consent, may the Landlord consent to any assignment of the Lease or subletting of the Premises by the Tenant/Franchisee

ARTICLE 29 *Miscellaneous*

29.1 This Agreement, together with the Franchise Agreement, represents the entire understanding and agreement between the parties with respect to the subject matter hereof, and supersedes all other negotiations, understandings and representations if any made by and

between the parties No representations, inducements, promises or agreements, oral or otherwise, if any, not embodied herein are of any force and effect

29 2 In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control

29 3 All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns

29 4 The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement

29 5 This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument Confirmation of execution by telex or by telecopy facsimile signature page is binding upon any party so confirming or telecopying

IN WITNESS WHEREOF, this Agreement has been executed the date and year first above written

FRANCHISOR

SHULA'S STEAK HOUSES, LLLP,
a Delaware limited liability limited partnership

By Shula Sports, LLC, a Florida
limited liability company

Its General Partner

By _____

Print Name _____

Its Manager

LANDLORD

By _____

Print Name _____

Its _____

TENANT/FRANCHISEE

By _____

Print Name _____

Its _____

Exhibit A to Agreement with Landlord

Description of Premises

Exhibit 7.2
Employee Confidentiality/Non-Disclosure Agreement

NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement ("Agreement") is entered into by the undersigned (the "Disclosee") as of the date written below

_____ (the "Company") is a franchisee of Shula's Steak Houses, LLLP ("Franchisor"), pursuant to which it has been granted a non-exclusive license to use Franchisor's trademarks and service marks, the business systems identified by such marks (the "System"), and certain confidential information

In consideration of the Disclosee's employment by the Company, and as a material inducement for the Company to disclose certain confidential and/or proprietary information to the Disclosee and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Disclosee agrees to be bound by the following representations, warranties and covenants, to be effective, during and at all times after the Disclosee's employment by or affiliation with the Company

1 The Disclosee may receive or be given access to certain confidential information and trade secrets of Franchisor and/or the Company, all relating to or useful in the Company's business and all labeled, treated as, or otherwise considered by Franchisor and/or the Company as confidential or proprietary information (collectively, the "Confidential Information") The Confidential Information includes, without limitation, Franchisor's confidential manuals, memoranda, agreements, correspondence, records, recipes, plans and reports used or created by the Company or supplied to the Company by Franchisor, know-how, identities of current and prospective suppliers, advertising and marketing techniques, procedures and techniques, and operational and quality assurance procedures

2 The Disclosee represents, warrants and agrees that the Disclosee will keep any and all of the Confidential Information from being made known or disclosed to any person or entity, except for the exclusive use and benefit of the Company or Franchisor The Disclosee shall not reproduce, or permit the reproduction, directly or indirectly, of any of the Confidential Information except as required by the Company, or permit the removal of any of the Confidential Information from the premises of the Company

3 The Confidential Information is the exclusive property of Franchisor and/or the Company Upon request by the Company, and in any event upon immediate termination of the Disclosee's employment or affiliation for whatever reason with the Company, the Disclosee shall return to the Company all documents and other material in the Disclosee's possession or under the Disclosee's control which may contain or be derived from Confidential Information, together with all documents, notes, or other work product which is connected with or derived from the Disclosee's employment by, or ownership of, the Company The Disclosee shall, from time to time as may be requested by the Company, do all things which may be necessary to establish or document the Company's rights of any such work product

4 The Disclosee shall promptly provide notice to the Company if the Disclosee knows of or suspects the disclosure of any Confidential Information by any person or entity, which disclosure would not be permitted if such person or entity were bound by the terms of this Agreement

5 The Disclosee further acknowledges and agrees that Franchisor has a legitimate business interest and would be unable to protect its System, trademarks, service marks and its Confidential Information against unauthorized use or disclosure and Franchisor would be irreparably harmed and unable to

encourage a free exchange of ideas and information among its franchisees if the Disclosee were permitted to engage in the acts described below. The Disclosee covenants that during the Disclosee's relationship with the Company (as an employee or independent contractor) and for a 12-month period thereafter, the Disclosee will not

(a) directly or indirectly, solicit or otherwise attempt to induce, by combining or conspiring with, or attempting to do so, or in any other manner influence any employee, officer, director, agent, consultant, representative, supplier, contractor or distributor of the Company or Franchisor to terminate or modify his or her position with, or to compete against, the Company or Franchisor, or

(b) in addition to, and not in limitation of other provisions hereof, the Disclosee shall not in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Company or Franchisor

6 Disclosee acknowledges and agrees that the Company's existing customers belong to the Company and not the Disclosee, and that the Disclosee is not entitled to maintain a list of the Company's customers. The Disclosee further acknowledges and agrees that the Company's customer list is a unique and valuable asset of the Company and the Company shall be irreparably harmed if the Disclosee were permitted to use the Company's customer list for any purpose other than to benefit the Company

7 The existence of any claim or cause of action by the Disclosee against the Company predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company and/or Franchisor of this Agreement. Any failure to object to any conduct in violation of this Agreement shall not be deemed a waiver by the Company or Franchisor. In the event that any court shall finally hold that any other provision stated in this Agreement constitutes an unreasonable restriction upon the Disclosee, the Disclosee hereby expressly agrees that the provisions of this Agreement shall not be rendered void, but shall apply to such other extent as such court may judicially determine or indicate constitutes a reasonable restriction under the circumstances involved. The Disclosee agrees that it shall forthwith comply with any covenant as so modified, which is fully enforceable to the extent permitted by applicable law. The obligations of the Disclosee to the Company are in addition to, and not in lieu of, any additional or more restrictive obligations the Disclosee may have to the Company in any other agreement

