FRANCHISE DISCLOSURE DOCUMENT

Skyline Chili, LLC
an Ohio limited liability company
4180 Thunderbird Lane
Fairfield, Ohio 45014
(513) 874-1188
www.skylinechili.com

SKYLINE CHILI, LLC ("Skyline"), franchises restaurants with a limited menu specializing in high quality chili-related food products served in a table-service, drive-thru or carryout style format. Skyline offers both individual franchise agreements, which would grant you the right to operate one Skyline Chili restaurant at one location, and area franchise agreements, which would grant you the exclusive right to establish a defined number of franchised restaurants within a specified geographic area and in accordance with a specified time schedule.

The total investment necessary to begin operation of a Skyline Chili franchise ranges from a low of $790,000 to a high of approximately $1,075,000, **excluding the cost of real estate and improvements.** This includes the total amount in Item 5 that must be paid to the franchisor or an affiliate. See Items 5 and 7 of this disclosure document for additional detailed information.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Dan March at Skyline Chili, LLC, 4180 Thunderbird Lane, Fairfield, Ohio 45014, (513) 874-1188, dnmarch@skylinechili.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.

Date of Issuance: February 25, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Ohio. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Ohio than in your own state. Some states may have laws regarding arbitration or litigation. Check the "State Specific Addenda" to see whether your state has laws regarding where arbitration or litigation may be held.

2. **Ohio Law Governs.** The franchise agreement states that Ohio law governs the agreement, and this law may not provide the same protections and benefits as local law. You may want to compare these laws. Some states may have laws requiring that your state's law will apply. Check the "State Specific Addenda" to see whether your state has laws regarding what law will apply.

3. **Renewal.** The franchise agreement does not allow you to renew unconditionally after the initial term expires. You will 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 and what terms you might have to accept in order to renew.

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

5. **Other Risks**. There may be other risks concerning this franchise.

REGISTRATION OF THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE STATE ADMINISTRATORS LISTED IN EXHIBIT C.

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Exhibits

1 The Franchisor, And Any Parents, Predecessors And Affiliates

To simplify the language in this disclosure document "Skyline" means Skyline Chili, LLC, the franchisor. "You" means the person or company who buys the franchise. In the event that a partnership, corporation or other business organization buys the franchise, the word "You" does not include the owners of the partnership or corporation. Skyline and its franchisees do business under the name "Skyline Chili".

The business now carried on by Skyline began in October 1949 as a family-owned and operated proprietorship operating a limited menu restaurant specializing in the preparation and sale of chili food products prepared using Skyline's secret recipe chili product. The predecessor proprietorship business was known as "Skyline Chili" and its principal business address was 3822 Glenway Avenue, Cincinnati, Ohio 45205. The proprietorship was incorporated in Ohio under the name "Skyline Food Products Co." on June 18, 1965. On September 23, 1986, Skyline Food Products Co. changed its name to "Skyline Chili, Inc."

Skyline Chili, LLC is the successor in interest to Skyline Chili, Inc., the previous franchisor of the Skyline Chili franchise system (the "Skyline System"), pursuant to a reorganization transaction in which a group of investors purchased approximately 46.5% of the ownership of Skyline Chili, LLC effective as of December 24, 2020 (the "Reorganization"). As part of the Reorganization, Skyline Chili, LLC was formed as an Ohio limited liability company on December 1, 2020, under the name Skyline QOZB, LLC, renamed as Skyline Chili, LLC on December 21, 2020, and began business operations on December 24, 2020, upon the closing of the Reorganization. On June 8, 2023, in connection with the surrender of certain membership units of another owner in connection with a distribution by Skyline Chili, LLC, the investor group became the majority owners of Skyline Chili, LLC. The principal business address of Skyline Chili, LLC is 4180 Thunderbird Lane, Fairfield, Ohio 45014.

Prior to the Reorganization, Skyline Chili, Inc. was the franchisor of the Skyline System. Pursuant to a prior reorganization on December 14, 2007, all of the individual shareholders of Skyline Chili, Inc. contributed all of the issued and outstanding shares of Skyline Chili, Inc. to Skyline Chili, LLC (a different limited liability company organized in Ohio on October 22, 2007, and now known as Skyline ESM Holdings, LLC), which became the parent company of Skyline Chili, Inc. Skyline Chili, Inc. operated as a corporation until December 21, 2020, at which time it underwent a statutory conversion to a limited liability company and was renamed Skyline CEM Holdings, LLC as part of the Reorganization. The former Skyline Chili, LLC was renamed Skyline ESM Holdings, LLC on December 21, 2020, as part of the Reorganization and Skyline QOZB, LLC was renamed Skyline Chili, LLC.

Pursuant to the Reorganization, Skyline purchased all of the assets of Skyline ESM Holdings, LLC (the former parent of Skyline Chili, Inc.) and acquired certain of the assets of Skyline CEM Holdings, LLC (formerly Skyline Chili, Inc.), including all of the trademarks and service marks used in the Skyline System. Skyline also leases certain real estate and personal property from Skyline CEM Holdings, LLC. In addition, Skyline hired all of the employees of Skyline ESM Holdings, LLC and Skyline CEM Holdings, LLC, including all of those employees involved in the operation of the Skyline System, and assumed all of the rights and obligations under certain of the contracts and agreements of Skyline ESM Holdings, LLC and Skyline CEM Holdings, LLC, including without limitation, all of the Skyline Chili franchise agreements. Management of the former Skyline Chili, Inc. and its parent remained in place at Skyline Chili, LLC through June 7, 2023. Kevin R. McDonnell was the President and Chief Executive Officer of Skyline Chili, Inc. and remained in that position with Skyline Chili, LLC until his retirement on June 7, 2023. In addition, Mr. McDonnell along with two other managers resigned as Managers of Skyline Chili, LLC on June 7, 2023. Richard F. Williams II, a Manager since the Reorganization, was appointed as the Chairman of the Board, President and Chief Executive Officer of Skyline Chili, LLC on

June 8, 2023. Through an affiliate, Mr. McDonnell remains an owner of Skyline Chili, LLC membership units.

After the Reorganization, Skyline Chili, LLC became the principal operating company, the manufacturer of Skyline's secret recipe chili products, the operator of four of the company-owned Skyline Chili restaurants and the franchisor of the Skyline System. Skyline CEM Holdings, LLC (formerly Skyline Chili, Inc.) leases certain real estate and personal property to Skyline Chili, LLC, but has no ownership in Skyline Chili, LLC. With management support and employees supplied by Skyline Chili, LLC, Skyline CEM Holdings, LLC operates the remainder of the company-owned Skyline Chili restaurants. Skyline CEM Holdings, LLC has three subsidiaries: (i) Cincinnati Recipe, Inc., an Ohio corporation that is currently inactive; (ii) Skyline Restaurants, Inc., an Ohio corporation that owns the third subsidiary; and (iii) SCR of Fourth And Sycamore, LLC, an Ohio limited liability company and wholly owned subsidiary of Skyline Restaurants, Inc., that operates one Skyline Chili restaurant in downtown Cincinnati. Aside from leasing certain real and personal property to Skyline Chili, LLC and operating the company-owned restaurants under license from Skyline Chili, LLC, Skyline CEM Holdings, LLC has no role in the operation of the Skyline System. Skyline ESM Holdings, LLC (the former parent of Skyline Chili, Inc.) had no ownership interest in Skyline Chili, LLC and no role in the operation of the Skyline System and was dissolved on April 3, 2023.

Skyline and its predecessors have been franchising the use of Skyline's trademarks and methods and techniques of restaurant operation since 1958.

Skyline's agent for service of process is disclosed in Exhibit B.

Skyline sells franchises to operate Skyline Chili restaurants. Skyline offers two types of franchises:

Area Franchise

The area franchise is for those people who want to open several Skyline Chili restaurants in a specific geographic area within a certain period of time. You would sign an Area Franchise Agreement to become an area franchisee. The Area Franchise Agreement would grant you the exclusive right to construct and open a fixed number of restaurants within the Development Area in accordance with a development and performance schedule. You would agree on the number of restaurants and the timetable for opening those restaurants prior to signing the Area Franchise Agreement. Under the area franchise you would have the right to select sites at which to open Skyline Chili restaurants within a designated geographic area (the "Development Area"), to submit those sites to Skyline for approval and, if approved by Skyline, to pay the Initial Franchise Fee and enter into an individual Franchise Agreement with Skyline allowing you to open a franchised Skyline Chili restaurant at the proposed site.

Individual Franchise

The individual franchise is for those people who are interested in only a single location. An area franchisee would also sign an individual Franchise Agreement for each individual restaurant he or she opened in the Development Area. The individual Franchise Agreement basically grants you a license to operate one Skyline Chili restaurant at one specific location and to use Skyline's trademarks and business system in the operation of the Skyline Chili restaurant.

Skyline owns, operates and franchises others to own and operate Skyline Chili restaurants of the type described in this disclosure document and manufactures and sells chili and other products and items employed in the operation of the company owned and the franchised Skyline Chili restaurants. In addition to its restaurant and franchising related operations, Skyline also manufactures, distributes and/or sells frozen, canned and shelf stable secret recipe chili products, shredded cheddar cheese, hot sauce, crackers and salad dressing and licenses others to sell other Skyline branded products to its franchisees and at retail through grocery stores, supermarkets, convenience stores, catalogs and other similar outlets under the Skyline Chili trademark. Skyline licenses limited use of the Skyline Chili trademarks in connection with the preparation and sale of Skyline Chili food items in certain non-franchised college and institutional food service facilities. Skyline Chili, Inc., through its subsidiary company Cincinnati Recipe, Inc., purchased a line of dry spice mix, canned and frozen chili products under the trademark "Cincinnati Recipe". The Cincinnati Recipe product line is not based on Skyline's secret recipe chili, nor does Cincinnati Recipe, Inc. sell any products to Skyline's franchisees.

You must comply with all federal, state, and local regulations and guidelines governing the food-service industry. The Food and Drug Administration, the United States Department of Agriculture, and food-industry organizations have established rules affecting the restaurant business. In addition, you must comply with federal, state, county, and local health and consumer protection laws and regulations concerning food preparation, handling, and storage; laws, ordinances, rules, and regulations concerning "Truth in Menu" (regarding menu item names and product labeling), food and menu labeling in restaurants, nutritional claims, and allergen information; and laws and regulations concerning access to your Skyline Chili Restaurant by persons with disabilities, such as the federal Americans with Disabilities Act which requires readily accessible accommodations for disabled people, along with requirements and standards for building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, real estate permits and licenses, and operational licenses, etc. There are other laws and regulations applicable to businesses generally with which you must comply, including federal, state, and local labor regulations, including those regulating "no smoking" areas, equal employment opportunities, occupational safety and health, employment, minimum age, minimum wages, hours of employment, sexual harassment, the Affordable Care Act regarding providing medical insurance for your employees, and so forth. You must also comply with Payment Card Industry Data Security Standards. Local zoning rules may limit where you can locate your Skyline Chili Restaurant and may affect design features, including the building facade and signs; and federal, state, and local environmental laws may affect the disposal of waste materials and the packaging you use. It is your responsibility to investigate and comply with all laws, ordinances, rules, and regulations that may affect your Skyline Chili Restaurant operations, and to investigate the need for obtaining and maintaining all licenses and permits necessary for your Skyline Chili Restaurant to open and operate. Consult your lawyer about all these laws, rules, ordinances, regulations, and licensing requirements.

The restaurant business is highly developed and highly competitive. You will have to compete with a large number of other restaurants, including national and regional restaurant chains, locally owned restaurants and other Skyline Chili restaurants offering competitively priced foods and service. Many competing restaurants have national name recognition, well financed national and regional advertising campaigns and aggressive discounting promotions. In addition, Skyline may sell its secret recipe food products or other products under the Skyline trademark anywhere through channels of distribution other than Skyline Chili restaurants, including grocery stores, convenience stores, internet sales and catalog sales. Skyline Chili restaurants are defined in the Franchise Agreement as enclosed restaurants at least one thousand (1,000) square feet in size with seating for at least 30 customers, accessible to the general public with a direct outside entrance and exterior signage operating under the Skyline trademarks and serving at least half of the standard menu items specified by Skyline. In addition, Skyline or other franchisees may engage in catering or delivery services that could compete with your Skyline Chili Restaurant location and Skyline reserves to itself the right to establish permanent or temporary non-traditional locations for the sale of Skyline products such as shopping malls, food courts, airports, cafeterias, hotels, hospitals, stadiums, colleges, highway travel plazas, parades, fairs, concerts and other non-traditional locations (as more particularly described in Item 12).

Neither Skyline, its predecessors nor any of its affiliates have offered franchises in other lines of business.

2 Business Experience

Manager, Chairman of the Board, President and Chief Executive Officer: Richard F. (Dick) Williams, II

Chairman of the Board, President and Chief Executive Officer of Skyline since June 8, 2023, Mr. Williams has been a Manager of Skyline since December 24, 2020. Mr. Williams is also the President of North American Properties, a national real estate development company. Mr. Williams joined North American Properties in 2020 and served as Executive Vice President until 2022. Prior to joining North American Properties, Mr. Williams spent fifteen seasons with the Cincinnati Reds, beginning with the 2006 season. He was named General Manager in 2015 and added the position of President of Baseball Operations in 2016. Mr. Williams serves on numerous Boards including the Boys and Girls Clubs of Greater Cincinnati, the Cincinnati Art Museum, and the Williams Foundation.

Manager – Thomas L. Williams

Manager of Skyline since December 24, 2020. Mr. Williams is the Chief Executive Officer of North American Properties, a national real estate development company and has served in such capacity since 1994. Mr. Williams also served as President of North American Properties from 1994 until 2022, and Vice President of North American Properties from 1986 through 1994. Mr. Williams is also the Vice Chairman and one of the principal owners of the Cincinnati Reds baseball team. Mr. Williams currently serves on numerous Boards including JobsOhio, The Western and Southern Financial Group, Nehemiah Manufacturing Co., The Cincinnati Equity Fund, The Cincinnati Center City Development Corporation (3CDC), Cintrifuse, the Cincinnati USA Regional Chamber, Accelerate Great Schools and Teach for America. Mr. Williams is a member of the Commission for Inclusive Capitalism. He is a Co-Chair of the Child Poverty Collaborative. He is an advisory member of The Cincinnati Chamber of Commerce's Workforce Innovation Center.

Manager – Daniel F. Meyer

Manager of Skyline since December 24, 2020. Mr. Meyer is President and Chief Executive Officer of Nehemiah Manufacturing and has served in such capacity since 2009. Nehemiah Manufacturing is a "profit with a purpose" consumer packaged goods company in the Lower Price Hill neighborhood of Cincinnati. With a mission of building brands, creating jobs, and changing lives, Nehemiah provides sustainable employment and whole life coaching for those in need – with an emphasis on individuals with felony convictions or a history of drug/alcohol abuse. Prior to co-founding Nehemiah Manufacturing, Mr. Meyer co-founded and was President and Chief Executive Officer of Changing Paradigms from 1994 – 2009. Changing Paradigms was a leader in premium retailer brand products within the household cleaning, air care and laundry additive categories.

Senior Vice President – Finance, Chief Financial Officer, Treasurer and Assistant Secretary – Will Woodward

Senior Vice President – Finance, Chief Financial Officer, Treasurer and Assistant Secretary of Skyline since August, 2023. Mr. Woodward served as Chief Financial Officer of The Greater Cincinnati Foundation from March, 2017 until August, 2023.

Vice President – Franchise Development – Daniel N. March

Vice President - Franchise Development of Skyline Chili, LLC since March, 2024. Mr. March was the Chief Financial Officer of Gosh Enterprises from May, 2023 until January 31, 2024. Mr. March was the Director of Global Franchise Recruitment for Wendy's Corporation from February, 2021 until May, 2023.

Mr. March was Senior Vice President – International for Sbarro Pizza, from July, 2017 through July 2020.

Secretary: Mark J. Zummo

Secretary of Skyline since December 24, 2020. Mr. Zummo served as Secretary of Skyline Chili, Inc. from October 30, 1994 until December 23, 2020. Mr. Zummo is a partner in the law firm of Kohnen & Patton LLP in Cincinnati, Ohio and has been so engaged since 1981.

3 Litigation

No litigation is required to be disclosed in this disclosure document.

4 Bankruptcy

No person previously identified in Items 1 or 2 of this disclosure document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

5 Initial Fees

Area Franchise

If you sign an Area Franchise Agreement you will pay a Development Fee which is determined prior to your signing the Area Franchise Agreement. The Development Fee generally varies depending on Skyline's evaluation regarding the number of restaurants to be opened, density of population in the Development Area, business potential and other factors relevant to Skyline's consideration. A Development Fee of $5,000 per restaurant to be opened by you in the Development Area would be typical. The Development Fee is paid in full when you sign the Area Franchise Agreement. You will also pay the Initial Franchise Fee and other initial fees for each individual restaurant you open as described in the following section on individual franchises. Except for the Development Fee which you must pay when you sign the Area Franchise Agreement and the individual franchise fees described below which you must pay when you actually have an approved site for a Skyline Chili restaurant, there are no other initial fees due to Skyline when you sign the Area Franchise Agreement.

Individual Franchise

When you sign an individual Franchise Agreement, you will pay an Initial Franchise Fee in the amount of $20,000. The Initial Franchise Fee is generally paid in full when you sign the Franchise Agreement. In addition, you must buy an initial inventory of certain proprietary products from Skyline or an approved supplier (See Item 8) prior to opening your Skyline Chili Restaurant. The initial fees, including initial inventory of proprietary products, paid directly to Skyline or to an approved distributor of Skyline’s products by franchisees opening a new Skyline Chili restaurant during the 2024 fiscal year is estimated to be $50,000 (including the Initial Franchise Fee).

The Development Fee, the Initial Franchise Fee and any other initial fees paid to Skyline are non-refundable.

Only the initial fees that you pay directly or indirectly to Skyline are included in this Item. Items 6 and 7 describe additional expenses you will have to pay.

6 Other Fees

Area Franchise

Name of Fee	Amount	Due Date	Remarks
Transfer Fee [1]	$5,000 or such higher amount as Skyline is charging all similarly situated area franchisees	When you make the request for transfer	This fee is non-refundable whether Skyline consents to the transfer or not [2]

[1] All fees are imposed by and are payable to Skyline. All fees are non-refundable.

[2] This Fee is due when you assign or transfer your Area Franchise Agreement, or if the person buying the area franchise is a corporation, partnership or other business organization that has a change in control.

Individual Franchise

Name of Fee	Amount	Due Date	Remarks
Royalty [1]	4% of Gross Sales	Payable monthly on the 10th day of the following month	See Footnote 2
Advertising [1]	4% of Gross Sales [3]	Payable monthly on the 10th day of the following month	See Footnote 2
Additional Training [1]	$20 per person per day (or part thereof)	Payable upon completion of training.	Two people receive training at no charge – fee only applies to additional persons receiving training.
Use Unapproved Product or Supplier [1]	$2,000 or such higher amount as may be set forth in Skyline’s Vendor Certification Program, plus the costs of independent testing of unapproved supplier(s)/product(s)	At time you make a request to use an unapproved supplier or product and as testing is performed by an independent testing agency	See Footnote 4

Name of Fee	Amount	Due Date	Remarks
Transfer [1]	$5,000 or such higher amount as Skyline is charging all similarly situated franchisees	When you make the request for transfer On or before the effective date of the transfer	This fee is non-refundable whether Skyline consents to the transfer or not [5]
Renewal Fee [1]	The greater of $10,000 or one-half of the then current initial franchise fee	When you give notice of your election to renew	This fee is non-refundable
Relocation Fee [1]	Pro-rated portion of the then current Renewal Fee	When Skyline approves the relocation	See Footnote 6

1 All fees are imposed by and are payable to Skyline except fees for the approval of an unapproved product or supplier, which are payable to Skyline Chili Purchasing Cooperative, Inc. (a cooperative through which Skyline and some of its franchisees purchase goods and to which Skyline has delegated partial responsibility for inspection of new products and suppliers), and the independent testing agencies that actually perform testing of product and supplier facilities. Skyline Chili Purchasing Cooperative, Inc. is discussed in more detail in Item 8. All fees are non-refundable.

2 Gross Sales are defined as all receipts of any kind from the operation of your Skyline Chili Restaurant but excluding: intracompany transfers; credits and refunds; sales and use taxes collected and paid over to a governmental agency; sales of premium items such as clothing and other promotional items; the value of any coupons received; and income or commissions received from telephone and vending machines.

3 **The advertising fee may be increased from 4% to 6% of Gross Sales per month by the affirmative vote of the owners of two-thirds of the Skyline restaurants located in the United States.** Currently, you are required to pay an advertising fee of 4% of Gross Sales per month, up to one-half of which Skyline may direct you to pay to the Skyline Brand Development Fund as more particularly described in Item 11. You are required to spend the remainder of the advertising fee either by contributing it to an advertising Cooperative in your area (if directed by Skyline) or on local advertising you undertake individually. You will be required to become a member of any advertising Cooperative that has been established in your area. However, the most that you can be required to pay for advertising, whether to the Skyline Brand Development Fund, a Cooperative or on your own, is 4% of Gross Sales per month, unless this amount is increased pursuant to the affirmative vote of two-thirds of the Skyline restaurants in the United States. See Item 11 for additional information on Skyline's advertising program.

4 If you want to use a product that has not been approved by Skyline or from a supplier that has not been approved by Skyline, you or the supplier must submit a written request for approval of the product or supplier. As a condition of its approval, Skyline will inspect the supplier's facility and test samples of the unapproved product and will require that the supplier’s facility be tested by an approved independent testing agency and that the results of the tests be acceptable to Skyline.

The process is detailed in the Vendor Certification Program, which is available to you and the proposed supplier upon request. The Vendor Certification Program may be modified by Skyline from time to time. Either you or the supplier will be charged a fee of up to $2,000 or such higher amount as may be set forth in the Vendor Certification Program from time to time plus the cost of initial and on-going testing by an independent testing agency approved by Skyline.

[5] This Fee is due when you assign or transfer your Franchise Agreement, or if the person buying the individual franchise is a corporation, partnership or other business organization that has a change in control.

[6] Under certain circumstances, Skyline may permit the relocation of your Skyline Chili Restaurant (e.g. in the event that you lose your lease other than as a result of a default by you). In connection with an approved relocation, Skyline may require that you enter into a new Franchise Agreement with a new Term. In the event that Skyline requires you to enter into a new Franchise Agreement with a new Term, you will be required to pay a Relocation Fee equal to the then current Renewal Fee multiplied by a percentage equal to the number of full and partial years that have expired in the then current Term as of the date of the approval of the relocation divided by the length in years of the then current Term.

Additional fees for products and services charged by Skyline and your obligations to purchase or lease from Skyline or its designees or from suppliers approved by Skyline or under Skyline's specifications are described in Item 8.

7 Estimated Initial Investment

Area Franchise

YOUR ESTIMATED INITIAL INVESTMENT

Item	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee	See Footnote 1	Lump Sum	At Signing of Area Franchise Agreement	Skyline
Total [2]	See Footnote 1			

[1] The Development Fee for an Area Franchise Agreement is determined prior to the time you sign the Agreement, but it is based on a number of factors including the number of restaurants you intend to open in the Development Area. A typical Development Fee is $5,000 per restaurant to be opened by you in the Development Area. Typically, an Area Franchisee does not undergo training until after an individual franchise agreement for a specific location has been executed. Estimated expenses for travel and living expenses during completion of training are set forth in the individual franchise information below.

[2] The Total does not include the Development Fee since it cannot be determined in advance. You will also need to refer to the estimated initial investment for an individual franchise below to determine the estimated initial investment for each Skyline Chili restaurant you intend to open under the Area Franchise Agreement.

Individual Franchise

YOUR ESTIMATED INITIAL INVESTMENT

Item	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee [1]	$20,000	Lump Sum	At Signing of Franchise Agreement	Skyline
Training Expenses [2]	$40,000 to $50,000	As Incurred	During Training	Airlines, Hotels & Restaurants, Employee Salaries
Real Estate And Improvements	See Footnote 3	See Footnote 3	See Footnote 3	See Footnote 3

Item	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Equipment, Small Wares and Furnishings [4]	$600,000 to $800,000	Lump sum	Prior to Opening	Manufacturers & Dealers of Restaurant Equipment & Furnishings
Opening Inventory	$10,000 to $20,000	Lump sum	Prior to Opening	Skyline & Other Suppliers of Food and Paper Products
Initial Advertising [5]	$15,000	As incurred	Prior to Opening to 1 Year After Opening	Advertising Agencies & Media Outlets
Security Deposits, Utility Deposits, Business Licenses and Other Costs [6]	$5,000 to $20,000	Lump Sum	Prior to Opening	Suppliers, Utilities, Government Agencies
Advertising Fee - 3 Months	See Footnote 7	Lump Sum	Monthly	Skyline, Advertising Agencies & Media Outlets
Additional Funds - 3 Months [8]	$100,000 to $150,000	As Incurred	As Incurred	Skyline, Employees, Suppliers, Utilities
Total (Excluding Real Estate, Royalty & Advertising Fees) [9]	$790,000 to $1,075,000			

Notes:

1 This fee is non-refundable. Skyline does not finance any fee.

2 Skyline provides initial training for you and one additional person at no additional charge. However, if you need to travel to the training location, you will incur costs for travel, lodging and meals while attending the training. The estimate of training expenses does not include your direct payroll or fringe benefit costs for any employees being trained. The training program is described in more detail in Item 11.

3 If you purchase real property and build your Skyline Chili Restaurant, Skyline estimates the cost to purchase the real estate and construct a free-standing Skyline restaurant to vary from a low of approximately $2,500,000 to a high of approximately $3,600,000. The typical Skyline Chili restaurant utilizes approximately 2,300 to 3,000 square feet, with newer locations primarily in the 2,800 to 3,000 square foot range. Skyline requires dedicated parking of one space for every two seats plus employee parking. The amount of land required will vary with the size of the facility and zoning requirements, but an estimate of the size of the parcel needed would be anywhere

from one (1) acre to one and one-quarter (1 1/4) acres in size. The cost of such a parcel will vary tremendously and cannot be estimated with accuracy. The typical free-standing Skyline Chili restaurant seats 90 - 130 people. It may be necessary or desirable to locate the restaurant in leased space in a storefront end cap unit with a drive through window. In such an event the restaurant will occupy from 2,000 to 3,200 square feet with an estimated yearly base rental varying from a low of $80,000 to a high of $150,000. The cost of leasehold improvements may vary from $400,000 to $900,000.

4 Equipment and furnishing cost will vary with the size of the restaurant which you open and the type of equipment and furnishings which you purchase. Estimates are based on Skyline's prototype restaurant design and the purchase of all new furnishings, equipment and cabinetry.

5 Skyline will require you to spend up to $15,000 for additional 1st year local advertising and marketing for the period from pre-opening through one year after opening. Initial advertising fees will vary depending on whether you are initially opening your Skyline Chili Restaurant and on how much of the $15,000 initial advertising fee Skyline requires you to spend during the initial phase of business (i.e. pre-opening through 3 months after opening). Typically, you would be required to spend most or all of the initial advertising fee during the initial phase of business.

6 Includes employee uniforms, security deposits, utility costs, business license costs, insurance, point of sale system, initial attorneys' and accountants' fees and other prepaid costs. The fees charged by attorneys, accountants and other advisors vary widely and you should carefully review with your own advisors their estimates for work in connection with entering into the agreement and the initial opening of your Skyline Chili Restaurant.

7 You will have a monthly advertising fee due to Skyline and a monthly required advertising expenditure which you must make under the terms of the Franchise Agreement. These fees are described in detail in Items 6 and 9. This cost cannot be estimated with accuracy since it is based upon your Gross Sales.

8 This estimates your initial startup expenses. These expenses include pre-opening crew training payroll costs, operating payroll costs, utility costs, miscellaneous costs and working capital, but not royalty fees payable to Skyline. Since your royalty fees are based upon your Gross Sales, this cost cannot be estimated with accuracy. These figures are estimates and Skyline cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on factors such as: how much you follow Skyline's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Skyline's product; the prevailing wage rates; competition; and the sales level reached during the initial phase of business.

9 This total does **not** include the cost of real estate and improvements, the continuing advertising fee or the continuing royalty fees for the initial phase of the business.

Skyline relied on its experience in the business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Any expenditures described above which are paid to Skyline are non-refundable.

Skyline does not offer, either directly or indirectly, any financing to franchisees in connection with their initial investment. The availability and terms of financing that you receive from others will depend on various factors, such as the availability of financing generally, your credit worthiness and the policies of lending institutions concerning restaurant franchises.

8 Restrictions On Sources Of Products And Services

All furniture, fixtures, equipment and products used in the establishment and operation of your Skyline Chili Restaurant must meet Skyline's specifications and be purchased from approved suppliers. You must purchase from Skyline or its designated distributor(s) all of your requirements of Skyline's secret recipe chili product, black beans and rice product, bean burrito mix and gift cards at Skyline's or its designated distributor(s)'s current prices at the time of each purchase. You must also purchase your POS System (as more fully described in Item 11 below) from Skyline. Skyline is the sole approved supplier of all secret recipe food products, gift cards and the POS System. You must also purchase Skyline Chili brand hot sauce, Skyline Chili brand Greek salad dressing, Skyline Chili brand oyster crackers and items with the Skyline logo (i.e. drink cups, plastic bibs, containers, employee uniforms, in-store display materials, and branded resale merchandise, etc.) from Skyline's approved suppliers. In addition, the Operations Manual contains specifications and in some cases specific brand names and approved suppliers for all other furniture, fixtures, equipment, supplies, food and paper items you will use in the operation of your Skyline Chili Restaurant. Skyline requires these purchases to protect the public acceptance of its trade names, trademarks, service marks and products and to maintain the overall quality standards and uniformity of the Skyline Chili franchise system. Skyline may inspect your Skyline Chili Restaurant to, among other things, make sure that you are using only approved products.

All specifications can be revised by Skyline and may be changed from time to time. Skyline, through the Skyline Chili Purchasing Cooperative, Inc. ("Sky Co-op"), engages in quality and price comparisons of various suppliers on an ongoing basis. Skyline engages in periodic testing of approved products and substitute products to, among other things, make sure that approved products continue to be acceptable and to see if better and/or lower cost alternatives are available. If the product specifications are changed, Skyline will notify you of the change and you will be required to comply with the new specifications.

If you want to purchase any items from an unapproved supplier or distributor, you will be required to comply with the terms of Skyline's then current Vendor Certification Program. Either you or the supplier must submit a written request for approval to Skyline and pay the costs of inspection by an independent inspection agency plus a $2,000 fee, or such higher amount as may be set forth in Skyline's Vendor Certification Program, to Skyline. Skyline currently delegates the initial inspection responsibilities to Sky Co-op, a purchasing cooperative established for Skyline and its franchisees, but Skyline retains the final approval right over all vendors, suppliers and distributors. Once the request is received, approval is a two-step process. First, the proposed vendor must, at its cost, contract with an approved independent testing agency approved by Skyline and have an inspection done by the agency and the results released to Skyline. The proposed vendor must meet certain minimum test scores from the independent testing agency as determined by Skyline from time to time in order to be approved and must provide Skyline with continuing acceptable test results to maintain its approved status. Additional considerations in approving a proposed vendor may include, without limitation, the proposed vendor's production and delivery capacity, location of facilities, the existence of acceptable data protection systems, economies of scale from single or limited sources of production and the ability to service Skyline's other lines of business. Second, if the proposed vendor has acceptable test scores, a Skyline representative may visit the manufacturer, distributor or warehouse and inspect it. As a condition of its approval, Skyline may require that its representative inspect the supplier's facilities and that samples from the supplier be delivered to Skyline or its designee for testing. The proposed vendor will either be disapproved or given conditional approval based on the Skyline inspection. All vendors are also required to provide a product guaranty in form acceptable to Skyline. The uniformity and quality of the food served at all Skyline restaurants, whether company owned or franchised, is an important part of the Skyline franchise system. Skyline may refuse to approve an alternate food product if its taste, texture or consistency does not conform to Skyline's standards. While Skyline is not required to act on your request within any specific period of time, Skyline will generally approve or disapprove a request for approval of an unapproved supplier or product within 120 days, provided that all information is submitted in a timely fashion by you and the proposed supplier.

Skyline derives revenue and income from the required purchases of its secret recipe chili product, black beans and rice product and bean burrito mix manufactured by Skyline and the POS System and related software and services provided by Skyline and required to be used in the operation of your Skyline Chili Restaurant. In addition, Skyline may derive revenue and income from the license of its trademarks and service marks to companies that manufacture or distribute Skyline branded merchandise, food products and supplies to you (e.g. royalties on Skyline-branded merchandise resold in restaurants). You will be invoiced at the time of purchase for goods supplied by Skyline, with payment due on the terms required by Skyline or its approved distributors. In the fiscal year ending October 27, 2024, Skyline derived revenues from the sale of required purchases to franchisees of $17,835,000 or 18% of Skyline's total revenues of $98,424,000, provided that all such sales other than fees related to the Skyline POS system were made through an approved distributor and not directly from Skyline. Except as described above, Skyline does not derive revenue from any of your required purchases or leases in accordance with Skyline's specifications or standards. Except for profit on items sold to distributors by Skyline that in turn resell such items to you, Skyline does not derive income from your purchase of any items from anyone other than Skyline. Any vendor rebates received by Skyline that are not reflected in the cost of goods purchased by Skyline and its franchisees are paid to Skyline and its franchisees in accordance with their purchases to the extent the information is available to make the calculations. To the extent the information is unavailable to make that calculation, such amounts shall, where not prohibited by law, be contributed either to the advertising Cooperatives in roughly the proportion that purchases were made by Skyline restaurants (both franchised and company owned) within each Cooperative, or, if such purchase information is not available, to the Skyline Brand Development Fund (Franchise Agreement - section 9(i)).