8 The Disclosee acknowledges and confirms that the restrictions contained herein are fair and reasonable and not the result of overreaching, duress or coercion of any kind. The Disclosee further acknowledges and confirms that his or her full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants contained in this Agreement will not impair his or her ability to obtain employment commensurate with his or her abilities and on terms fully acceptable to the Disclosee or otherwise to obtain income required for his or her comfortable support and of his or her family, and the satisfaction of the needs of his or her creditors. The Disclosee acknowledges and confirms that his or her special knowledge of the Franchisor/Company's business (and anyone acquiring such knowledge through the Disclosee) is such as would cause the Company and Franchisor serious injury and loss if the Disclosee (or anyone acquiring such knowledge through the Disclosee) were to use such ability and knowledge to the detriment of the Company or Franchisor

9 The parties recognize the necessity of the Disclosee's compliance with the terms of this Agreement to Franchisor as the franchisor of the business operated by the Company. Accordingly, the Disclosee agrees and acknowledges that Franchisor is a third party beneficiary of the Disclosee's

obligations hereunder and Franchisor is entitled to all rights and remedies conferred upon the Company or Franchisor hereunder, which Franchisor may enforce directly against the Disclosee with or without the consent or joinder of the Company

10 No modification or waiver of any of the terms of this Agreement is effective unless made in writing and signed by the Disclosee and the Company. All of the terms of this Agreement are binding upon, inure to the benefit of, and are enforceable by the Disclosee, and the Company, and their respective legal representatives, heirs, successors and assigns.

11 The Confidential Information is a unique and valuable asset of the Company and Franchisor, and the Company and Franchisor shall be irreparably damaged (and damages at law would be an inadequate remedy) if this Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by the Disclosee of this Agreement, the Company and Franchisor shall be entitled to injunctions restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for specific performance of this Agreement.

12 The Agreement shall be governed by, and construed and enforced in accordance with, the laws of the state in which the Company is located.

13 The Company and/or Franchisor shall be entitled to recover from the Disclosee all reasonable attorneys' fees, costs, and expenses incurred by or on behalf of the Company and/or Franchisor in matters arising out of or related to the interpretation or enforcement of any provision of this Agreement or any of the Company's or Franchisor's rights hereunder.

14 This Agreement has been carefully reviewed, understood and agreed to by all parties hereto. In the event of any ambiguities in this Agreement, any statute or rule of construction that ambiguities are to be resolved against the drafter of the agreement shall not be employed in the interpretation of this Agreement.

15 This Agreement neither creates nor is intended to imply the existence of an employment contract and does not represent a promise or representation of employment or continued employment. Nothing in this Agreement shall change the "at-will" nature of the Disclosee's employment relationship with the Company.

DISCLOSEE

Signature

Print Name

Date _____

The Company

Signature

By _____
Print Name

Its _____
Print Title

Date _____

Exhibit 13 1
Limited Power to Transfer Telephone Listings and Numbers
(See attached)

Exhibit 13 1 to Shula's Franchise Agreement

LIMITED POWER OF ATTORNEY

TO TRANSFER TELEPHONE LISTINGS AND NUMBERS

THE UNDERSIGNED, having one (1) or more a telephone listings and telephone numbers with the local telephone company and directory hereby authorizes the President of Shula Sports, LLC, a Florida limited liability company (the "Company"), General Partner of Shula's Steak Houses, LLLP, a Delaware limited liability limited partnership, as attorney-in-fact, to transfer such listings and numbers to the Company, including the execution of all documents necessary to accomplish the transfer. A copy of this document may be relied on to the same extent as an original.

FRANCHISEE

By _____

Print Name _____

Its _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, _____ by _____, who represented himself/herself to be _____ of _____, Inc, a _____ corporation, on behalf of the corporation. He or she personally appeared before me at the time of notarization, and is personally known to me or has produced _____ as identification and _____ (did/did not) take an oath.

(Seal)

NOTARY PUBLIC

Print Name _____

State of _____ at Large

My Commission Expires _____

Exhibit B to the Franchise Disclosure Document

TABLE OF CONTENTS- OPERATING MANUAL

SUBJECT	NUMBER OF PAGES DEVOTED TO SUBJECT
Accounting	8 pages
Back of House	166 pages
Front of House	328 pages
Marketing	62 pages
Menus	20 pages
Merchandise	18 pages
Operations Supplies	95 pages
Shula Culture	25 pages
THE SHULA CUT	15 pages
TOTAL	737 PAGES

Exhibit D to the Franchise Disclosure Document

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight 1515 K Street, Suite 200 Sacramento, California 95814-4052 (916) 445-7205 1-866-275-2677	Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S E Plaza Level, East Tower Atlanta, GA 30334 404 656-3790	Same
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502 696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen info) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298 3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit Williams Building, 1 st Floor 525 W Ottawa Street Lansing, MI 48909 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St Paul, MN 55101 651-296-4026	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P O Box 95006 Lincoln, Nebraska 68509-5006 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor	Secretary of State of New York 41 State Street Albany, New York 12231

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	New York, NY 10271 212-416-8222	Mrs Lassoﬀ 212-416-8236 Mr Grimes 212-416-8235
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept 414 Bismarck, ND 58505-0510 701-328-4712, Fax 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378 4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State 1205 Pendleton St , Ste 525 Columbia, SC 29201 803-734-1728	Same
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 124 S Euclid St , Ste 104 Pierre, SD 57501 605-773-4823	Director of South Dakota Division of Securities Same Address
TEXAS	Secretary of State Registrations Unit P O Box 13550	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	Austin, TX 78711-3550 512-475 0775	
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P O Box 45804) Salt Lake City, UT 84145-0804 TELE 801-530 6601 FAX 801-530 6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E Main Street Richmond, VA 23219 804-371 9051	Clerk of the State Corporation Commission 1300 E Main Street, 1 st Floor Richmond, VA 23219 804-371-9733
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S W Tumwater, WA 98501 360-902-8762	Director, Dept of Financial Institutions Securities Division 150 Israel Rd S W Tumwater, WA 98501
WISCONSIN	Wisconsin Dept of Financial Institutions Division of Securities 201 W Washington Ave , Ste 300 Madison, WI 53703 608-267-9140	Wisconsin Commissioner of Securities Same Address