The required purchases and leases of goods and services that may be purchased or leased only from Skyline, its approved distributors or pursuant to Skyline's specifications are estimated to constitute approximately 32% of your total cost of all goods and services required to establish and operate your franchised Skyline Chili restaurant.

Sky Co-op was established in 2006 by Skyline Chili, Inc. and its franchisees to negotiate the purchase and distribution of products used in the operation of Skyline restaurants. Membership in Sky Co-op is open to both Skyline and its franchisees. Sky Co-op has entered into a distribution agreement with a third-party distributor and negotiates pricing with manufacturers and suppliers for its members. Operation of Sky Co-op is generally on a one vote per restaurant basis. Currently all Skyline franchisees are members of the Sky Co-op.

Skyline Chili, Inc. established and Skyline intends to maintain, through Sky Co-op, buying arrangements with suppliers to operate on a regional basis. Sky Co-op was established to allow for the purchase of supplies in large quantities at reduced rates to benefit its members, including both company owned and franchised restaurants. You may, at your option, participate in such purchasing arrangements by becoming a member of Sky Co-op. Skyline Chili, Inc. ceased direct distribution to franchisees in 2006 and Skyline does not sell products directly to its franchisees and thus receives no direct compensation for sales to its franchisees except for sales of Skyline manufactured products sold through its designated distributors as described above. Skyline currently has no formal policy to provide additional benefits to you for participating in the buying arrangements established by Skyline or the Sky Co-op.

While Sky Co-op negotiates pricing and distribution terms on behalf of its members, Skyline sets the specifications for the equipment and goods used in the operation of Skyline restaurants.

9 Franchisee's Obligations

Area Franchise

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE AREA FRANCHISE AGREEMENT 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. YOU SHOULD ALSO CAREFULLY REVIEW THE FOLLOWING TABLE REGARDING INDIVIDUAL FRANCHISE AGREEMENTS SINCE YOU WILL BE REQUIRED TO SIGN AN INDIVIDUAL FRANCHISE AGREEMENT FOR EACH RESTAURANT YOU OPEN UNDER THE AREA FRANCHISE AGREEMENT.

Obligation	Section In Area Franchise Agreement	Item In Disclosure Document
a. Site selection and acquisition/lease [1]	Sections 1, 5 & 7	Items 11 & 12
b. Pre-opening purchases/leases [1]	None	None
c. Site development and other pre-opening requirements [1]	Sections 1, 5, 7 & 8	Items 7, 11 & 12
d. Initial and ongoing training [1]	Section 6	Item 11
e. Opening [1]	Section 8	Item 11
f. Fees [1]	Sections 4 & 8	Items 5 & 6
g. Compliance with standards and policies/Operating Manual [1]	None	None
h. Trademarks and proprietary information [1]	Section 5(c), 5(i), 5(j), 5(k), 11 & 12	Items 13 & 14
i. Restrictions on products/services offered [1]	None	None
j. Warranty and customer service requirements [1]	None	None
k. Territorial development and sales quotas [1]	Section 1	Items 11 & 12
l. Ongoing product/service purchases [1]	None	None
m. Maintenance, appearance and remodeling requirements [1]	None	None
n. Insurance [1]	None	None

Obligation	Section In Area Franchise Agreement	Item In Disclosure Document
o. Advertising [1]	None	None
p. Indemnification [1]	Section 9	Item 17
q. Owner's participation/ management/staffing [1]	None	None
r. Records/reports [1]	None	None
s. Inspections/audits [1]	None	None
t. Transfer [1]	Section 10	Item 17
u. Renewal [1]	Section 3	Item 17
v. Post-termination obligations [1]	Sections 9, 11, 12 & 13(c)	Item 17
w. Non-competition covenants [1]	Section 11	Item 17
x. Dispute resolution [1]	Sections 13 & 19	Item 17

[1] You will be required to sign an individual Franchise Agreement for each Skyline Chili Restaurant which you open under the Area Franchise Agreement. Please review the following table regarding individual Franchise Agreements as it contains additional obligations which will apply to you in addition to those described in the table above.

Individual Franchise

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE INDIVIDUAL FRANCHISE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section In Franchise Agreement	Item In Disclosure Document
a. Site selection and acquisition/lease	Section 5	Items 11 & 12
b. Pre-opening purchases/leases	Section 7	Items 8 & 11
c. Site development and other pre-opening requirements	Sections 5, 6 & 7	Items 6, 7 & 11
d. Initial and ongoing training	Section 6	Item 11
e. Opening	Section 6	Items 5 & 6
f. Fees	Section 4, 6, 7(l), 9 & 12	Items 5 & 6

Obligation	Section In Franchise Agreement	Item In Disclosure Document
g. Compliance with standards and policies/Operating Manual [1]	Section 7	Items 8 & 11
h. Trademarks and proprietary information	Section 8	Items 13 & 14
i. Restrictions on products/services offered	Section 7	Items 8, 11 and 16
j. Warranty and customer service requirements	Section 7	Item 11
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	Section 7	Items 8 & 11
m. Maintenance, appearance and remodeling requirements	Sections 7 & 10	Item 11
n. Insurance	Section 11	Item 7
o. Advertising	Section 9	Items 6, 7 & 11
p. Indemnification	Section 11	Item 17
q. Owner's participation/ management/staffing	Section 6 & 7	Items 11 & 15
r. Records/reports	Sections 4, 7 & 9	Items 6, 7 & 11
s. Inspections/audits	Sections 4 & 7	Items 8 & 11
t. Transfer	Section 12	Item 17
u. Renewal	Section 2	Item 17
v. Post-termination obligations	Sections 12, 13, 14 & 15(c)	Item 17
w. Non-competition covenants	Section 13	Item 17
x. Dispute resolution	Sections 15, 21, 22 & 23	Item 17

1 You will be required to comply with the procedures and specifications in Skyline's Operations Manual and other confidential manuals provided to you by Skyline. A copy of the Table of Contents of Skyline's Operations Manual in effect as of the date of this disclosure document is attached as Exhibit C. Skyline may change the Operations Manual and other confidential manuals from time to time and you will be required to comply with any changes at your expense.

10 Financing

Skyline does not offer direct or indirect financing. Skyline does not guarantee your note, lease or any other obligation.

11 Franchisor's Assistance, Advertising, Computer Systems And Training

Area Franchise

Except as listed below, Skyline need not provide any assistance to you.

In addition to reviewing this section on area franchises, you should also carefully review the next section regarding individual franchise agreements since you will be required to sign an individual Franchise Agreement for each Skyline Chili Restaurant you open under the Area Franchise Agreement and many of Skyline's obligations relate to the individual restaurants which you will open.

Before you open a Skyline Chili Restaurant under your Area Franchise Agreement, Skyline will:

1. Designate your exclusive Development Area (Area Franchise Agreement – section 1(a));

2. Designate your Performance Schedule, i.e. the timetable under which you must open your Skyline Chili Restaurants (Area Franchise Agreement – section 1(b));

3. Review and approve or reject your proposed site for each individual Skyline Chili restaurant you propose to open; Your proposed site for each restaurant must be approved in writing by Skyline (Area Franchise Agreement – section 7);

4. Provide you with one set of prototype construction plans, specifications and interior layouts for a typical Skyline Chili restaurant (Area Franchise Agreement – section 6(a));

5. Loan you copies of Skyline's confidential documentation, site selection criteria and/or training aids that Skyline makes available to all of its area franchisees (Area Franchise Agreement – section 6(c));

6. Train you and your on-site manager (Area Franchise Agreement – section 6(b); A more detailed discussion of Skyline's training program is included in the following section on individual franchises;

During the operation of the Area Franchise Agreement, Skyline will:

1. Provide you with any individual or group advice and assistance that Skyline deems necessary (Area Franchise Agreement – section 6(d));

2. Provide you with any bulletins and reports Skyline may publish from time to time (Area Franchise Agreement – section 6(e)).

There is no advertising program for an area franchise. Skyline's advertising program for individual franchises is discussed in the section on individual franchises below.

Skyline does not require that you buy any electronic cash registers or computer systems under your Area Franchise Agreement.

You will agree with Skyline on the exclusive Development Area in which you may select sites for individual restaurants (Area Franchise Agreement – section 1(a)). You will be primarily responsible for selecting the sites of the individual restaurants, but Skyline must review the site of each individual restaurant and may reject any such site in writing (Area Franchise Agreement – section 7). Skyline is not required to accept or reject a site within any specific period of time. Skyline may consider some or all of the following factors, among others, in deciding whether to approve your application for a specific site: (1) general location and neighborhood; (2) population density; (3) existence of and proximity to another Skyline franchisee's protected territory or company owned restaurant; (4) traffic patterns; (5) size of the proposed site; (6) availability of parking for the proposed site; (7) physical characteristics of the building; (8) existence of competing restaurants in the area; (9) Skyline's prior experience in the area where the site is proposed, if any; (10) the impact on existing Skyline Chili restaurants and the rights of existing franchisees, if any.

An area franchisee typically opens its first restaurant four to eight months after they sign an Area Franchise Agreement. The factors that affect this time are the Performance Schedule the area franchisee has agreed to, the ability to find an acceptable site, the ability to obtain a lease or purchase the site, the time required to obtain financing, the time required to obtain building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs.

Individual Franchise

Except as listed below, Skyline need not provide any assistance to you.

Before you open your Skyline Chili Restaurant, Skyline will:

1. Designate your protected territory (Franchise Agreement – section 1(b));

2. Review your proposed site for your Skyline Chili Restaurant; If you are leasing the Restaurant site, review your lease; Your Franchise Agreement will describe the specific site at which you are licensed to open a Restaurant before you sign it (Franchise Agreement – section 1(a)); Typically you will pick a site and have it reviewed by Skyline before you sign the Franchise Agreement;

4. Provide you with one set of prototype construction plans, specifications and interior layouts for a typical Skyline Chili restaurant (Franchise Agreement – sections 3(a) and 5(f)); Skyline must approve your site plan and construction plans in writing before you can begin construction of your site or remodeling of your leased space (Franchise Agreement – sections 5(e) – (h))

5. Loan you copies of Skyline's confidential manuals, including Skyline's Operations Manual (Franchise Agreement – section 3(e)), all of which are considered proprietary and are subject to the confidentiality agreement and use restrictions described in the Franchise Agreement (Franchise Agreement – section 13) (a copy of the Table of Contents from the Skyline Chili, Inc. Operations Manual in effect as of the date of this disclosure document is attached as Exhibit C);

6. Train you or your on-site manager (Franchise Agreement – section 6); Skyline's training program is described below;

7. At Skyline's discretion, provide you with assistance in developing pre-opening and promotional programs and providing Skyline personnel to assist with your opening (Franchise Agreement – section 3(d));

During the operation of the Franchise Agreement, Skyline will:

1. Provide you with any marketing advice and assistance that Skyline deems necessary (Franchise Agreement – section 3(f));

2. Provide you with any individual or group advice and assistance that Skyline deems necessary (Franchise Agreement – section 3(g));

3. Provide you with any bulletins and reports Skyline may publish from time to time (Franchise Agreement – section 3(h));

4. Provide you with any other assistance or materials that Skyline may develop for use by its franchisees generally (Franchise Agreement – section 3(i)).

Skyline Chili, Inc. and the franchisees in the Greater Cincinnati area established the Skyline Chili Advertising Cooperative of Cincinnati during fiscal year 2000 (the "Cincinnati Advertising Co-op"). Prior to the formation of the Cincinnati Advertising Co-op, Skyline Chili, Inc. had established an Advertising Trust for the benefit of its Greater Cincinnati area franchisees. The Cincinnati Advertising Co-op is a separate legal entity from Skyline and advertising fees paid by Greater Cincinnati area franchisees are currently paid in part to the Cincinnati Advertising Co-op and in part directly to Skyline for the Skyline Brand Development Fund which is described in more detail below. The Skyline Chili Advertising Cooperative of Dayton was established as a separate legal entity in 2006 for Dayton area restaurants. The Skyline Chili Advertising Cooperative of Columbus was established as a separate legal entity and began operation in 2009 for the Columbus, Ohio area restaurants. See Item 6 for additional information regarding advertising fees. In addition, Skyline pays a percentage of gross sales to the various Co-ops and the Skyline Brand Development Fund for its company owned restaurants located in the market area served by the Co-ops on a comparable basis to the franchisees located in the market area.

Advertising is placed in a variety of mediums such as print, outdoor, electronic, digital, etc. The scope of the advertising is typically local. Skyline's in-house marketing department prepares some of the advertising materials and campaigns and both Skyline and the Co-ops use the services of local advertising agencies. It is anticipated that advertising Cooperatives formed will use the services of advertising agencies and receive assistance from Skyline's in-house marketing department. Skyline will maintain final control over all marketing campaigns and materials.

Skyline has established the Skyline Brand Development Fund ("SBDF") as an advertising and promotional fund for the entire Skyline restaurant system (Franchise Agreement – Section 9(e)). The SBDF is currently not a separate legal entity from Skyline, but is operated as a segregated fund within Skyline. All contributions to the fund are restricted to the permitted uses as set forth in the Franchise Agreement and annual company-prepared financial statements regarding the Fund are made available to the franchisees. SBDF has an advisory board consisting of five members, one of which is selected by Skyline and the remaining four of which are selected by the franchisees. The board acts in an advisory capacity as an avenue for Skyline to obtain franchisee input into overall marketing programs, but Skyline retains final control over all marketing campaigns and materials. Skyline may change the number of board members, but must maintain the same ratio of company to franchisee appointed board members. The purpose of SBDF is to maximize general public recognition, acceptance and use of the Skyline System and the marks. To further its purposes, SBDF may: engage in consumer brand research; formulate brand image enhancement strategies; create advertising and promotional campaigns; seek and engage in media buying opportunities for advertising and promotional campaigns; measure sales results; and measure consumer satisfaction with the Skyline System and specific Skyline Chili restaurants.

Funds contributed to SBDF are segregated into two pools, a Production Pool and a Regional Media Buying Pool (Franchise Agreement – section 9(e)(5)). Funds in the Production Pool are not required to be spent in any particular proportion in relation to their contribution. Unless otherwise agreed by Skyline and the governing boards of the affected Cooperatives, Funds in the Regional Media Buying Pool are required to be spent on a basis that is in roughly the same proportion that the funds were contributed to SBDF by the Skyline restaurants (both franchised and company owned) within each of the Cooperatives (Franchise Agreement – section 9(e)(5)). Advertising fees contributed to SBDF that are not used in any fiscal year, may, in Skyline's sole discretion, be carried over to following year(s) or contributed to advertising Cooperatives in roughly the same proportion that the funds were contributed to SBDF by the Skyline restaurants (both franchised and company owned) within the Cooperatives. Funds contributed by franchisees that are not in any Cooperative and are contributing at the maximum rate may be returned directly to such franchisees to be used for local advertising. Advertising fees are used to promote Skyline Chili restaurants and are not used to sell additional franchises.

During the fiscal year ending October 27, 2024, SBDF spent 30% of contributions received on the production of advertisements and other promotional materials, 64% on media placement, 5% for public relations and consumer research and 1% for general and administrative expenses. Except for occasional minimal payments for catering some events (such as press parties) or other minor expenses or for bookkeeping or administrative services provided, neither Skyline nor any of its affiliates receive payment from SBDF or any Cooperative. Skyline is entitled to reimbursement of the cost of administering SBDF up to a maximum of ten percent of the contributions made to the Fund, including the costs of its employees engaged in administering or performing services for the Fund. See Item 6 for additional information regarding advertising fees.

Skyline may require you to participate in a local or regional advertising Cooperative with Skyline and other franchisees (Franchise Agreement – section 9(d)). As of the date of this disclosure document the only local or regional advertising cooperatives in operation are for Cincinnati, Ohio, Dayton, Ohio and Columbus, Ohio. The Cincinnati, Dayton and Columbus Advertising Co-op's are organized as non-profit corporations and administered by a three to five member Board of Trustees, one of which is appointed by Skyline and the remaining members of which are elected by the owners of all of the Skyline Chili restaurants within the Cooperative's geographic territory, including Skyline, on a one vote per restaurant basis. It is anticipated that advertising Cooperatives will be formed for each market area in which Skyline restaurants are operated. The organizational documents, terms of membership, governance and regulation of each Cooperative will be set by Skyline, subject to the following: (1) any disputes arising among or between franchisees in a Cooperative or with the Cooperative will be resolved by Skyline; (2) each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs; (3) no advertising or promotional materials will be used by a Cooperative without Skyline's prior written approval; (4) you will be required to submit your required contributions to the appropriate Cooperative by the 10th day of each month; (5) company owned restaurants will become members and contribute to their respective Cooperative and have voting rights similar to comparable franchised restaurants; (6) Except as otherwise agreed in writing by Skyline, all advertising fees contributed to a Cooperative must be spent in the same fiscal year they are contributed and in the event that a Cooperative does not spend the funds contributed as required, Skyline may require that such funds be turned over to it and Skyline will spend the funds for marketing programs within the area covered by the Cooperative; and, (7) Skyline may grant exemptions from Cooperative membership requirements or advertising contributions (Franchise Agreement – section 9(d)). Membership in a Cooperative is determined by Skyline. Skyline currently uses Designated Marketing Area studies by Nielsen Media Research as the primary basis for determining membership in a Cooperative.

Skyline's company owned restaurants will contribute to applicable advertising Cooperatives and SBDF on the same basis as franchised restaurants in the same market area. Company owned restaurants will further become members of applicable advertising Cooperatives and have voting rights and membership interests on the same basis as the franchised restaurants within the Cooperative's boundaries.

Skyline will require you to spend up to $15,000 for additional first year initial local advertising and marketing for the period from pre-opening through one year after opening. Skyline may require you to deposit the full amount of such funds and reimburse you for approved initial advertising expenses as they are incurred during your first year of operations.

You may conduct, at your expense, additional advertising and marketing (Franchise Agreement – section 9(c)). However, if you use any advertising or marketing materials not prepared by Skyline you must submit them to Skyline for approval (Franchise Agreement – sections 9(c) and 9(g)). You must also obtain approval from Skyline for the use of any Internet domain names, web sites or other Internet-related advertising you want to use in connection with your Skyline Chili Restaurant.

See Items 6 and 9 of this disclosure document for additional information on Skyline's advertising fees and your obligations.

You are required to purchase any computer or point-of-sale system and related equipment that Skyline may require and enter into any agreement(s) Skyline requires with respect to such computers or POS system with Skyline or its designee(s). Currently, Skyline sublicenses a version of Xenial's IRIS point-of-sale system (the "POS System"). Skyline is the sole approved vendor for its POS System and you will be required to sign a POS Sublicense and Support Agreement (attached as Exhibit J). The POS System stores data related to sales, product usage, product mix and tax information. Depending on setup and options, the POS System may also track other data or interface with other software or systems. The specific components of the POS System are described more fully in the manuals and the initial installation cost for the POS System ranges from $35,000 to $55,000, depending on the number of terminals and kitchen monitors, options selected and installation. You will also be required to purchase managed broadband service from Skyline or its designee. The specific services offered with managed broadband may vary by location and from time to time, but will include broadband internet connectivity and some or all of the following managed services: antivirus protection; SPAM filtering; spyware detection; electronic delivery of software revisions; application of patches and bug fixes; network security scans; and remote access to your POS System by Skyline. Pursuant to the POS Sublicense and Support Agreement, Skyline provides an on-going sublicense to use the Skyline-supported version of the IRIS point-of-sale system, installation services, setup of the POS System, on-going configuration and update of the IRIS software, hardware support, telephone help desk support, training, and managed broadband services. Skyline may contract with third parties to provide some or all of these services. You will be required to purchase new, supplemental or updated computer or point-of-sale systems as required by Skyline. There are no contractual limitations on the frequency or cost of this obligation. The estimated annual cost of the sublicense, support and maintenance and connectivity services for the current POS System currently ranges from $6,500 - $9,500 per Restaurant. Skyline will have independent remote electronic access to the information that will be generated and stored on your POS System. There are no contractual limitations on Skyline's right to access the information on your POS System. Upon termination of your franchise, Skyline will have the option to purchase your POS System at its then fair market value.

Skyline requires that you have access to the Internet as provided in the preceding paragraph and an e-mail address to receive electronic mail. Skyline has established an extranet with informational materials for its franchisees and you will need access to the Internet and an account on the extranet system in order to access that information.

The proposed site for your Skyline Chili Restaurant will typically be determined before you sign your Franchise Agreement (Franchise Agreement – section 1(a)). Typically you would propose a site to Skyline for review. The site would then usually be reviewed before you sign a Franchise Agreement. Skyline may consider some or all of the following factors, among others, in deciding whether to reject your proposed site: (1) general location and neighborhood; (2) population density; (3) existence of and proximity to another Skyline franchisee's protected territory or company owned restaurant; (4) traffic patterns; (5) size of the proposed site; (6) availability of parking for the proposed site; (7) physical characteristics of the building; (8) existence of competing restaurants in the area; (9) Skyline's prior experience in the area where the site is proposed, if any; and, (10) the impact on existing Skyline Chili restaurants and the rights of existing franchisees, if any.

In the event that you plan to enter into any type of lease for the Restaurant site, you must provide Skyline with a copy of the lease at least 10 business days prior to executing it. Skyline will have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate and enter into the lease for the Restaurant site. However, Skyline may review the lease during such 10 day period and reserves the right to reject the lease.

A Skyline franchisee typically opens their Restaurant six to twelve months after they sign a Franchise Agreement. The factors that affect this time are the ability to obtain a lease or purchase the site, the time required to obtain financing, the time required to obtain building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs. Once you have signed the Franchise Agreement you must lease or purchase a proposed site for your Restaurant and begin construction on your site within 90 days and have the Restaurant open for business within 150 days after you start construction, unless Skyline allows you additional time (Franchise Agreement – section 5).

Skyline provides initial training programs for new restaurant franchisees and their initial key employees. Any individual who will be directly involved in the day to day management of the restaurant will be required to attend and complete Skyline's management training program or an alternative program approved by Skyline. These individuals include, but are not limited to, the managing owner, general manager, assistant general manager, shift managers or any other individual who will be involved in supervision. Skyline's operations representatives may observe such management personnel both during training and in your Skyline Chili Restaurant to determine adherence to Skyline's procedures and standards for the operation of your Skyline Chili Restaurant.

Owners who will not be directly involved in the day-to-day management of the Restaurant will be required to attend and complete a 10 day minimum training course. Owners in training must demonstrate adherence to Skyline's procedures and standards through observable validations. All final observable validations will be conducted by a designated Skyline operations representative.

You will receive your initial training from experienced managers of Skyline's company owned restaurants and corporate staff. Skyline does not charge a fee for the one-time enrollment in the initial training program by you and your additional designee. You are responsible for all travel, lodging, meals and other related or incidental expenses incurred by you or any of your owners, managers, employees, or other representatives attending, or otherwise regarding, the initial training program. Space permitting, Skyline will allow for additional persons (who will be involved in restaurant operations) to attend, but you must pay Skyline (except for 1-time enrollment by you and 1 additional designee) the standard fee then charged other Franchisees by

Skyline. Subsequent to your initial training, your managers may be trained by Skyline personnel or by third parties approved by Skyline.

Skyline's initial training program is a combination of classroom and field training. One of the field training days will be a day spent with a franchise consultant touring different restaurants and discussing operational elements. It is based on 40 days, or eight 5-day weeks of training. Each training day builds upon previous days and they must be completed in order. While there is a great amount of flexibility in scheduling, Skyline requires that you comply with the training calendar once it is agreed upon. This will allow your trainer to plan actions and activities for that day. The initial training program consists of the following:

Initial Management Training Program

Management Training			
Subject	**Instructional Material**	**Hours of Training**	**Location**
Food Prep	Operations Manual and Skyline Chili Training Materials & Videos	20	Restaurant
Food Assembly/ Quality Captain	Operations Manual, Skyline Chili Training Materials & Videos	80	Restaurant
Hospitality / Cashier	Operations Manual, Skyline Chili Training Materials & Videos	8	Restaurant
Drive-thru	Operations Manual and Skyline Chili Training Materials	16	Restaurant
Serving	Operations Manual, Skyline Chili Training Materials & Videos	30	Restaurant
Opening/ Closing	Operations Manual, Training Materials	10	Restaurant
Train the Trainer	Operations Manual, Training Materials	5	Restaurant
Leading Shifts	Operations Manual, Training Materials	70	Restaurant
Serv Safe (with test)	Online Serv Safe Course/Classroom	16	Restaurant & Classroom
Voice of Guest	Training Materials	4	Restaurant
Interviewing & Selection	Training Materials	15	Restaurant
Quality, Service, Cleanliness Checklist	Operations Manual, Training Materials	4	Restaurant
Performance Management	Training Materials	15	Restaurant

Management Training			
Subject	**Instructional Material**	**Hours of Training**	**Location**
Financial Overview	Training Materials	8 - 15	Restaurant
Food Cost Management	Training Materials	15	Restaurant
Labor Management	Training Materials	15	Restaurant
Identifying System Opportunities	Training Materials	8	Restaurant
Total Hours		339 - 346	

Multi-Unit Management Program

Multi-Unit Management Training			
MUM Success Routine	MUM Materials	10	Field – Multiple Restaurants
Quarterly Business Review	MUM Materials, Handouts	20	Field – Multiple Restaurants
Total Hours (On The Job)		30	

Note: Multi-unit management training occurs with the addition of a second restaurant.

Owner Accelerated Training Program

Owner Accelerated Training			
Subject	**Instructional Materia]**	**Hours of Training**	**Location**
Orientation	Orientation Packet/Skyline Market Tour	12	Restaurant
Food Prep	Operations Manual, Skyline Chili Training Materials & Videos	8	Restaurant
Food Assembly/ Quality Captain	Operations Manual, Related Materials and Videos	24	Restaurant
Serving	Operations Manual, Skyline Chili Training Materials & Videos	20	Restaurant
Cashier/ Drive Thru	Operations Manual, Training Materials	8	Restaurant
Train the Trainer	Operations Manual, Training Materials	4	Restaurant
Leading Shifts	Operations Manual, Training Materials	4	Restaurant
Business Administration: Brief overview of management training	Training Materials	16	Restaurant
Total Hours (Classroom and On The Job)		88	

Initial Crew Training

Skyline also requires your initial crew to participate in a 6 day training program conducted at your Skyline Chili Restaurant prior to opening the Restaurant. This training is provided during the week before the scheduled opening of your Restaurant. The initial crew must complete the training to Skyline's satisfaction before your Restaurant opens. Skyline does not charge you for this training program for the initial crew. You are responsible for all travel, lodging, meal and other related or incidental expenses incurred by your crew during the initial crew training program. Skyline's initial crew training as of October 27, 2024 is described in the following chart.

Initial Crew Training [1]			
Subject	**Instructional Materials**	**Hours of Training [1]**	**Location**
Orientation / Culture [2] Class	Operations Manual & Skyline Training Materials & Videos	4	Classroom
Menu, Safety & Security, Food Safety	Operations Manual & Skyline Training Materials & Videos	4	Classroom
Production & Serving Procedures, POS Training & Dry Runs [4]	Operations Manual & Skyline Training Materials & Videos	Service/POS: 15 – 18.5 Production: 15 – 18.5	Restaurant
Total Hours		**38 - 45**	

Footnotes:

[1] Three to four training sessions are conducted per day, hours per session vary.

[2] Training is conducted at your Skyline Chili Restaurant.

[3] There may be alternate instructors.

[4] Classes may be divided into groups, some of which concentrate on service procedures and the other(s) on food preparation and assembly.

Additional Training

Skyline may at its option make available, or require attendance of you and/or key personnel at any refresher or other additional training programs as it deems appropriate. The location, duration and content of the programs will be as determined by Skyline in its sole discretion. No fee will be charged by Skyline for any of these additional training programs at which attendance of you or any of your employees is designated by Skyline as mandatory. However, additional mandatory training carried out by a third party approved by Skyline may require payment of a fee to the third party. For attendance at any optional training program made available by Skyline, you must pay Skyline the standard fee then charged to other restaurant franchisees for the programs. You must pay all travel, lodging, meals and other related or incidental expenses you or your employees incur in attending these programs.

12 Territory

Area Franchise

You will be granted the exclusive right to select proposed sites on which to open Skyline Chili restaurants within your Development Area, to submit the sites to Skyline for its acceptance, and upon the acceptance of each proposed site by Skyline, to enter into an individual restaurant Franchise Agreement with Skyline which will grant you the exclusive license to open a Skyline Chili restaurant upon the site (the individual Franchise Agreement will also contain a protected territory, so you should read the following section on individual franchises as well). All proposed sites must be approved in writing by Skyline and you must sign an individual Franchise Agreement and pay the required fees in order to open a restaurant on the site. You will agree upon the size of the Development Area in which you will have the exclusive right to select proposed sites with Skyline before signing the Area Franchise Agreement. While the Development Area under an Area Franchise Agreement is agreed to between you and Skyline, it would typically be an agreed number of specific locations within a large geographic area or an agreed number of non-specific locations within a specified geographic area such as an entire city or county, depending upon the population density and other factors.

During the term of your Area Franchise Agreement, Skyline will not grant another franchise for a Skyline Chili restaurant in your Development Area and will not establish a company-owned Skyline Chili restaurant in your Development Area. Skyline Chili restaurants are defined in the Area Franchise Agreement as enclosed restaurants at least one thousand (1,000) square feet in size with seating for at least 30 customers, accessible to the general public with a direct outside entrance and exterior signage operating under the Skyline trademarks and serving at least half of the standard menu items specified by Skyline (Area Franchise Agreement - section 5(d)). Skyline may develop, market, sell, distribute or license others to sell its products within your Development Area through any outlets other than a Skyline Chili restaurant. After the expiration of your Area Franchise Agreement, each restaurant will have its own protected territory and Skyline may open or license others to open additional Skyline Chili restaurants in your Development Area. The term of the Area Franchise Agreement expires when the last restaurant required to be developed is opened for business.

Skyline may continue to open and operate other Skyline Chili restaurants and to use the Skyline system and the Skyline trade names, trademarks and service marks at any location outside your Development Area and to license other franchisees to do so. In addition, Skyline may: (1) sell, or authorize others to sell, all Skyline products through channels of distribution other than Skyline Chili restaurants (including grocery stores, convenience stores, internet sales and catalog sales), which products may be similar or identical to those offered by your restaurants; (2) sell products, services and merchandise that are not similar to those offered at your Skyline Chili restaurants, under the Skyline name and Marks or other names and marks within or outside your Development Area; (3) sell products, services and merchandise that are similar to those offered at your Skyline Chili restaurants, under other names and marks within or outside your Development Area; and (5) establish and operate, and grant others the right to establish and operate, "Non-traditional Locations" for the sale of Skyline products, which may be similar or identical to those offered by your Skyline Chili restaurants, within your Development Area (Area Franchise Agreement - section 5(d)). Non-traditional Locations are defined in the Area Franchise Agreement as either permanent or temporary food service facilities located in: (i) enclosed shopping malls larger than 250,000 square feet; (ii) food courts; (iii) airports; (iv) hotels; (v) cafeterias (whether open to the public or not); (vi) hospitals; (vii) commissaries; (viii) dormitories; (ix) schools, colleges and universities; (x) convention centers; (xi) parks; (xii) stadiums; (xiii) arenas; (xiv) ballparks; (xv) sports fields (xvi) museums; (xvii) amusement or theme parks; (xviii) zoos; (xix) business or industry parks; and (xx) highway travel plazas. Non-traditional Locations also include the sale of Skyline products at parades, fairs, concerts, festivals or other mass gatherings. Unless rights to the Non-traditional Location are controlled by a third party, you will have a right of first refusal to open and operate any Non-traditional Location in the Development Area. If you fail to exercise your right of first refusal or open and operate the Non-traditional Location after you exercise your right of first refusal, Skyline may open and operate the Non-traditional Location or license another to do so. In addition, Skyline or other franchisees may engage in catering or delivery services within or outside your Development Area that could compete with one or more of your Restaurant locations.

Neither Skyline nor its affiliates are engaged in any franchise business under a different trade name or trademark. Skyline, through its subsidiary Cincinnati Recipe, Inc. does market a retail line of chili spice mix, canned chili and frozen chili products under the trade name "Cincinnati Recipe" which may be sold through groceries, supermarkets and other similar retail outlets in your Development Area. The Cincinnati Recipe product line is not based on Skyline's secret recipe chili.

There are currently no restrictions which would prevent you from soliciting or accepting orders outside your Development Area or to prevent other franchisees from soliciting or accepting orders inside your Development Area.

There are currently no restrictions which would prevent Skyline from soliciting or accepting orders inside your Development Area and you will not be entitled to any compensation if Skyline does so.