Exhibit E to the Franchise Disclosure Document

CURRENT FRANCHISEE OUTLETS

As of December 31, 2016

FRANCHISEE	LOCATION
RBW Wynfrey Holdings, LLC Steve Kilroy (901) 356-1806	Shula's Steak House 1000 Riverchase Galleria Birmingham, AL 35244
Ovations Food Services, LP Michael Doocey (800) 946-4452 x 1975	Shula's Steak House 5040 West Wild Horse Pass Blvd Chandler, AZ 85226
347 SOMO, LLC Francesco Balli (305) 665-9661	Shula's 347 Grill 6901 Red Road Coral Gables, FL 33143
Culinaire of Florida, Inc Lee-Ann Dianni (407) 531-3567	Shula's 347 Grill 2974 International Parkway Lake Mary, FL 32746
Culinaire of Florida, Inc Tom Valentin (305) 820-8047	Shula's Steak House 6842 Main Street Miami Lakes, FL 33014
Culinaire of Florida, Inc Tom Valentin (305) 820-8047	Shula's 2 Steak & Sports 6842 Main Street Miami Lakes, FL 33014
Naples Hospitality Limited Partnership Tom Donahue (239) 430-4900	Shula's Steak House 5111 Tamiami Trail Naples, FL 34103
Dolphin Hotel Associates Tony Porcellini (407) 934-1850	Shula's Steak House 1200 Epcot Resorts Blvd Lake Buena Vista, FL 32830
Entrecote, L L C Ray Schulte (502) 489-3737	Shula's 347 Grill 415 North Monroe Street Tallahassee, FL 32301
LH Tampa Operating, LLC Charles Naberhaus (813) 286-4030	Shula's Steak House 4860 West Kennedy Blvd Tampa, FL 33609
CityFront Hotel Associates Ira Kasten (312) 670-0788	Shula's Steak House 301 E North Water Street Chicago, IL 60611
Culinaire International, Inc Noel Murphy (704) 409-3570	Shula's Steak House 50 South Capital Avenue Indianapolis, IN 46204

Cleveland South Hospitality LLC Satish Duggal (570) 882-8644	Shula's 2 Steak & Sports 6200 Quarry Lane Cleveland, Ohio 44131
La Cuisine de la Famille DeFoor, LLC Byron DeFoor (423) 308-1845	Steakbar 347 By Shula's 216 W 8 th Street Chattanooga, TN 37402 (Not Yet Opened)
VII/SCH Houston Hotel, LP Andy Wardner (770) 644-2351	Shula's Steak House 1200 Louisiana Street Houston, TX 77002
West Valley Lodging Initiatives, LLC Scott Somerville (614) 891-2900	Shula's 347 Grill 3524 South Market Street West Valley City, UT 84119
I PROCNORFOLK, L L C Jim Procaccianti (401) 946-4600	Shula's 347 Grill 235 Main Street Norfolk, VA 23510
Henley II, LLC Neil Amin (804) 777-9000	Shula's Steak House 12042 West Broad Street Richmond, VA 23233
Roanoke Lodging, LLC Navin Dimond (305) 785-3100	Shula's 347 Grill 2801 Hershberger Road Roanoke, VA 24017

Exhibit F to the Franchise Disclosure Document

FRANCHISEE OUTLETS TERMINATED, NOT-RENEWED, ETC

A list of the names, addresses and telephone numbers of franchisees who have had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date, is attached

If you buy the franchise offered in this disclosure document, your contact information may be disclosed to other buyers when you leave the franchise system

FORMER FRANCHISEES AS OF DECEMBER 31, 2016

Former Franchisee	Last Known Address	Phone Number
Thaddeus Paul CRP Holiday Isle, L L C (Shula's 2 Steak & Sports)	84001 Overseas Highway Islamorada, FL 33036	(202) 347-2626
Kevin Hyland Yahav Enterprises, LLC (Shula's Steak House)	5225 Collins Avenue Miami Beach, Florida 33140	(305) 341-6565
Chuck Wilson PHF II Buckhead LLC (Shula's 347 Grill)	3405 Lenox Road, NE Atlanta, GA 30326	(404) 848-7339
Doug Zeif WCHNW, LLC (Shula's Steak House)	400 Park Blvd Itasca, IL 60143	(561) 302-7491
Scott Craver Steak House Hospitality Associates I, L P (Shula's Steak House)	2960 Center Valley Parkway Suite 700 Center Valley, PA 18034	(610) 841-5600
Jim Procaccianti PRI I, L P (Shula's 347 Grill)	21 Atwells Avenue Providence, RI 02903	(401) 946-4600

Exhibit G to the Franchise Disclosure Document

FRANCHISEE QUESTIONNAIRE

SHULA'S STEAK HOUSE®
SHULA'S 2 STEAK & SPORTS®
SHULA'S 347 GRILL®
SHULA'S ON THE BEACH®
STEAKBAR 347 BY SHULA'S

**SHULA'S STEAK HOUSES, LLLP
FRANCHISEE QUESTIONNAIRE**

As you know, Shula's Steak Houses, LLLP ("Shula's") and you are preparing to enter into a Franchise Agreement for operating a Shula's franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, that Shula's has not authorized and that may be untrue, inaccurate or misleading, to help ensure that Shula's has complied with its franchise obligations and to ensure that your decision to purchase a Shula's franchise is based upon your own independent investigation and judgment. Please review each of the following questions carefully and provide an honest and complete response to each question. Once you have completed the questions, review the acknowledgments that follow and fill in the information required by acknowledgment 7. Then, if you are satisfied that the acknowledgments are correct in all respects, please sign and date this Questionnaire. Please note: 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.