You must open and maintain in operation at least the number of Skyline Chili restaurants you agree to within the time table that you agree to in your Area Franchise Agreement in order to maintain your exclusive Development Area. If you don't open the number of stores you agreed to, if you don't maintain the restaurants in operation, or if you don't open them in the time period you agreed to, then you will be in default of your Area Franchise Agreement and Skyline may terminate it. However, the termination of your Area Franchise Agreement will not affect your rights under any individual Franchise Agreements you have signed for sites within your Development Area.

As long as you are not in default under the terms and conditions of your Area Franchise Agreement Skyline cannot modify your Development Area without your consent.

Individual Franchise

You will have the right to open a Skyline Chili Restaurant at a specific location. You will also have a protected territory, referred to in the Franchise Agreement as your Assigned Restaurant Area. Your protected territory is usually determined by drawing a circle around your Restaurant with a varying radius determined depending on such factors as population density, specific location, the existence of natural barriers and other factors. The maximum radius granted is typically two miles. Your protected territory will be agreed to before you sign the Franchise Agreement. Protected territories vary tremendously and in some cases of high traffic volume, such as downtown areas of large metropolitan cities, the protected territory is defined by street boundaries ranging from a single store front location to a several city block enclosure. Your Franchise Agreement is for your Restaurant location only, and you may not engage in catering, delivery services, catalog or Internet sales, or use Skyline's trademarks or any part of the Skyline System at any other location without Skyline's prior written consent and in some cases the execution of an addendum to your Franchise Agreement.

Your Franchise Agreement is address specific for a single location and the franchised Restaurant may not be relocated. However, Skyline has in the past permitted franchisees to relocate a franchised Restaurant on a case by case basis. While Skyline's policy on relocation is subject to change, at a minimum you would be required to sign an addendum to your Franchise Agreement, release Skyline, parent, subsidiaries, owners, affiliates and current and former personnel from any and all claims you might have against them, pay any outstanding debts you owe to Skyline and reimburse Skyline for its expenses, including attorney's fees, resulting from the relocation. You would also need to do any construction or remodeling at the new location under the same rules and restrictions that apply to the construction or remodeling of a new Skyline Chili restaurant.

During the term of the Franchise Agreement, Skyline will not grant another franchise for a Skyline Chili restaurant in your protected territory and will not establish a company-owned Skyline Chili restaurant in your protected territory. Skyline Chili restaurants are defined in the Franchise Agreement as enclosed restaurants at least one thousand (1,000) square feet in size with seating for at least 30 customers, accessible to the general public with a direct outside entrance and exterior signage operating under the Skyline trademarks and serving at least half of the standard menu items specified by Skyline. Skyline may develop, market, sell, distribute or license others to sell its products within your protected territory through any outlets other than a Skyline Chili restaurant.

Skyline may continue to open and operate other Skyline Chili restaurants and to use the Skyline system and the Skyline trade names, trademarks and service marks at any location outside your protected territory and to license other franchisees to do so. In addition, Skyline may: (1) sell, or authorize others to sell, all Skyline products through channels of distribution other than Skyline Chili restaurants (including grocery stores, convenience stores, internet sales and catalog sales), which products may be similar or identical to those offered by your restaurants; (2) sell products, services and merchandise that are not similar to those offered at your Skyline Chili restaurant, under the Skyline name and Marks or other names and marks within or outside your protected territory; (3) sell products, services and merchandise that are similar to those offered at your Skyline Chili restaurant, under other names and marks within or outside your protected territory; and (5) establish and operate, and grant others the right to establish and operate, “Non-traditional Locations” for the sale of Skyline products, which may be similar or identical to those offered by your Skyline Chili restaurant, within your protected territory (Franchise Agreement - section 1(c)). Non-traditional Locations are defined in the Franchise Agreement as either permanent or temporary food service facilities located in: (i) enclosed shopping malls larger than 250,000 square feet; (ii) food courts; (iii) airports; (iv) hotels; (v) cafeterias (whether open to the public or not); (vi) hospitals; (vii) commissaries; (viii) dormitories; (ix) schools, colleges and universities; (x) convention centers; (xi) parks; (xii) stadiums; (xiii) arenas; (xiv) ballparks; (xv) sports fields (xvi) museums; (xvii) amusement or theme parks; (xviii) zoos; (xix) business or industry parks; and (xx) highway travel plazas. Non-traditional Locations also include the sale of Skyline products at parades, fairs, concerts, festivals or other mass gatherings. Unless rights to the Non-traditional Location are controlled by a third party, you will have a right of first refusal to open and operate any Non-traditional Location in the Assigned Restaurant Area of a temporary nature. If you fail to exercise your right of first refusal or open and operate the Non-traditional Location after you exercise your right of first refusal, Skyline may open and operate the Non-traditional to sell Skyline products at a Special Event Location, Skyline may operate the Special Event Location or license another to do so. In addition, Skyline or other franchisees may engage in catering or delivery services within or outside of your protected territory that could compete with your Restaurant location.

Neither Skyline nor its affiliates are engaged in any franchise business under a different trade name or trademark. Skyline, through its subsidiary Cincinnati Recipe, Inc. does market a retail line of chili spice mix, canned chili and frozen chili products under the trade name "Cincinnati Recipe" which may be sold through groceries, supermarkets and other similar retail outlets in your protected area. The Cincinnati Recipe product line is not based on Skyline's secret recipe chili.

There are currently no restrictions which would prevent you from soliciting or accepting orders outside your protected territory or to prevent other franchisees from soliciting or accepting orders inside your protected territory.

There are currently no restrictions which would prevent Skyline from soliciting or accepting orders inside your protected territory and you will not be entitled to any compensation if Skyline does so.

There is no minimum sales quota required to keep your protected territory.

As long as you are not in default under the terms of your Franchise Agreement Skyline cannot modify your protected area without your consent.

13 Trademarks

Skyline licenses you to use the words "Skyline" and "Skyline Chili", or combinations of these words, in the operation of your Skyline Chili Restaurant. In addition, Skyline licenses you to use the "Skyline Chili" logo and design together with such other service marks, trademarks, trade names, logo types, trade symbols or other commercial symbols adopted and designated by Skyline for your use.

The following list includes the principal Skyline trademarks and service marks (the "Principal Marks"). Skyline has registered the Principal Marks on the Principal Register of the United States Patent and Trademark Office (the "USPTO") and has made all required affidavit and renewal filings.

Skyline Principal Marks

Mark	Federal Registration Number	Registration Date
Skyline Chili	1,293,403	September 4, 1984
Skyline	1,221,066	December 21, 1982
	1,362,692	September 24, 1985

You must follow Skyline's rules when you use the Principal Marks. You may not use any of the Principal Marks as part of any corporate name or modify the Principal Marks in any way. You may not use the Principal Marks in connection with the sale of any unauthorized product or service and you may use the Principal Marks only at your specific Skyline Chili Restaurant location. You may not register any of the Principal Marks with any federal or state authority.

In the event of any infringement of, or challenge to, your use of the Principal Marks, you must immediately notify Skyline. Skyline may, but is not required to, take any actions it feels are necessary to solve the infringement or challenge. Skyline will defend you against any third-party claim of infringement brought against you as a result of your use or display of the Principal Marks in accordance with the terms of your Franchise Agreement and the Operations Manual and any other confidential manuals. Skyline has the right to control any legal action taken as a result of any infringement or challenge. You must cooperate with Skyline in any legal proceedings it may take as a result of any infringement of, or challenge to, your use of the Principal Marks.

You may not contest directly or indirectly, or aid anyone else in contesting, Skyline's ownership of its Principal Marks, any other trademarks or service marks, trade secrets, methods, procedures or other practices which constitute part of the Skyline System or contest Skyline's sole right to register, use or license others to use Skyline's Principal Marks, any other trademarks or service marks, trade secrets, methods, procedures or other practices which constitute part of the Skyline System.

You must modify or discontinue the use of any of the Principal Marks if Skyline modifies or discontinues its use. Skyline will notify you of any modifications or discontinuance of the use of the Principal Marks and you will be responsible for any costs of complying with this obligation.

There are no effective decisions, rulings or orders of the United States Patent and Trademark Office or Trademark Trial and Appeal Board regarding the Principal Marks which could materially affect the ownership of the Principal Marks or the use of any of the Principal Marks by you. There are no determinations or decisions of the trademark administrator of any state or any court of any type or any pending interference, opposition or cancellation proceedings or pending material litigation involving the Principal Marks which are relevant to your use of the Principal Marks.

Under the terms of an agreement reached in 1982 between Skyline and another corporation claiming the right to use certain trade names similar to Skyline's, Skyline agreed not to use or license the right to use the mark “Skyline” in connection with restaurant services within: the State of Virginia; the counties of Pike, Letcher, Harlan and Bell in the State of Kentucky; the counties of Mingo, McDowell, Mercer, Summers, Monroe, Greenbrier, Pocahontas, Pendleton, Hardy, Hampshire, Morgan, Berkeley and Jefferson in the State of West Virginia; the counties of Washington, Frederick, Montgomery, Prince George, St. Marys, Somerset and Worcester in the State of Maryland; the District of Columbia; the counties of Ashe, Alleghany, Surry, Stokes, Rockingham, Caswell, Person, Granville, Vance, Warren, Halifax, Northhampton, Hertford, Gates, Camden and Currituck in the State of North Carolina; and, the counties of Claiborne, Hancock, Hawkins, Sullivan and Johnson in the State of Tennessee. While this agreement has not been terminated, the other corporation no longer appears to be in business. Other than this agreement, there are no agreements which significantly limit the rights of Skyline to license the Principal Marks to you.

Skyline does not know of any infringing use that could materially affect your use of the Principal Marks.

14 Patents, Copyrights And Proprietary Information

As of the date of this disclosure document, Skyline does not own any patents or patent applications that are material to your Skyline Chili Restaurant or the Skyline System.

You do not receive the right to use an item covered by a patent, but you can use the proprietary information in Skyline's Operations Manual, other manuals and other materials provided to you by Skyline, some or all of which are considered proprietary information. The Operations Manual is described in Item 11. Although Skyline has not filed an application for a copyright registration for the Operations Manual or its other manuals and confidential information, it claims a copyright in its Operations Manual and all other works of authorship prepared by Skyline, its employees and certain of its independent contractors and agents. The Operations Manual and other confidential materials provided to you are the proprietary property of Skyline. Item 11 describes limitations on the use of the Operations Manual and other manuals and proprietary information by you and your employees. The Operations Manual and other confidential manuals are the basis for the operation of your Skyline Chili Restaurant and you must follow them. All of the confidential manuals remain the property of Skyline and are loaned to you for your authorized use only. You must keep the Operations Manual and any other manuals loaned to you by Skyline confidential and you may not let anyone copy them. All training and instruction given concerning the operation of your Skyline Chili Restaurant must be based upon the Operations Manual and other confidential manuals provided to you by Skyline.

Skyline's right to use or license the Operations Manual and other confidential manuals is not materially limited by any agreement or known infringing use.

If Skyline decides to add, modify or discontinue the use of the Operations Manual or other confidential manuals, you must also do so. Skyline will notify you of any additions, modifications or deletions to the Operations Manual or other confidential manuals and you will be responsible for any costs of complying with this obligation.

Skyline is not obligated to defend your use of the Operations Manual or other confidential manuals. However, Skyline has taken and continues to take all necessary action to protect and preserve the confidential nature of its Operations Manual and other confidential manuals.

15 Obligation To Participate In The Actual Operation Of The Franchise Business

Skyline requires that one owner be designated as the "Managing Owner" and that owner must successfully complete Skyline's training program and devote his or her full time and attention to the operation of your Skyline Chili Restaurant. If you are the sole owner of the franchise, then you will be the Managing Owner. If there are multiple owners of your franchise, the Managing Owner must be an officer who has executive authority, be a voting owner and have a percentage ownership interest that is acceptable to Skyline. While Skyline evaluates each situation individually, in general, Skyline will require that the Managing Owner have at least a 15% ownership interest in the franchise. Skyline may waive the requirement that the franchisee designate a Managing Owner in its sole discretion.

In addition to the Managing Owner, you will need assistant managers or shift managers. Each person responsible for the day to day operations of your Restaurant must have successfully completed a training program approved by Skyline. You are solely responsible for all hiring, discipline, firing and other decisions and actions taken with respect to your employees.

Franchisee, its owners, managers and employees will be required to maintain Skyline's confidential information and trade secrets. The Franchisee and all owners will also be prohibited from misusing the Skyline System or the Principal Marks while the Franchise Agreement is in effect and thereafter, and from competing with Skyline while the Franchise Agreement is in effect and for a period of one year after the Franchise Agreement terminates.

You should review Items 9, 11 and 17 of this disclosure document carefully for additional information regarding your obligations in the operation of your Restaurant.

16 Restrictions On What The Franchisee May Sell

Skyline requires you to offer and sell only those goods and services that Skyline has approved and to use only the menus approved by Skyline (see Item 9). The approved menus will be uniform with those of other Skyline franchisees. You may not serve any other food items or sell any other products at your Skyline Chili Restaurant without Skyline's prior written approval (see Item 8). You may only use Skyline's secret recipe chili in the preparation of chili items on the approved menu (see Item 8).

You must prepare and serve all of the items contained on Skyline's approved menu (see Items 8 and 9).

Skyline has the right to add additional items to or delete items from the approved menu. There are no limits on Skyline's right to do so.

You are not limited in the customers to whom you may sell food products from your Restaurant (see Item 12).

Failure to comply with these obligations is a default under your Franchise Agreement and grounds for termination of your franchise (see Item 17).

17 Renewal, Termination, Transfer And Dispute Resolution

Some states may require specific revisions to Skyline's standard Area Franchise Agreement and individual Franchise Agreement. Any state specific exceptions are noted in the tables below with a reference to the Section of the state-specific addendum containing the modification. If your state has required revisions to the standard Area Franchise Agreement or the standard individual Franchise Agreement, an Addendum containing all of the state required modifications will be included after each of the standard agreements in Exhibits F and G. These addenda modify the terms of the standard agreements and must be signed by you in order for Skyline to comply with the laws of your particular state. You should read these addenda carefully as they modify your rights under the standard agreements and may give you additional rights, limit Skyline's rights under the standard agreements or limit your obligations under the standard agreements. The only state in which Skyline is currently selling franchises that require Skyline to provide state specific addenda is Indiana.

A list of the states which have statutes which may supersede the Franchise Agreement or Area Franchise Agreement in your relationship with Skyline appears after the individual franchise section below.

Area Franchise

This table lists important provisions of the area franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document. You should also carefully review the following table regarding individual franchise agreements since you will be required to sign an individual Franchise Agreement for each restaurant you open under the Area Franchise Agreement.