Questions

1 Have you received and personally reviewed your Shula's Franchise Disclosure Document, (including, but not limited to, any addenda, exhibits, and other attachments), for the state where you reside and where your franchised business will be located? Yes _____ No _____

Franchise Agreement	Yes _____	No _____
Table of Contents-Operating Manual	Yes _____	No _____
Financial Statements	Yes _____	No _____
List of State Administrators/Agents For Service of Process	Yes _____	No _____
List of Current Franchisee Outlets	Yes _____	No _____
List of Franchisee Outlets Terminated Not-Renewed, Etc	Yes _____	No _____
Franchisee Questionnaire	Yes _____	No _____

2 Did you receive your Shula's Franchise Disclosure Document at least 14 calendar days before you paid any money and before you signed any agreement to buy your franchise? Yes _____ No _____

3 Have you received and personally reviewed your Franchise Agreement (including, but not limited to, any addenda, exhibits, and other attachments)? Yes _____ No _____

Agreement with Landlord	Yes _____	No _____
Limited Power of Attorney	Yes _____	No _____
UCC-1 (with Rider)	Yes _____	No _____
Franchise Agreement Addendum	Yes _____	No _____

4 Have all blanks in the Franchise Agreement, all related agreements (including but not limited to the agreements listed above), each attachment (if any), and all inserts and changes (if any) been completed and delivered to you in final form at least 7 calendar days before you signed them? Yes _____ No _____

5 Have you discussed the benefits and risks of operating a Shula's franchise with an attorney, accountant or other professional advisor and do you understand those risks? Yes _____ No _____

6 If not, did you have the opportunity to do so? Yes _____ No _____

7 Do you understand that the success or failure of your franchise will depend in large upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors? Yes _____ No _____

8 Has any employee or other person speaking on behalf of Shula's made any written or oral statement or promise concerning the actual or projected revenues, profits or operating costs of a Shula's business (other than what is clearly included in your Franchise Disclosure Document or Franchise Agreement)?
Yes _____ No _____

9 Has any employee or other person speaking on behalf of Shula's made any written or oral statement or promise regarding the amount of money you may earn in operating your Shula's franchise (other than what is clearly included in your Franchise Disclosure Document or Franchise Agreement)?
Yes _____ No _____

10 Has any employee or other person speaking on behalf of Shula's made any written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operating your Shula's franchise?
Yes _____ No _____

11 Has any employee or other person speaking on behalf of Shula's made any written or oral statement, promise or agreement concerning the advertising, marketing, training, support services or assistance that Shula's will furnish to you that is contrary to, or different from, the information contained in your Franchise Disclosure Document or Franchise Agreement?
Yes _____ No _____

12 Has any employee or other person speaking on behalf of Shula's made any other written or oral statement, promise or agreement relating to your Shula's franchise that is contrary to, or different from, the information contained in your Franchise Disclosure Document or Franchise Agreement?
Yes _____ No _____

If you have answered "Yes" to any of questions 8 through 12, please provide a full explanation of your answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered "No" to each of questions 8 through 12, please leave the following lines blank

*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

Acknowledgments

1 Has any employee or other person speaking on behalf of Shula's made any other written or oral statement, promise or agreement relating to the financial statements or financial conditions of any of Shula's affiliates (including any parent corporation or individual owner), which statement, promise, or agreement is contrary to, or different from, any information contained in the Franchise Disclosure Document or Franchise Agreement Yes _____ No _____ If yes, please explain below

2 I have made my own independent determination that I have adequate working capital to develop, open and operate my franchise

3 I am not relying on any promises of Shula's which are not contained in the Shula's Franchise Agreement

4 I understand that my investment in a Shula's franchise has substantial business risks and that there is no guarantee that it will be profitable

5 I have been advised by Shula's and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my Shula's franchise

6 I acknowledge that the success of my Shula's franchise depends in large part upon my ability as an independent business person and my active participation in the day to day operation of the business

7 The name(s) of the person(s) with whom I dealt in the purchase of my Shula's franchise is/are

8 I hereby disclaim that I have relied on the financial condition of any of Shula's affiliates (including any parent corporation or any individual owner) except for any information pertaining to the financial condition of any of those affiliates disclosed in my Franchise Disclosure Document or Franchise Agreement

9 I acknowledge that Shula's will use reasonable efforts to assist me in locating a site for my franchise (as provided in my Franchise Agreement), but I also understand that I am exclusively responsible for selecting a suitable site and that Shula's merely approves it if it meets their minimum site criteria I further acknowledge that the ultimate site-selection decision is mine and mine alone

You understand that your answers are important to us and that we will rely on them You also understand that _____ and other officers, directors, employees and representatives of Shula's (and, if you have had any contact with any of Shula's affiliates, of such affiliates) have acted in a representative and not an individual capacity in all conduct with you, and that none is personally liable for any reason

*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

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions and acknowledgements

Signature above

Print Name _____

Date _____

Exhibit H to the Franchise Disclosure Document

STATE ADDENDA

**ADDENDUM TO FRANCHISE AGREEMENT
SHULA'S STEAK HOUSES, LLLP FOR THE STATE OF CALIFORNIA**

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is effective as of the date of execution of the Franchise Agreement between SHULA'S STEAK HOUSES, LLLP ("Franchisor") and _____ ("Franchisee"), dated _____, _____ (the "Franchise Agreement")

BACKGROUND

Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SHULA'S franchise in California

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with California law

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of California apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law

- 1 Section 14 1 of the Franchise Agreement is modified by inserting the following sentence at the end of the last paragraph in that section

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

- 2 Section 12 of the Franchise Agreement is modified by inserting the following sentence at the end of the paragraph

The franchise agreement provides for termination upon bankruptcy This provision may be unenforceable under federal bankruptcy law (11 U S C A Sec 101 et seq)

- 3 Section 19 14 of the Franchise Agreement is modified by inserting the following sentence at the end of the paragraph

The franchise agreement requires application of the laws of Florida This provision may be unenforceable under California law

Witness

FRANCHISOR SHULA'S STEAK HOUSES, LLLP

By _____
Its _____

FRANCHISEE

By _____
Its _____

**ADDENDUM TO FRANCHISE AGREEMENT
OF SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF ILLINOIS**

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between SHULA'S STEAK HOUSES, LLLP ("Franchisor") and _____ ("Franchisee"), dated _____, ____ (the "Franchise Agreement")

BACKGROUND

A Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SHULA'S franchise in Illinois

B The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with Illinois law

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Illinois apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law

1 Sections 19 10 and 19 14 of the Franchise Agreement are modified as follows

All litigation with Illinois franchisees will be commenced in Illinois and Illinois law will govern Agreements with Illinois franchisees

Any governing law or choice of law clause granting authority to a state other than Illinois effectively negates the Illinois Franchise Disclosure Act

2 Section 19 24 of the Franchise Agreement is modified as follows

Section 41 of the Illinois Franchise Disclosure Act provides that "Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of Section 41 of the Illinois Franchise Disclosure Act or any other law of this State is void This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code "

3 Sections 12 2 and 18 of the Franchise Agreement is modified as follows

The conditions under which the franchise can be terminated and Franchisee's rights upon non-renewal may be affected by Illinois Law (815 ILCS 705/19 and 705/20)

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement

Witnesses

FRANCHISOR SHULA'S STEAK HOUSES, LLLP

By _____

Its _____

FRANCHISEE

By _____

Its _____

**ADDENDUM TO FRANCHISE AGREEMENT
OF SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF MARYLAND**

THIS **ADDENDUM TO FRANCHISE AGREEMENT** ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between SHULA'S STEAK HOUSES, LLLP ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement")

BACKGROUND

Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SHULA'S franchise in Maryland

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith to the extent required by Maryland law

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Maryland apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law

- 1 **Term** Section 18 is modified by adding the following paragraph

A general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

- 2 **Transfer of Interest** Section 11 is modified by adding the following paragraph

A general release required as a condition of assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

- 3 **Jurisdiction and Venue** Section 19 10 is modified by adding the following paragraph

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

- 4 **General Provisions** ARTICLE 19 is modified by adding the following subsection

The parties acknowledge that under Maryland Franchise Registration and Disclosure Law franchisor may not require, as a condition of the sale of a franchise, that franchisee agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under this subtitle

- 5 **Representations and Warranties** ARTICLE 16 is modified by adding the following

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

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

Witness

FRANCHISOR SHULA’S STEAK HOUSES, LLLP

By _____
Its _____

FRANCHISEE

By _____
Its _____

**ADDENDUM TO FRANCHISE AGREEMENT
OF SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF NEW YORK**

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between SHULA'S STEAK HOUSES, LLLP ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement")

BACKGROUND

A Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SHULA'S franchise in New York

B The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with New York law

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of New York apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law

1 At the end of Section 19 14 entitled, "Governing Law," the following sentence shall be inserted "The foregoing choice of law should not be considered a waiver of any right conferred upon any party to this Agreement by the General Business Law of the State of New York, Article 33 "

2 The Franchisee acknowledges that it received from SHULA'S STEAK HOUSES, LLLP a Franchise Disclosure Document for the State of New York with all exhibits referenced in the Franchise Disclosure Document on the following date _____

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement

Witness

FRANCHISOR SHULA'S STEAK HOUSES, LLLP

By _____
Its _____

FRANCHISEE

By _____
Its _____

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF CALIFORNIA**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum") sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of California (the "State")

WHEREAS, the State has certain laws and regulations affecting the sale of franchises, and

WHEREAS, SHULA'S STEAK HOUSES, LLLP ("Shula's") desires to comply with all such applicable laws and regulations of the State

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State requires such modifications be made to the FDD and apply to either the parties or the transactions described, without acknowledging the application of such laws

1 The cover page of the FDD is modified by adding the following Risk Factor

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT

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

2 Item 17 to the FDD is modified by adding the following provisions

If you must sign a general release of claims upon renewal or transfer of the franchise agreement, California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516) Business and Professional Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professional Code Section 20000-20043)

California Corporations Code, Section 31125 requires Shula's to give you a disclosure document, approved by the Department of Business Oversight before a solicitation of a proposed material modification of an existing franchise

California Business and Professions Code Sections 20000 through 20043 provide rights to you 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

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.)

The franchise agreement requires application of the laws of Florida. This provision may not be enforceable under California law

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

The franchise agreement may contain a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

The California franchise investment law requires a copy of all proposed agreements relating to the franchise to be delivered together with the disclosure document

Neither Shula's, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1939, 15 U S C A 78a et seq , suspending or expelling such persons from membership in such association or exchange

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF ILLINOIS**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum"), sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of Illinois (the "State")

WHEREAS, the State has certain laws and regulations affecting the sale of franchises, and

WHEREAS, SHULA'S STEAK HOUSES, LLLP desires to comply with all such applicable laws and regulations of the State

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws

- 1 ITEM 17 is modified by adding the following paragraph

The conditions under which the franchise can be terminated and Franchisee's rights upon non-renewal may be affected by Illinois Law (815 ILCS 705/19 and 705/20)

- 2 ITEM 17 is modified by adding the following paragraph

All litigation with Illinois franchisees will be commenced in Illinois and that Illinois law will govern Agreements with Illinois franchisees

- 3 Section 41 of the Illinois Franchise Disclosure Act provides that 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

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF MARYLAND**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum") modifies the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of Maryland (the "State")

NOW, THEREFORE, the FDD is amended as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws

- 1 ITEM 17 of the FDD is modified by adding the following paragraphs

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

A provision in the Franchise Agreement that terminates the Franchise upon the bankruptcy of the Franchisee may be unenforceable under the Federal Bankruptcy Law (11 U S C Section 101 *et seq*)