Provision	Section in Area Franchise Agreement	Summary
a. Length of the term of the franchise [1]	Section 2	Term expires on the opening of the last restaurant required to be developed as agreed to in Section 1(b), unless terminated sooner
b. Renewal or extension of the term[1]	Section 3	The Agreement is not renewable
c. Requirements for you to renew or extend [1]	Section 3	The Agreement is not renewable
d. Termination by you [1]	None	
e. Termination by Skyline without cause [1]	None	
f. Termination by Skyline with "cause" [1]	Sections 13 & 20	Skyline can terminate if you default
g. "Cause" defined - curable defaults [1]	Sections 13(b), referencing Sections	You have 30 days to cure the following defaults: failure to meet the performance schedule;

Provision	Section in Area Franchise Agreement	Summary
	13(a)(1) through (9)	unauthorized use of trademarks; unauthorized competition with Skyline restaurants; non-payment of fees to Skyline or any affiliate; failure to file reports; unauthorized transfer or assignment; failure to obtain Skyline's required consent; any other default not listed in Section 13(a); or any default in any other agreement between you and Skyline, **UNLESS** Skyline has sent two or more other notices of default within a 12 month period, then Skyline may terminate without giving you the opportunity to cure
h. "Cause" defined – defaults which cannot be cured [1]	Section 13(b), referencing Sections 13(a)(10) through (16)	The following defaults cannot be cured: making misrepresentations to Skyline; maintaining false books and records or filing false reports; bankruptcy, insolvency, the appointment of a receiver, final judgment against you or any owner or affiliated person over $10,000 which is unsatisfied for more than 30 days, attachment of or execution against your property, or foreclosure against your Restaurant property or equipment; criminal conviction or plea by you or any owner or affiliated person of felony or crime involving moral turpitude or other crime that would damage the franchise or the trademarks; sale of substitutes for secret recipe products; adulteration of secret recipe products; or you are causing an immediate threat to the public health or safety; and if Skyline has sent two or more notices of default within a 12 month period, then Skyline may terminate upon the occurrence of a third or later default without giving you the opportunity to cure
i. Your obligations on	Sections 11, 12 and 13(c)	Obligations include to

Provision	Section in Area Franchise Agreement	Summary
termination/non-renewal [1]		immediately stop developing Skyline Chili restaurants, to stop holding yourself out as a Skyline Area Franchisee (see also r, below)
j. Assignment of contract by Skyline [1]	Section 10(f)	No restriction on Skyline's right to assign the Agreement
k. "Transfer" by you - defined [1]	Section 10(a)	Includes transfer of contract or assets or a change in ownership
l. Skyline's approval of transfer by you [1]	Section 10	Skyline has the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for Skyline's approval of transfer by you [1]	Section 10(b), (d) & (e)	All your obligations to Skyline or its affiliates paid, new franchisee qualifies, transfer fee paid, you are not in default, new franchisee signs current standard Area Franchise Agreement and current individual Franchise Agreements for each individual Restaurant in the Development Area, training by new franchisee successfully completed, general release of Skyline signed by you and payment of transfer fee
n. Skyline's right of first refusal to acquire your business [1]	Section 10(c)	You must notify Skyline of a proposed sale and Skyline has the right to match any offer for your Area Franchise
o. Skyline's option to purchase your business [1]	None	
p. Death or disability of you [1]	Section 10(b)	Skyline will approve transfer to your heirs under the same conditions as described in m, above; or if not approved allow your estate a reasonable time to arrange a transfer to a transferee under the same conditions as described in m, above
q. Non-competition covenants during the term of the franchise [1]	Section 11	No involvement in fast food restaurant selling chili products

Provision	Section in Area Franchise Agreement	Summary
		anywhere by you or any owner or affiliated person; you and any owner or affiliated person must also keep all of Skyline's trade secrets confidential
r. Non-competition covenants after the franchise is terminated or expires [1]	Section 11	No involvement in fast food restaurant selling chili products anywhere by you or any owner or affiliated person for 1 year; you and any owner or affiliated person must also keep all of Skyline's trade secrets and other confidential information confidential forever
s. Modification of the agreement[1]	Sections 6(c), 22 & 24	May only be modified by written agreement, but any manuals and other information provided by Skyline are subject to change by Skyline and a court is expressly authorized to reform any illegal provisions
t. Integration/merger clause [1]	Section 21	Only the terms of the Area Franchise Agreement are binding (subject to state law); any other promises may not be enforceable
u. Dispute resolution by arbitration or mediation [1]	Section 19	Except for certain specified matters, all disputes are to be resolved by non-binding mediation followed by binding arbitration in Cincinnati, Ohio
v. Choice of forum [1]	Section 19 Section 6 IN Addendum	Mediation and arbitration must be in Cincinnati, Ohio **Indiana:** no choice of forum specified for Indiana
w. Choice of law [1]	Section 18 Section 6 IN Addendum	Ohio law applies **Indiana:** Indiana law applies

1 You will be required to sign an individual Franchise Agreement for each Restaurant which you open under the Area Franchise Agreement. Please review the following table regarding individual Franchise Agreements as it contains important provisions of the individual Franchise Agreement which you will be required to sign.

Individual Franchise

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

Provision	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section 2(a)	10 years
b. Renewal or extension of the term	Section 2(b)	If you are in good standing and you meet all of the requirements of Section 2(b) of the Franchise Agreement, you can renew for 1 additional term equal to the initial term being offered in the standard Franchise Agreement at that time
c. Requirements for you to renew or extend	Section 2(b)	You must give Skyline written notice at least 90 but not more than 270 days prior to expiration of the initial term, execute standard Franchise Agreement, may not be in default under any agreement with Skyline or its affiliates, you must sign a general release of Skyline, you or your manager must successfully complete Skyline's training or refresher training course, you must remodel or redecorate your Restaurant to conform to Skyline's standard plans and specifications at that time, and you must pay Skyline a renewal fee equal to the greater of $10,000 or one-half the initial franchise fee then being charged new franchisees
d. Termination by you	Section 15(e)	You may terminate the Franchise Agreement if Skyline is in material default and does not cure the default within 30 days or such longer period as is permitted.
e. Termination by Skyline without cause	None	

Provision	Section in Franchise Agreement	Summary
f. Termination by Skyline with "cause"	Sections 15 & 23	Skyline can terminate if you default
g. "Cause" defined - curable defaults	Section 15(b), referencing Sections 15(a)(1) - (11)	You have 30 days to cure the following defaults: failure to lease or purchase the site, construct the Restaurant and open the Restaurant within the time specified in Section 5 of the Franchise Agreement; unauthorized use of trademarks; unauthorized competition with Skyline restaurants; non-payment of fees; failure to provide reports or other required information; failure to construct, maintain or remodel the Restaurant or equipment; failure to operate in compliance with Operations Manual or other confidential manuals; unauthorized assignment; failure to get Skyline's consent when required; failure to be open for business without Skyline's consent; or any other default not listed in Section 15(a) **UNLESS** Skyline has sent two or more other notices of default within a 12 month period, then Skyline may terminate without giving you the opportunity to cure
h. "Cause" defined - defaults which cannot be cured	Sections 7(k) and 15(b), referencing Sections 15(a)(12) - (19)	The following defaults cannot be cured: default under your lease or loss of Restaurant site; making material misrepresentations to Skyline; maintaining false books and records or filing false reports; bankruptcy, insolvency, the appointment of a receiver, final judgment against you or any owner or affiliated person over $10,000 which is unsatisfied for more than 30 days, attachment of or execution against your

Provision	Section in Franchise Agreement	Summary
		property, or foreclosure against your Restaurant property or equipment; criminal conviction or plea by you or any owner or affiliated person of felony or crime involving moral turpitude or other crime that would damage the franchise or the trademarks; sale of substitutes for secret recipe products; adulteration of secret recipe products; or you are causing an immediate threat to the public health or safety; or third party food safety audits disclose three or more Critical Deficiencies in a 2 year period due to your act or omission; and if Skyline has sent two or more notices of default within a 12 month period, then Skyline may terminate upon the occurrence of a third or later default without giving you the opportunity to cure
i. Your obligations on termination/non-renewal	Sections 13, 14 & 15(c)	Obligations include to immediately stop operating your Skyline Chili Restaurant, stop holding yourself out as a Skyline Franchisee, pay all sums due Skyline, return Operations Manual and other confidential materials and maintain the confidentiality of all confidential materials, complete de-identification of Restaurant (see also r, below)
j. Assignment of contract by Skyline	Section 12(f)	No restriction on Skyline's right to assign the Agreement
k. "Transfer" by you - defined	Section 12(a)	Includes transfer of contract or assets or a change in ownership
l. Skyline's approval of transfer by you	Section 12	Skyline has the right to approve all transfers but will not unreasonably withhold approval

Provision	Section in Franchise Agreement	Summary
m. Conditions for Skyline's approval of transfer by you	Sections 12(b), (d) & (e)	(i) All your obligations to Skyline or its affiliates paid, (ii) new franchisee qualifies, (iii) transfer fee paid, (iv) you are not in default, (v) new franchisee signs current standard individual Franchise Agreement and pays a pro-rated Renewal Fee for which transferee will receive a new full term, (vi) training by new franchisee successfully completed, (vii) general release of Skyline signed by you and (viii) payment of transfer fee
n. Skyline's right of first refusal to acquire your business	Section 12(c)	You must notify Skyline of a proposed sale and Skyline has the right to match any offer for your Franchise
o. Skyline's option to purchase your business	None	
p. Death or disability of you	Section 12(b)	Skyline will approve transfer to your heirs under the same conditions as described in m, above, except that the transfer fee may be waived under certain circumstances; or if not approved allow your estate a reasonable time to arrange a transfer to a transferee under the same conditions as described in m, above
q. Non-competition covenants during the term of the franchise	Sections 13 & 14	No involvement in fast food restaurant selling chili products anywhere by you or any owner or affiliated person; you and any owner or affiliated person must also keep all of Skyline's trade secrets confidential
r. Non-competition covenants after the franchise is terminated or expires	Sections 13 & 14	No involvement in fast food restaurant selling chili products anywhere by you or any owner or affiliated person for 1 year; you and any owner or affiliated

Provision	Section in Franchise Agreement	Summary
		person must also keep all of Skyline's trade secrets and other confidential information confidential forever
s. Modification of the agreement	Sections 3(e), 7(b), 24 & 27	The Franchise Agreement may only be modified by written agreement, but the Operations Manual and any other manuals and information provided by Skyline are subject to change by Skyline and you will be required to comply with the changes and a court is expressly authorized to reform any illegal provisions
t. Integration/merger clause	Section 24	Only the terms of the Franchise Agreement are binding (subject to Federal and state law); any other promises may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 22	Except for certain specified matters, all disputes are to be resolved by non-binding mediation followed by binding arbitration in Cincinnati, Ohio
v. Choice of forum	Section 22 Section 6 IN Addendum	Mediation and arbitration must be in Cincinnati, Ohio **Indiana:** there is no choice of forum specified for Indiana
w. Choice of law	Section 21 Section 6 IN Addendum	Ohio law applies **Indiana:** Indiana law applies

Applicable to both Area and Individual Franchises

These states have statutes which may supersede the area franchise agreement or individual franchise agreement in your relationship with Skyline including the areas of termination and renewal of your franchise: ALASKA (Stat. Sections 45.45.700 – 45.45.790), ARKANSAS (Code Sections 4-72-201 – 4-72-210), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code, Tit.6, Chap. 25, Sections 2551-2556), HAWAII (Rev. Stat. Section 482E-6), ILLINOIS (815 ILCS 705), **INDIANA (Stat. Section 23-2-2.7)**, IOWA (Code Sections 523H.1-523H.17 and 537A.10), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat.

Section 80C.14 and 80C.21), MISSISSIPPI (Code Sections 75-24-51 - 75-24-63), MISSOURI (Stat. Sections 407.400 – 407.413 and 407.420), NEBRASKA (Rev. Stat. Sections 87-401 – 87-410), NEW JERSEY (Stat. Section 56:10-1), RHODE ISLAND (Stat. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim enforceable under this Act.”), SOUTH DAKOTA (Codified Laws Section 37-5A-51 and 37-5A-51.1), VIRGINIA (Code 13.1-557-574-13.1-564), WASHINGTON (Code Section 19.100.180), WISCONSIN (Stat. Sections 135.01 – 135.07). These and other states may have court decisions which may supersede the franchise agreement in your relationship with Skyline including the area of termination and renewal of your franchise.

18 Public Figures

Skyline does not use any public figure to promote its franchise.

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 Richard F. Williams, II, President and Chief Executive Officer, Skyline Chili, LLC, 4180 Thunderbird Lane, Fairfield, OH 45014, (513) 874-1188, the Federal Trade Commission, and the appropriate state regulatory agencies.

20 Outlets And Franchisee Information

SYSTEMWIDE OUTLET SUMMARY
FOR FISCAL YEARS 2022, 2023 & 2024 [1]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2024	107	109	+2
	2023	105	107	+2
	2022	106	105	-1
Company Owned	2024	31	29	-2
	2023	32	31	-1
	2022	32	32	0
Total Outlets	2024	138	138	0
	2023	136	136	0
	2022	137	136	-1

[1] All numbers are as of the end of each fiscal year (October 30, 2022, October 29, 2023 and October 27, 2024).

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR FISCAL YEARS 2022, 2023 & 2024 [1]

State	Year	Number of Transfers [2]
Florida	2024	0
	2023	1
	2022	0
Indiana	2024	0
	2023	0
	2022	1
Kentucky	2024	3
	2023	5
	2022	0
Ohio	2024	0
	2023	0
	2022	1
Totals	2024	3
	2023	6
	2022	2

[1] All numbers are as of the end of each fiscal year (October 30, 2022, October 29, 2023 and October 27, 2024).

[2] Skyline relies upon its franchisees to report changes in control, so all numbers regarding transfers or changes in control are to the best of Skyline's knowledge.

STATUS OF FRANCHISE OUTLETS
FOR FISCAL YEARS 2022, 202 & 2024 [1]

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reason	Outlets at End of the Year
Florida	2024	5	1	0	0	0	0	6
	2023	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Indiana	2024	11	0	1	0	0	0	10
	2023	11	0	0	0	0	0	11
	2022	12	0	0	0	0	1	11
Kentucky	2024	23	2	0	0	0	0	25
	2023	21	1	0	0	0	0	23
	2022	21	0	0	0	0	0	21
Ohio	2024	68	1	0	0	0	1	68
	2023	67	1	0	0	0	0	68
	2022	67	0	0	0	0	0	67
Totals	2024	107	4	1	0	0	1	109
	2023	104	2	0	0	1	0	107
	2022	105	0	0	0	0	1	104

[1] All numbers are as of the end of each fiscal year (October 30, 2022, October 29, 2023 and October 27, 2024).

STATUS OF COMPANY-OWNED OUTLETS FOR FISCAL YEARS 2022, 2023 & 2024 [1, 2]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets at End of the Year
Ohio	2024	31	0	0	2	0	29
	2023	31	0	0	0	0	31
	2022	31	0	0	0	0	31
Kentucky	2024	0	0	0	0	0	0
	2023	1	0	0	0	1	0
	2022	1	0	0	0	0	1
Totals	2024	31	0	0	2	0	29
	2023	32	0	0	0	1	31
	2022	32	0	0	0	0	32

1 All numbers are as of the end of each fiscal year (October 30, 2022, October 29, 2023 and October 27, 2024).

2 The above table also includes 27 restaurants operated under the terms of a license agreement by Skyline's affiliate, Skyline CEM Holdings, LLC, that are treated as company-owned outlets for purposes of this chart. Skyline operates the remaining 2 company-owned restaurants directly.

PROJECTED RESTAURANT OPENINGS AS OF OCTOBER 27, 2024

State	Franchise Agreements Signed But Store Not Open[1]	Projected New Franchised Stores In The Next Fiscal Year	Projected Company Owned Store Openings In The Next Fiscal Year
Florida	0	0	0
Indiana	0	0	0
Kentucky	0	1	0
Ohio	0	0	0
Totals	0	1	0

1 As of October 27, 2024.

A complete list of the names, addresses and telephone numbers of all of Skyline's current franchisees is attached as Exhibit D.

The following franchisees' outlets were terminated, cancelled, did not renew or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement with Skyline during the fiscal year ending October 27, 2024:

JMWays, LLC
New Albany, IN
Will Jacobs (502) 550-0015
Mike Marlow (561) 603-2191

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

21 Financial Statements

Included in Exhibit E of this disclosure document are the Audited combined financial statements of Skyline Chili, LLC and Skyline CEM Holdings, LLC as of October 27, 2024, which include the combined balance sheets as of October 30, 2022, October 29, 2023 and October 27, 2024 and the related combined statements of income, shareholder's equity and cash flows for the fiscal years ended October 30, 2022, October 29, 2023 and October 27, 2024.

Skyline will give you a copy of any more recent unaudited quarterly financial statements if you ask for them.

22 Contracts

A copy of Skyline's standard Area Franchise Agreement is attached to this disclosure document as Exhibit F. A copy of Skyline's standard individual restaurant Franchise Agreement is attached to this disclosure document as Exhibit G. A copy of the Catering Addendum to the individual Franchise Agreement is attached as Exhibit H. The Catering Addendum is required if you want to provide catering services from your Skyline Chili Restaurant. A copy of the Special Event Addendum to the individual Franchise Agreement is attached as Exhibit I. The Special Event Addendum is required if you want to sell Skyline products on a temporary or intermittent basis at a location other than your Restaurant. A copy of the POS Helpline Agreement, an optional agreement pursuant to which Skyline Chili Services, LLC may provide certain support for franchisees using the same point of sale system as Skyline and desiring such support, is attached to this disclosure document as Exhibit J. **Some states may require specific revisions to the standard agreements. If your state has required revisions to the standard Area Franchise Agreement or the standard individual Franchise Agreement, an Addendum will be included after each of these agreements which contains all of the state required modifications. These addenda modify the terms of the standard agreements and must be signed by you in order for Skyline to comply with the laws of your particular state. You should read any Addenda carefully since they modify the terms of the standard agreements and may give you additional rights, limit Skyline's rights under the standard agreement or limit your obligations under the standard agreement. The only state in which Skyline is currently selling franchises which requires Skyline to provide state specific Addenda is Indiana.**

23 Receipts

For convenience, the receipt pages appear after the exhibits at the end of this disclosure document.