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

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF NEW YORK**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum") sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of New York (the "State")

INTRODUCTION

1 The State has certain laws and regulations affecting the sale of franchises, and

2 SHULA'S STEAK HOUSES, LLLP desires to comply with all such applicable laws and regulations of the State

NOW, THEREFORE, the FDD is modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws

1 ITEMS 3 and 4 of to the FDD are hereby deleted in their entirety and the following provisions are substituted in their place

3 LITIGATION

A Neither the Franchisor nor any person identified in Item 2 has any (i) administrative, criminal or civil action pending against them 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, nor (ii) actions pending against them, other than routine litigation incidental to the Franchisor's business, which are significant in the context of the number of the Franchisor's franchisees and the size, nature or financial condition of the Franchisor's franchise system or its business operations

B Neither the Franchisor nor any other person identified in Item 2 above has during the ten -year period immediately preceding the application for registration, been convicted of or pleaded *nolo contendere* to a misdemeanor charge or been in 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

Neither the Franchisor nor any other person identified in Item 2 above has been convicted of any felony at any time during such person's lifetime

C Neither the Franchisor nor any person identified in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to franchise, or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of 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

References to the Franchisor in this Item 3 include the Franchisor, and, if any, the Franchisor's predecessors and affiliates offering franchises under the Franchisor's principal trademarks

4 BANKRUPTCY

During the 10 year period immediately before the date of this offering neither the Franchisor, its affiliate , its predecessor, nor its current officers or general partner (if any) (a) filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of any company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held such position in the company or partnership

References to the Franchisor in this Item 3 include the Franchisor, and, if any, the Franchisor's predecessors and affiliates offering franchises under the Franchisor's principal trademarks

2 Item 17 (s) of the FDD is modified by adding the following paragraph

No changes to the Manual will be made which would impose an unreasonable economic burden on the Franchisee or unreasonably increase its obligations

3 Item 17 (w) of the FDD is modified by adding the following paragraph

The choice of law provisions contained in the Franchise Agreement should not be considered waivers of any right conferred upon either the

Franchisor or the Franchisee by the General Business Law of the State of New York, Article 33

- 4 Item 17 (j) of the FDD is modified by adding the following sentence

The Franchisee's rights to terminate the Franchise Agreement are limited to those rights, if any, which may be afforded under applicable contract law following a material breach by Franchisor

- 5 Item 17 is further modified by adding the following sentence

However, no assignment will be made except to an assignee who, in the good faith judgment of the Franchisor, is willing and able to assume the Franchisor's obligations under the Franchise Agreement

AS TO ANY STATE LAW DESCRIBED IN THIS ADDENDUM THAT DECLARES VOID OR UNENFORCEABLE ANY PROVISION CONTAINED IN THE FRANCHISE AGREEMENT, THE FRANCHISOR RESERVES THE RIGHT TO CHALLENGE THE ENFORCEABILITY OF THE STATE LAW BY BRINGING AN APPROPRIATE LEGAL ACTION OR BY RAISING THE CLAIM IN A LEGAL ACTION OR ARBITRATION THAT YOU HAVE INITIATED

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
SHULA'S STEAK HOUSES, LLLP
FOR THE STATE OF VIRGINIA**

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum") modifies the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of Virginia (the "State")

NOW, THEREFORE, the FDD is amended as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws

- 1 In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Shula's Steak Houses, LLLP for use in the Commonwealth of Virginia shall be amended as follows

Additional Disclosure The following statements are added to 17 h

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable

Exhibit I to the Franchise Disclosure Document

GENERAL RELEASE FORM

GENERAL RELEASE

_____, a corporation organized under the laws of the State of _____ ("Franchisee") and _____, who are all of the members, partners or shareholders of Franchisee (collectively, "RELEASOR"), in consideration of the execution by SHULA'S STEAK HOUSES LLLP of a Renewal Franchise Agreement renewing the franchise relationship between RELEASOR and SHULA'S STEAK HOUSES, LLLP, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby releases and discharges SHULA'S STEAK HOUSES, LLLP, as well as its subsidiaries affiliates, and their respective officers members, partners directors shareholders, agents, attorneys, contractors, employees, administrators, successors and assigns (collectively "RELEASEES"), from all actions, causes of action suits debts dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants contracts, controversies, agreements, promises, variances trespasses, damages judgments, executions, claims and demands whatsoever, in law or equity, which the RELEASOR, and its subsidiaries affiliates, and their respective officers, members, partners, directors, shareholders agents, attorneys, contractors, employees, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE, including but not limited to any and claims arising out of or related to the franchise relationship existing between the parties as well as any and all claims arising under federal, state and local laws rules and ordinances, provided, however, that this GENERAL RELEASE shall not purport to release RELEASEE from any future claims arising out of or related to any Renewal Franchise Agreement entered into between RELEASEE and RELEASOR, that all liabilities arising under Indiana Code Sec 23-2-2 7 are excluded from this Release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687 4 and 687 5 be satisfied If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR " Further, pursuant to COMAR 02 02 08 16L of the State of Maryland, this General Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

Whenever the text hereof requires the use of singular number shall include the appropriate plural number as the text of the within instrument may require

This RELEASE may not be changed orally

IN WITNESS WHEREOF the RELEASOR (if an individual) *has executed this RELEASE* and (if a corporation) *has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on _____.*

RELEASOR

[SEAL]

By _____

STATE OF _____
COUNTY OF _____ SS

(NOTARIAL SEAL)

STATE OF _____ SS
COUNTY OF _____

(NOTARIAL SEAL)

Exhibit J to the Franchise Disclosure Document

Non-Disclosure Agreement

NON-DISCLOSURE AGREEMENT
(To be executed prior to attendance at Discovery Day)