4927-0042-3737.1

EXHIBIT A

LIST OF STATE ADMINISTRATORS

STATE ADMINISTRATORS
OF ALL STATES IN WHICH SKYLINE CHILI, INC.
OFFERS FRANCHISES FOR SALE

FLORIDA

Florida Department of Agriculture
& Consumer Services
Division of Consumer Services
227 N. Bronough St.
City Central Building
Suite 7200
Tallahassee, Florida 32301
(850) 922-2770

INDIANA

Indiana Secretary of State's Office
Securities Division
Franchise Section
302 W. Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

KENTUCKY

Kentucky Attorney General
Consumer Protection Division
1024 Capital Center Drive
P.O. Box 2000
Frankfurt, Kentucky 40602
(502) 573-2200

OHIO

Ohio has no state agency which is directly responsible for the regulation of companies offering franchises, therefore, any inquiries or complaints should be directed to:

Federal Trade Commission
Washington, D.C. 20580

In addition, while the agency listed below does not regulate franchises, you may be able to get additional assistance from them:

Ohio Attorney General
30 E. Broad Street
Columbus, Ohio 43266-0410
(614) 466-4320

EXHIBIT B

LIST OF AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS
IN ALL STATES IN WHICH SKYLINE CHILI, LLC
OFFERS FRANCHISES FOR SALE

FLORIDA

Florida Secretary of State
Division of Corporations
P.O. Box 6327
Tallahassee, Florida 32314
(904) 488-9000

INDIANA

Administrative Office of the Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204
(317) 232-6681

KENTUCKY

C.T. Corporation Systems
Kentucky Home Life Building
Louisville, Kentucky 40202
(502) 587-5960

OHIO

Richard F. Williams, II
Skyline Chili, LLC
4180 Thunderbird Lane
Fairfield, Ohio 45014
(513) 874-1188

EXHIBIT C

OPERATIONS MANUAL – TABLE OF CONTENTS

TABLE OF CONTENTS OF
SKYLINE CHILI, INC. OPERATIONS MANUAL

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EXHIBIT D

LIST OF FRANCHISEES
AS OF OCTOBER 27, 2024

	FRANCHISEE	PRIMARY CONTACT	ADDRESS	CITY	ST	ZIP	PHONE
FLORIDA							
1	Jelzz, LLC	Zai, Joan	4211 Lakewood Ranch Blvd	Bradenton	FL	34211	941-242-2603
2	Chili Chicks, LLC	Zai, Joan	2045 Gulf to Bay	Clearwater	FL	33765	727-877-3665
3	S.W. Florida Chili, Inc.	Rodenfels, Gates	5100-323 S. Cleveland Ave.	Ft. Myers	FL	33907	239-278-3929
4	S.W. Florida Chili, Inc.	Rodenfels, Gates	710 Tamiami Trail, North	Naples	FL	34102	239-649-5665
5	Chili Brothers, Inc.	Doyle, Tony	2834 N. University Drive	Sunrise	FL	33322	954-741-3929
6	Hunsucker's Skyline of Orlando, LLC	Hunsucker, Daniel	2231 Western Way Unit B	Winter Garden	FL	34787	407-347-4222
INDIANA							
7	Skyline of Anderson, Inc.	Anderson, Chad	2649 Enterprise Drive	Anderson	IN	46013	765-640-4460
8	74 West, Inc.	Lambrinides, John	914 State Route 229 North	Batesville	IN	47006	812-934-5554
9	M.D. Associates, Inc.	Rauen, Mike	1940 Jamison Road, Ste.100	Bright	IN	47025	812-637-1111
10	5 Way Chili LLC	Deddens, David	11161 US Hwy 52	Brookville	IN	47012	812-209-9018
11	F.W. Chili, LLC	Grothouse, Jeff	4021 Ice Way	Ft. Wayne	IN	46805	260-203-4948
12	Skyline of Indiana, Inc	Anderson, Chad	6689 East 82nd Street	Indianapolis	IN	46250	317-849-2110
13	Skyline of Indiana, Inc	Anderson, Chad	9715 East Washington St	Indianapolis	IN	46229	317-352-1275
14	Skyline of Indiana, Inc.	Anderson, Chad	8345 U.S. Highway 31 S.	Indianapolis	IN	46227	317-859-8368
15	Lawrenceburg Skyline, Inc.	Holland, Gary	714 Eads Parkway	Lawrenceburg	IN	47025	812-537-4460
16	5 Way Chili, LLC	Deddens, David	27968 State Route 1	West Harrison	IN	47060	812-576-3929
KENTUCKY							
17	JBZ, Inc.	Zai, Joan	7100 Alexandria Pike	Alexandria	KY	41001	859-635-4400
18	Bnate, LLC	Skidmore, Ros	6091 Limaburg Road	Burlington	KY	41005	859-282-1100
19	Cswass, LLC	Skidmore, Ros	550 Buttermilk Pike	Crescent Springs	KY	41017	859-426-5929
20	Covington Skyline, Inc.	Holland, Gary	617 W. Third Street	Covington	KY	41011	859-261-8474
21	Dry-Sky, LLC	Holland, Gary	96 Blackburn Lane	Dry Ridge	KY	41035	859-824-3929
22	MJZ Corporation	Zang, J. Zang, Mike	3159 Dixie Highway	Erlanger	KY	41018	859-344-0900
23	Florence Skyline, Inc.	Holland, Gary	7340 Industrial Road	Florence	KY	41042	859-282-4929
24	Zang Group Florence Mall Road, LLC	Zang, J.	7899 Mall Road	Florence	KY	41042	859-371-2323
25	Zang Group Florence Mall Road, LLC	Zang, J.	7899 Mall Road	Florence	KY	41042	859-371-2323

26	Fwskids, LLC	Skidmore, Ros	1730 Dixie Highway	Ft. Wright	KY	41011	859-331-8352
27	GT Sky, Inc.	Holland, Gary	105 Crosswinds Center Path	Georgetown	KY	40324	502-642-4007
28	Wamore, Inc.	Wassler, Jenny	1960 Litton Lane	Hebron	KY	41048	859-586-1404
29	D.J. Zang, Inc.	Zang, Doug	199 Martha Lane Collins Blvd.	Highland Heights	KY	41406	859-572-9500
30	Independence Skyline, Inc.	Holland, Gary	1968 Declaration Dr.	Independence	KY	41051	859-359-4700
31	One H in Lexington, Inc.	Holland, Gary	2850 Richmond Road	Lexington	KY	40509	859-309-3929
32	Hurstbourne Skyline, Inc.	Holland, Gary	340 Whittington Parkway	Louisville	KY	40222	502-429-5773
33	Highlands Skyline, Inc.	Holland, Gary	1266 Bardstown Road	Louisville	KY	40205	502-473-1234
34	Dupont Skyline, Inc.	Holland, Gary	4024 Dutchman's Lane	Louisville	KY	40207	502-895-7578
35	SAMGO, Inc.	Mardin, Ghadda	35 Carothers Road	Newport	KY	41071	859-431-1001
36	One H in Lexington II, Inc.	Holland, Gary	354 E Brannon Rd	Nicholasville	KY	40356	859-523-4031
37	Pizza Buddy’s Richmond Centre, LLC	Holland, Gary	2216 Lantern Ridge Drive	Richmond	KY	40475	859-353-8026
38	T.M. Chili, LLC	Holland, Gary	5114 Taylor Mill Road	Taylor Mill	KY	41015	859-261-5660
39	Umore, LLC	Skidmore, Ros	8675 U.S. 42	Union	KY	41091	859-657-6929
40	Richwood Skyline, LLC	Holland, Gary	339 Richwood Road	Walton	KY	41094	859-485-3929
41	Walton Sky, Inc.	Holland, Gary	260 Mary Grubbs Highway	Walton	KY	41094	859-261-8474
OHIO							
42	Clermont Chili Company, Inc.	Trautmann, John	1097 Ohio Pike	Amelia	OH	45102	513-752-1233
43	GG Restaurant Management, Inc.	Georgostathis, Gus	4407 St. Rt. 725	Bellbrook	OH	45305	937-848-7348
44	West Plane, LLC	David, Eaisa	553 West Plane Street	Bethel	OH	45106	513-734-3334
45	NND Investments Inc	David, Nabih	1005 E. Cherry St.	Blanchester	OH	45107	937-625-1010
46	Double S Chili, Inc.	Sauer, Mike	945 South Main Street	Centerville	OH	45458	937-436-7430
47	Mark-Bil Co., Ltd.	Keilholtz, Mark	8906 Kingsridge Drive	Centerville	OH	45458	937-434-3952
48	1202 E. McMillan, Inc.	Misleh, Mike	1216 East McMillan Avenue	Cincinnati	OH	45206	513-861-7400
49	3083 Madison, Inc.	Misleh, Mike	3081 Madison Road	Cincinnati	OH	45209	513-871-2930
50	Adeeb, Inc.	Misleh, Mike	5816 Wooster Pike	Cincinnati	OH	45227	513-271-0611
51	Anderson Township Skyline, LLC	Holland, Gary	7189 Beechmont Avenue	Cincinnati	OH	45230	513-231-2064
52	Best Chili 1, Inc.	Besterman, Jeff	9115 Winton Road	Cincinnati	OH	45231	513-931-4008

53	Best Chili 2, Inc.	Besterman, Jeff	8635 Colerain Avenue	Cincinnati	OH	45251	513-385-1244
54	Blue Ash CKN, Inc.	Chantilas, James	9254 Plainfield Road	Cincinnati	OH	45236	513-793-3350
55	Charis, Inc.	Lambrinides, John	5476 Glenway Avenue	Cincinnati	OH	45238	513-451-3355
56	Clifton Skyline, Inc.	Yunger, Donna	290 Ludlow Avenue	Cincinnati	OH	45220	513-221-2142
57	GJR Chili, Inc.	Holland, Gary	8506 Reading Road	Cincinnati	OH	45215	513-821-1800
58	Got Chili, Inc.	Lambrinides, John	6485 Harrison Avenue	Cincinnati	OH	45247	513-598-9798
59	Joe Poulos, Inc.	Poulos, Nick	1001 Vine Street	Cincinnati	OH	45202	513-721-4715
60	JoJonco, Inc.	Lambrinides, Joe	5137 Delhi Pike	Cincinnati	OH	45238	513-451-7000
61	KCD Chilly Company	Drew, Kathy	856 Eastgate South Dr.	Cincinnati	OH	45244	513-752-4040
62	L&P Company	Chantilas, James	7707 Montgomery Road	Cincinnati	OH	45236	513-791-7902
63	Lam-Sim, Inc.	Lambrinides, John	10197 Colerain Avenue	Cincinnati	OH	45251	513-385-9400
64	N.H.A. Incorporated	Fessel, Tom	5560 Bridgetown Road	Cincinnati	OH	45248	(513)574-4777
65	Pente, Inc.	Lambrinides, Nick	5444 North Bend Road	Cincinnati	OH	45247	513-662-6664
66	S&T Townsend, Inc.	Townsend, Stan	1180 Kemper Meadow Dr.	Cincinnati	OH	45240	513-851-3929
67	Sky-Monty, LLC	Misleh, Mike	10869 Montgomery Road	Cincinnati	OH	45242	513-489-4404
68	Tri-County Chili Co.	Holland, Gary	85 East Kemper Road	Cincinnati	OH	45246	513-671-4444
69	U.N.C.A. 1, LLC	Ghuneim, Mike	1705 W. Galbraith Road	Cincinnati	OH	45239	513-729-2200
70	Woodlawn Skyline, Inc.	Holland, Gary	9907 Springfield Pike	Cincinnati	OH	45215	513-772-3060
71	Cleves Skyline, Inc.	Holland, Gary	101 Cooper Road	Cleves	OH	45002	513-467-9333
72	Sixes, Inc.	Lambrinides, John	6263 State Route 128	Cleves	OH	45002	513-353-3929
73	Riethweil Chili, LLC	Redwine, Scott	2995 Olentangy River Rd.	Columbus	OH	43202	614-766-7399
74	Fishway Corp.	Fischer, Justin	1153 Brown Street	Dayton	OH	45409	937-528-7900
75	Redwine Chili, LLC	Redwine, Scott	10572 Sawmill Road	Powell	OH	43065	614-766-7399
76	JT&M Restaurants, LLC	Moreland, Josh	1704 N. Barron Street	Eaton	OH	45320	937-336-5537
77	JK-TEK, Inc.	Wissing, Jim	1321 South Main Street	Englewood	OH	45322	937-832-3222
78	Dixie Sky Investments, LLC	Hummel, Dave	7105 Dixie Highway	Fairfield	OH	45014	513-874-6166
79	DNK, Inc.	Kurlas, Dennis	1190 Hicks Blvd.	Fairfield	OH	45014	513-829-8777
80	Fayetteville Skyline, Inc.	David, Nader	41 N. Dunham Street	Fayetteville	OH	45118	513-734-3334
81	Manage to Own, Inc.	Rosen, Ron	1877 State Route 28	Goshen	OH	45122	513-722-0397
82	DNK, Inc.	Kurlas, Dennis	1559 Main Street	Hamilton	OH	45013	513-844-6000
83	Hamilton Sky Investments, LLC	Hummel, Dave	1496 South Erie Blvd.	Hamilton	OH	45011	513-737-3330

84	Kings Island Company		6300 Kings Island Drive	Kings Island	OH	45034	513-398-5600
85	Sky Leb, Inc.	Misleh, Steve	718 East Main Street	Lebanon	OH	45036	513-932-4334
86	Corn II, LLC	Cornwell, Jeff	5488 Liberty Square Dr.	Liberty Township	OH	45011	513-895-3929
87	AMIS, Inc.	Geier, Amy Geier, Scott	1990 Harding Highway	Lima	OH	45804	419-991-1990
88	Buckeye Chili I (Landen), LLC	Schuman, Dave	2922 West US 22	Maineville	OH	45039	513-677-8008
89	Chiliville, Inc.	Sauer, Mike	6016 South State Route 48	Maineville	OH	45039	513-494-9002
90	Richland Skyline, Inc.	Dewald, Don	1320 N. Lexington - Springmill Road	Mansfield	OH	44906	419-747-3929
91	Pythagoras, Inc.	Chantilas, James	2711 Waterpark Dr.	Mason	OH	45040	513-336-7009
92	Herkon, Inc.	Filios, Nick	4341 Roosevelt Blvd.	Middletown	OH	45044	513-423-0464
93	Milford Skyline, Inc.	Burkhardt, Keith	730 Lila Avenue	Milford	OH	45150	513-831-4611
94	Corn III L.L.C.	Cornwell, Jeff	1321 Sate Route 63	Monroe	OH	45050	513-360-7683
95	Moraine Chili, Inc.	Georgostathis, Gus	5774 Springboro Pike	Moraine	OH	45439	937-293-0496
96	N. David Services Corp.	David, Nader	110 North Point Drive	Mt. Orab	OH	45154	937-444-0203
97	Sky-Norwood, LLC	Misleh, Steve	4588 Montgomery Road	Norwood	OH	45212	513-531-8381
98	Everlast Enterprise Group, LLC	Jones, Chris	One East High Street	Oxford	OH	45056	513-523-3330
99	Forty-Nine, Inc.	Lambrinides, John	3787 Herman Road	Ross	OH	45061	513-728-0626
100	Manage to Own, Inc.	Rosen, Ron	580 West Central Avenue	Springboro	OH	45066	937-743-8810
101	Kurlas Family Corporation	Kurlas, Dennis	1300 Goodwin Ave.	Springfield	OH	45504	937-717-0150
102	TLR Chili, LLC	Reibling, Todd	4901 Vine Street	St. Bernard	OH	45217	513-242-0300
103	ATM Chili, LLC	Hericks, Greg	4127 Bridgewater Parkway	Stow	OH	44224	330-940-3929
104	Skyways of Trenton, LLC	Rosen, Ron	878 S.R. 73	Trenton	OH	45067	(513) 988-0655
105	Corn, Ltd.	Cornwell, Jeff	8386 Princeton-Glendale Rd.	West Chester	OH	45069	513-874-4211
106	Manage to Own, Inc.	Rosen, Ron	7716 Dudley Drive	West Chester	OH	45069	513-759-1710
107	Skyways of Union Centre, LLC	Rosen, Ron	6098 West Chester Road	West Chester	OH	45069	513-860-5300
108	Chili Boys, LLC	Sauer, Mike	2799 Rombach Avenue	Wilmington	OH	45177	937-382-7000
109	Xenia Skyline LLC	David, Nader	217 South Progress Dr.	Xenia	OH	45385	937-444-0203

EXHIBIT E

FINANCIAL STATEMENTS

The following financial statements with respect to Skyline Chili, LLC are attached:

1. Audited combined financial statements of Skyline Chili, LLC and Skyline CEM Holdings, LLC, for the fiscal year ending October 27, 2024.
2. Most recently available unaudited quarterly combined financial statements of Skyline Chili, LLC and Skyline CEM Holdings, LLC.
3. Skyline CEM Holdings, LLC Guarantee of Performance of Skyline Chili, LLC.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Skyline Chili, LLC and Affiliate

Combined Financial Statements

October 27, 2024, October 29, 2023, and October 30, 2022

(with Independent Auditors' Report)

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

INDEPENDENT AUDITORS' REPORT

Board of Managers
Skyline Chili, LLC and Affiliate

Opinion
We have audited the accompanying combined financial statements of Skyline Chili, LLC and Affiliate, which comprise the combined balance sheets as of October 27, 2024, October 29, 2023, and October 30, 2022, and the related combined statements of income and comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Skyline Chili, LLC and Affiliate as of October 27, 2024, October 29, 2023, and October 30, 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements
Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Skyline Chili, LLC and Affiliate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Skyline Chili, LLC and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
February 17, 2025

Skyline Chili, LLC and Affiliate
Combined Balance Sheets
October 27, 2024, October 29, 2023 and October 30, 2022

	2024	2023	2022
Assets			
Current assets:			
Cash and cash equivalents	**$ 7,859,000**	$ 14,318,000	$ 5,977,000
Accounts receivable, net of allowance for credit losses of $326,000, $272,000 and $82,000.	**5,335,000**	5,478,000	6,303,000
Inventories	**9,914,000**	6,936,000	8,951,000
Interest rate swap at settlement value	-	-	2,230,000
Prepaid expenses	**877,000**	913,000	1,013,000
Total current assets	**23,985,000**	27,645,000	24,474,000
Property and equipment:			
Land and improvements	**3,332,000**	3,332,000	3,382,000
Buildings and improvements	**9,963,000**	9,036,000	8,520,000
Equipment and fixtures	**19,565,000**	14,686,000	13,279,000
Construction in progress	**7,593,000**	3,607,000	892,000
	40,453,000	30,661,000	26,073,000
Less accumulated depreciation	**(14,843,000)**	(10,680,000)	(7,224,000)
Net property and equipment	**25,610,000**	19,981,000	18,849,000
Goodwill, net	**42,973,000**	49,955,000	56,938,000
Interest rate swap at fair value	**1,609,000**	3,277,000	-
Operating lease right-of-use assets	**8,982,000**	10,339,000	-
Other noncurrent assets	**1,014,000**	858,000	352,000
Total noncurrent assets	**54,578,000**	64,429,000	57,290,000
Total assets	**$ 104,173,000**	$ 112,055,000	$ 100,613,000

See accompanying notes to the combined financial statements.