This Non-Disclosure Agreement ("Agreement") is made and entered into this ___ day of _____ (the "Effective Date") by and between SHULA'S STEAK HOUSES, LLLP ("Disclosing Party"), and _____ ("Receiving Party")

RECITALS

A WHEREAS, Disclosing Party is the franchisor of the Shula's franchise system (including, but not limited to, Shula's Steak House, Shula's 2 Steak & Sports, Shula's 347 Grill, Shula's On The Beach, and Steakbar 347 By Shula's) ("Shula's Franchise"),

B WHEREAS, Receiving Party is a prospective franchisee of Disclosing Party, and wishes to attend Disclosing Party's Discovery Day and/or receive further information from Disclosing Party, including, but not limited to, access to view the Shula's confidential operating manuals, to learn more information about the Shula's franchise system,

C WHEREAS, the Receiving Party will, therefore, receive access to and review certain trade secrets and confidential information of the Disclosing Party As a condition to receiving such information, the Receiving Party agrees to treat confidentially such information and any other information which Disclosing Party furnishes to Receiving Party or to which Receiving Party is afforded access

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed that

TERMS AND CONDITIONS

1 **Recitals** The recitals contained herein are true and correct and are incorporated herein by reference

2 **Confidential Information** As used in this Agreement, "Confidential Information" means and includes any and all information, data, documents or materials provided or made available by the Disclosing Party to the Receiving Party, in whatever form (e g , printed, written, oral, recorded, electronic, etc) and by whatever mode (e g , company presentation, slide show, video, film, facility tour, meeting, interview, telephone conference or call, e-mail, provision of documents, etc) in which it is communicated, recorded or maintained, that contains or otherwise reflects information concerning the Disclosing Party, its affiliates or its business, including but not limited to, its and its affiliates' operations, plans, designs, layouts, specifications, procedures, formulas, recipes, programs, marketing, technology, markets, services, products, prospects, employees, owners, customers, suppliers, or partners The term "Confidential Information" also includes all operations, training or other manuals of the Disclosing Party, reports, analyses, memos, notes or other information prepared or otherwise obtained by the Receiving Party which are based on or derived from, or which contain or reflect, any Confidential Information, regardless of the form in which such information is communicated, recorded or maintained Confidential Information includes any and all such information, whether provided to the Receiving Party prior to the Effective Date

Confidential Information shall not include information otherwise described above that the Receiving Party can establish (a) is or becomes generally available to or known by the public (other than

as a result of a disclosure directly or indirectly by the Receiving Party or any of its employees, agents or advisors), (b) is or becomes available to the Receiving Party or any of its employees, agents or advisors on a non-confidential basis from a source other than the Disclosing Party, provided that such source is not and was not bound by a confidentiality and/or nondisclosure agreement with, or have other similar obligations to, the Disclosing Party, or (c) has been independently acquired or developed by the Receiving Party or any of its employees, agents or advisors without violating any of its obligations under this Agreement

3 Confidentiality The Confidential Information shall be held and treated by the Receiving Party in utmost and strictest confidence. The Confidential Information shall not, without the prior written consent of the Disclosing Party, be disclosed by the Receiving Party in any manner whatsoever, in whole or in part. The Confidential Information shall not be used by the Receiving Party other than for the specific purpose of considering whether to purchase a Shula's Franchise. The Receiving Party agrees to restrict circulation of Confidential Information within its own organization to those partners and advisors who need to receive such Confidential Information in order for the Receiving Party to decide whether he or she will purchase a Shula's Franchise. Each partner or advisor of the Receiving Party to whom Confidential Information is disclosed shall be advised of the confidential nature of the information and shall be obligated to hold said information in confidence and otherwise comply with the terms of this Agreement. The Receiving Party shall diligently monitor all access to Confidential Information, and upon request by the Disclosing Party, the Receiving Party shall promptly furnish a list of individuals with access to the Confidential Information.

In the event that the Receiving Party becomes legally compelled or required to disclose any of the Confidential Information to a third party by order of a court or other authority of competent jurisdiction, the Receiving Party shall provide the Disclosing Party with notice as far in advance as practicable so that the Disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement, in the sole discretion of the Disclosing Party. In any event, the Receiving Party will furnish only that portion of the Confidential Information which it is legally required to furnish.

The Receiving Party shall immediately advise the Disclosing Party in writing if it learns of any unauthorized use or disclosure of Confidential Information by the Receiving Party, its employees, agents or advisors.

4 Ownership and Return of Information The parties acknowledge and agree that all Confidential Information disclosed is confidential and proprietary to the Disclosing Party and shall remain the exclusive property of the Disclosing Party. At the request of the Disclosing Party, the Receiving Party shall promptly return or destroy any and all Confidential Information including all copies thereof, on any storage medium whatsoever, in its possession or in the possession of any of its employees, agents or advisors and will not retain any copies or other reproductions in whole or in part of such material.

5 Remedies The parties acknowledge that unauthorized disclosure or use of the Confidential Information may cause the Disclosing Party irreparable harm and significant injury that may be difficult to ascertain. Accordingly, the parties understand and agree that, in addition to any other rights including the right to damages, the Disclosing Party shall be entitled to equitable relief, including injunction, in the event of any breach of this Agreement. The Receiving Party shall be responsible and held liable for any breach of this Agreement by its employees, agents, contractors or other representatives.

6 Representations The Receiving Party understands and agrees that neither the Disclosing Party, nor its affiliates, agents, advisors or representatives (i) have made or make any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information (or any portion thereof), or (ii) shall have any liability whatsoever to the Receiving Party (or any of its employees, partners, agents, representatives or affiliates) relating to or resulting from any errors in, or omissions from, the Confidential Information, unless otherwise set forth in a separate written agreement between the parties

7 Term The term of this Agreement will commence on the Effective Date and remain in force until ten (10) years after the later of (a) the Effective Date, or (b) if the parties enter into a definitive agreement for the operation and purchase of a Shula's Franchise, the effective date of such agreement. Notwithstanding anything herein to the contrary, the obligations set forth in this Agreement with respect to any trade secrets of the Disclosing Party will continue for so long as such trade secrets to which the Receiving Party had access remain a trade secret, including, but not limited to, recipes and operating manuals

8 Survival The confidentiality provisions of this Agreement shall survive and apply whether or not the Receiving Party purchases a Shula's Franchise and enters into a franchise agreement

9 No Obligation, No License Neither this Agreement nor the disclosure or receipt of any Confidential Information shall constitute or imply any promise to negotiate or to enter into the potential relationship contemplated herein, nor shall it create any joint venture, agency, partnership or other similar arrangement by or between the parties. No license to any party under any trademark, patent, copyright, trade secret or any other intellectual property right is either granted or implied by the disclosure or receipt of the Confidential Information

10 Miscellaneous

a Binding Effect This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Notwithstanding the foregoing, the Receiving Party shall not assign its rights or obligations under this Agreement

b Non-waiver No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein. No waiver of any provisions of this Agreement shall be effective unless it is in writing, signed by the party against whom it is asserted and any such written waiver shall only be applicable to the specific instance to which it relates and shall not be deemed to be a continuing or future waiver

c Attorney's Fees, Costs and Expenses In any action or proceeding to enforce this Agreement, including any appeals or post judgment proceedings, the prevailing party shall be entitled to recover from the other party the reasonable attorneys' fees, court costs, filing fees, publication costs and other expenses incurred by the prevailing party in connection therewith

d Venue, Jurisdiction and Governing Law The Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Florida. Venue for any litigation involving or relating to this Agreement shall be Miami-Dade County, Florida. The parties agree to submit to the exclusive jurisdiction of the courts of Miami-Dade County, Florida for any such litigation

e Rule of Construction The terms and conditions set forth in this Agreement are the product of mutual draftsmanship and/or review by the parties hereto, each having the opportunity to be represented by counsel. Any ambiguities in this Agreement or any agreement prepared or to be prepared pursuant to or in connection with this Agreement shall not be construed against any one party because of the draftsmanship. The Agreement shall be interpreted in a neutral fashion consistent with the intent of the parties as stated herein.

f Notices Any notice, request, demand, instruction, or other communication to be given to any party to this Agreement, shall be in writing and shall be sent either by registered or certified mail, hand delivery, by Federal Express or other reputable courier service, and shall be deemed delivered upon receipt of said notice. Unless and until written notice of a change of address is given in writing and received, the addresses as provided on the signature pages herein shall be deemed to continue in effect for all purposes. The addresses for the purposes of this section may be changed by giving written notice hereunder.

g Modification of Agreement and Merger This Agreement, including any exhibits attached hereto and made part hereof, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may not be supplemented, modified or revised in any manner except by a single writing signed by all parties hereto, no additional consideration required. There are no prior or contemporaneous oral promises, representations or agreements not set forth herein inducing entry into this Agreement and all prior negotiations, discussions, statements and representations are merged into this Agreement. The provisions of this paragraph cannot be modified by conduct, oral agreement or written agreement, unless signed by all parties hereto.

h Authority to Sign By signing this Agreement, each party represents and warrants to all other parties that its execution of this Agreement is duly authorized in accordance with applicable laws relating to such parties, that this Agreement is fully enforceable according to its terms against such executing party and that the individual executing on any corporation's behalf has the requisite power and authority to do so.

i Severability If at any time any provision of this Agreement is deemed to contravene any provision of Local, State or Federal law, said provision shall be deemed amended to conform to such law or be considered null and void. All other provisions of this Agreement shall continue in full force and effect. If any provision of this Agreement is at any time rendered invalid, the enforceability of the remaining portions of this Agreement shall continue in full force and effect.

j Counterparts This Agreement may be executed in counterparts each of which will be deemed to be an original and all of which together will be deemed to be one and the same document. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by email with a PDF copy attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above

Disclosing Party
Shula's Steak Houses, LLLP

By Shula Sport, LLC
Its General Partner

By _____
Print Name _____
Its Manager

Receiving Party

By _____

Print Name _____

Address _____

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Shula's Steak Houses, LLLP offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[New York and Rhode Island require that 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, Oregon, Washington and Wisconsin require 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 Shula's Steak Houses, LLLP does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, or the state agency listed in Exhibit D.

Franchise Sellers: Dave Shula, Peter Farrand, Eduardo Sandoval, Mark Healey at Shula's Steak Houses, LLLP, 3020 NE 32nd Avenue, Suite #347, Ft. Lauderdale, FL 33308, (954) 393-1920, and _____ [Any other franchise seller involved in a particular franchise transaction must be disclosed here before the Disclosure Document is given to the prospective franchisee]. Shula's Steak Houses, LLLP's agents authorized to receive service of process are listed in Exhibit D.

Issuance Date: April 25, 2017

I have received a disclosure document dated April 25, 2017 that included the following Exhibits:

- Exhibit A – Franchise Agreement
- Exhibit B – Table of Contents-Operating Manual
- Exhibit C – Financial Statements
- Exhibit D – State Administrators/Agents for Service of Process
- Exhibit E – List of Current Franchisee Outlets
- Exhibit F – List of Franchisee Outlets Terminated, Not Renewed, Etc.
- Exhibit G – Franchisee Questionnaire
- Exhibit H – State Addenda
- Exhibit I – General Release Form
- Exhibit J – Non-Disclosure Agreement

Date _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You should return one copy of the signed receipt either by signing, dating, and mailing it to Dave Shula at Shula's Steak Houses, LLLP, 3020 NE 32nd Avenue, Suite #347, Ft. Lauderdale, FL 33308, or by faxing or emailing (as an attachment) a copy of the signed receipt to Dave Shula at 954-537-3313 or Dave.Shula@Shula.com. You are to keep the second copy for your records.

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