	2024	2023	2022
Liabilities and Members' Equity			
Current liabilities:			
Accounts payable	**$ 3,800,000**	$ 2,988,000	$ 3,454,000
Accrued salaries and wages	**2,293,000**	1,941,000	2,412,000
Accrued interest	**132,000**	171,000	59,000
Accrued taxes	**128,000**	143,000	153,000
Current portion of operating lease liabilities	**1,731,000**	1,728,000	-
Other accrued liabilities	**3,150,000**	3,107,000	3,416,000
Current portion of long-term debt, less current portion of unamortized debt issuance costs of $67,000, $67,000, and $0	**2,909,000**	2,098,000	1,542,000
Total current liabilities	**14,143,000**	12,176,000	11,036,000
Noncurrent liabilities:			
Liability for contingent earnout	-	-	21,326,000
Lease escalation liability	-	-	240,000
Long-term portion of operating lease liabilities	**7,547,000**	8,885,000	-
Long-term debt, less long-term portion of unamortized debt issuance costs of $156,000, $223,000, and $0	**36,379,000**	39,288,000	3,500,000
Total noncurrent liabilities	**43,926,000**	48,173,000	25,066,000
Total liabilities	**58,069,000**	60,349,000	36,102,000
Members' equity	**46,104,000**	51,706,000	64,511,000
Total liabilities and members' equity	**$ 104,173,000**	$ 112,055,000	$ 100,613,000

See accompanying notes to the combined financial statements.

Skyline Chili, LLC and Affiliate
Combined Statements of Income and Comprehensive Income
Years ended October 27, 2024, October 29, 2023 and October 30, 2022

	2024	2023	2022
Revenue:			
Sales:			
Commissary	**$ 46,873,000**	$ 45,132,000	$ 46,175,000
Restaurants	**43,804,000**	44,840,000	42,168,000
Franchise fees and royalties	**7,746,000**	7,425,000	6,675,000
Total revenue	**98,423,000**	97,397,000	95,018,000
Operating costs and expenses:			
Cost of sales - commissary	**33,128,000**	30,691,000	32,446,000
Restaurant operating costs:			
Cost of food and paper	**12,424,000**	12,646,000	12,034,000
Payroll cost	**16,052,000**	17,035,000	16,268,000
Occupancy and other expenses	**7,766,000**	7,133,000	7,013,000
Selling, general, and administrative	**16,411,000**	16,441,000	14,284,000
Goodwill amortization	**6,983,000**	6,983,000	6,983,000
Total operating costs and expenses	**92,764,000**	90,929,000	89,028,000
Income from operations	**5,659,000**	6,468,000	5,990,000
Other income (expense):			
Interest expense	**(2,094,000)**	(1,739,000)	(411,000)
Interest income	**503,000**	1,032,000	-
Employee retention tax credit income	**-**	5,428,000	-
Loss on sale of property and equipment	**(115,000)**	(313,000)	(209,000)
Change in fair value on interest rate swap	**(1,668,000)**	1,047,000	-
Other income (expense)	**905,000**	(59,000)	-
Total other income (expense)	**(2,469,000)**	5,396,000	(620,000)
Income before income taxes	**3,190,000**	11,864,000	5,370,000
Income tax benefit (expense)	**205,000**	(107,000)	(356,000)
Net income	**3,395,000**	11,757,000	5,014,000
Other comprehensive income:			
Change in settlement value of interest rate swaps	**-**	-	2,230,000
Comprehensive income	**$ 3,395,000**	$ 11,757,000	$ 7,244,000

See accompanying notes to the combined financial statements.

Balance, October 31, 2021	$	63,753,000
Distributions to members		(6,486,000)
Net income		5,014,000
Change in settlement value of interest rate swap		2,230,000
Balance, October 30, 2022		64,511,000
Distributions to members		(3,562,000)
Redemption of member units		(21,000,000)
Net income		11,757,000
Balance, October 29, 2023		51,706,000
Distributions to members		**(3,495,000)**
Redemption of member units		**(5,502,000)**
Net income		**3,395,000**
Balance, October 27, 2024	**$**	**46,104,000**

	2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 3,395,000**	$ 11,757,000	$ 5,014,000
Adjustments to reconcile net income to net			
cash flows provided by operating activities:			
Depreciation	**4,248,000**	4,295,000	4,018,000
Debt issuance cost amortization included in interest expense	**67,000**	47,000	-
Amortization of goodwill	**6,982,000**	6,983,000	6,983,000
Change in fair value on interest rate swap	**1,668,000**	(1,047,000)	-
Lease escalation benefit	**-**	-	(15,000)
Provision for (recovery of) credit losses	**(41,000)**	201,000	71,000
Proceeds from spiral-freezer settlement	**1,024,000**	-	-
Loss on sale of property and equipment	**115,000**	313,000	209,000
Changes in operating assets and liabilities:			
Accounts receivable, net	**184,000**	624,000	(726,000)
Inventories	**(2,978,000)**	2,015,000	(2,941,000)
Prepaid expenses and other assets	**(120,000)**	(406,000)	(323,000)
Accounts payable	**(212,000)**	(466,000)	669,000
Accrued taxes	**(15,000)**	(10,000)	65,000
Operating lease assets and liabilities	**22,000**	34,000	-
Accrued liabilities	**356,000**	(668,000)	732,000
Net cash and cash equivalents provided by operating activities	**14,695,000**	23,672,000	13,756,000
Cash flows used in investing activities:			
Capital expenditures	**(9,992,000)**	(5,740,000)	(4,583,000)
Cash flows from financing activities:			
Repayments of long-term debt	**(2,165,000)**	(6,366,000)	(2,000,000)
Proceeds from long-term debt	**-**	42,663,000	-
Payment of earnout liability	**-**	(21,326,000)	-
Redemption of member units	**(5,502,000)**	(21,000,000)	-
Member distributions	**(3,495,000)**	(3,562,000)	(6,486,000)
Net cash and cash equivalents used by financing activities	**(11,162,000)**	(9,591,000)	(8,486,000)
Net change in cash and cash equivalents	**(6,459,000)**	8,341,000	687,000
Cash and cash equivalents at beginning of period	**14,318,000**	5,977,000	5,290,000
Cash and cash equivalents at end of period	**$ 7,859,000**	$ 14,318,000	$ 5,977,000
Supplemental cash flow information:			
Interest paid	**$ 2,133,000**	$ 1,628,000	$ 428,000
Net change in settlement value of interest rate swap	**$ -**	$ -	$ 2,230,000
Debt issuance cost acquired from long-term debt	**$ -**	$ 337,000	$ -
Operating right-of-use assets obtained in exchange for operating lease liabilities	**$ 917,000**	$ 11,890,000	$ -

See accompanying notes to the combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Skyline Chili, LLC and Affiliate (the “Company”) are set forth to facilitate the understanding of data presented in the combined financial statements:

Nature of operations
The accompanying combined financial statements of the Company include the accounts of Skyline Chili, LLC and its affiliate, Skyline CEM Holdings, LLC, which are under common control and management.

Skyline Chili, LLC (“Skyline”) was formed in the state of Ohio as a qualified opportunity zone business. Skyline manufactures, sells and distributes chili and chili related products, under the Skyline Chili trademark, primarily through (1) leased Skyline Chili restaurants located in qualified opportunity zones, (2) franchised Skyline Chili restaurants in Ohio, Indiana, Florida and Kentucky, and (3) grocery sales through unrelated retail outlets. All significant revenues are derived from sales of food to the public through company operated restaurants, sales of products to franchisees and retail stores, and fees and royalties from franchisees.

Skyline CEM Holdings, LLC (“CEM”) was formed in the state of Ohio, to hold real estate and tangible assets used in the process of manufacturing Skyline Chili and chili related products, and to operate owned and leased Skyline Chili restaurants located outside of qualified opportunity zones.

Under the Operating Agreement of the Company, a Member of the Company has the right, but not the obligation, to put its remaining membership interest to the Company for an agreed upon purchase price noted within the agreement. The Put Period commences on January 1, 2026 and expires on March 31, 2026. Full payment of the purchase price has been guaranteed by another Member of the Company.

Combined financial statements
The combined financial statements include the accounts Skyline and CEM. As these entities are under common control, share management and operate under similar business models, management believes that the presentation of combined financial statements is more meaningful than the presentation of financial statements separately. All intercompany and intra-entity accounts and transactions have been eliminated in the accompanying combined financial statements.

Reporting period
The Company's fiscal year ends on the last Sunday of October. The combined statements of income and comprehensive income, members' equity and cash flows are for the fiscal years ended October 27, 2024, October 29, 2023 and October 30, 2022.

Use of estimates
The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

New accounting standard

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* (*Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, on October 30, 2023. Topic 326 modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company's combined financial statements but did change how the allowance for credit losses is determined.

Cash and cash equivalents

The Company maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and management does not believe it is exposed to significant risk on cash and cash equivalents. The Company classifies cash equivalents as all highly liquid investments purchased with maturities of three months or less.

Accounts receivable and allowance for credit losses

Accounts receivable are uncollateralized customer obligations due under normal trade terms. The Company does not assess interest on past-due accounts. An allowance for credit losses is an estimate based upon historical account write-off trends, facts about the current financial condition of the debtor, forecasts of future operating results based upon current trends, and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. Management has reviewed the Company's accounts receivable and determined that expected credit losses was $326,000 at October 27, 2024, $272,000 at October 29, 2023 and $82,000 at October 30, 2022.

Concentrations

Concentrations of sales and accounts receivable are as follows:

	Commissary Sales	Number of Customers	Accounts Receivable	Number of Customers
October 27, 2024	82%	3	67%	3
October 29, 2023	82%	3	70%	3
October 30, 2022	80%	3	70%	3

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value and consist primarily of finished goods.

Property and equipment

Property and equipment are recorded at cost and depreciated over the economic useful lives of the related assets using the straight-line method. Economic useful lives are generally 15-40 years for building and improvements and 3-7 years for equipment and fixtures.

Goodwill
Goodwill represents the excess of cost over net assets acquired. The Company elected to adopt Accounting Standards Update ("ASU") No. 2014-02, *Accounting for Goodwill (Topic 350),* which allows the Company to amortize goodwill on a straight-line basis over 10 years, with goodwill being tested for impairment when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount. As of October 27, 2024, October 29, 2023, and October 30, 2022, management has determined there has been no triggering event.

Franchise fees and royalties
Area franchise fees in excess of direct costs incurred and individual restaurant franchise fees are deferred and recognized in income when the restaurant is opened. Royalties are recorded in income on the accrual basis. Expenses associated with franchise fees and royalties are charged to expense as incurred.

Revenue recognition
The Company recognizes revenue when obligations under the terms of a contract are satisfied and control is transferred. Sales are measured at the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The amount of consideration the Company receives, and sales recognized, can vary due to changes in sales incentives, rebates, rights of return or other items the Company offers customers, for which the Company estimates the expected amounts based on an analysis of historical experience, or as the most likely amount in a range of possible outcomes. Sales tax and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

Revenue from performance obligations satisfied at a point in time consists of sales of chili, chili related products and royalties which totaled $98,329,000 , $97,337,000, and $94,983,000 for the fiscal years ended October 27, 2024, October 29, 2023, and October 30, 2022, respectively. Revenue from performance obligations satisfied over time consist of franchise related fees which totaled $105,000, $60,000, and $35,000 for the fiscal years ended October 27, 2024, October 29, 2023, and October 30, 2022, respectively. Revenue is recognized over the period in which the future cost of separately priced services is expected to be incurred.

The closing balances of trade accounts receivable in the Combined Balance Sheets at October 27, 2024, October 29, 2023, October 30, 2022, and November 1, 2021, are as follows:

	November 1, 2021	October 30, 2022	October 29, 2023	October 27, 2024
Accounts receivable, net	$ 5,648,000	6,303,000	5,478,000	5,335,000

The nature of the Company's business gives rise to variable consideration, including allowances and returns that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on product returns and the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Pre-opening expenses
Expenditures related to the opening of new restaurants, other than those for capital assets, are expensed as incurred.

Advertising
Advertising costs are charged to operations when incurred.

Income taxes
Skyline and CEM, under consent of its members, have elected to be taxed as partnerships. Pursuant to this election, Skyline and CEM will generally not pay federal or state corporate income taxes on taxable income. Instead, each Member will be liable for individual federal and state income taxes on the taxable income of Skyline and CEM.

Pursuant to the terms of the Operating Agreements of Skyline and CEM, distributions may be made to the members in amounts approximating the amount of the tax to be owed by the members on their share of the taxable income of Skyline and CEM. Such distributions are recognized as direct reductions in equity and totaled $3,495,000, $3,562,000, and $6,486,000 for the fiscal years ended October 27, 2024, October 29, 2023, and October 30, 2022, respectively.

Leases
The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use assets, current liabilities, and long-term liabilities in the Company's Combined Balance Sheets.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses their implicit rate when it is readily determinable. Since most of the Company's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. Operating lease right-of-use assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

Subsequent events
The Company evaluates events and transactions occurring subsequent to the date of the combined financial statements for matters requiring recognition or disclosure in the combined financial statements. The accompanying combined financial statements consider events through February 17, 2025, the date on which the combined financial statements were available to be issued.

2. ASSET PURCHASE AGREEMENT:

On December 24, 2020, Skyline entered into an Asset Purchase Agreement (the "Agreement") with Skyline ESM Holdings, LLC ("ESM"). Pursuant to the terms of the Agreement, Skyline acquired essentially all assets and liabilities of Skyline ESM Holdings, LLC.

The Agreement provides for a contingent earnout payment. The Agreement requires Skyline to pay ESM an amount equal to the excess of (1) the sum of the Company's adjusted earnings before interest, taxes, depreciation and amortization for a rolling 13 four-week accounting period ("Earnout EBITDA"), minus (2) $10,577,606, (3) multiplied by nine. The earnout payment will be calculated on any of the available earnout valuation dates set forth in the Purchase Agreement between 24 and 36 months from December 24, 2020. Earnout EBITDA may not exceed $15,500,000.

The earnout payment was estimated by the Company using current sales and future trends, both in its business and generally in the restaurant and grocery industries, and required significant assumptions that were not readily observable in the marketplace and was subject to adjustment as conditions in the Company's business changed over time. Effective February 16, 2023, the earnout of $21,326,000 was calculated and paid to ESM.

3. GOODWILL:

On December 24, 2020, the Company acquired certain assets and assumed certain liabilities of ESM which gave rise to the recognition of goodwill totaling $69,829,000. The estimated annual amortization expense associated with goodwill for each of the 10 succeeding fiscal years is approximately $6,982,000. Accumulated goodwill amortization as of October 27, 2024, October 29, 2023, and October 30, 2022 was $26,856,000, $19,874,000, and $12,891,000, respectively.

4. LONG-TERM DEBT:

The Company has entered into agreements, originating in 2014 and restated in 2021 (together the "Former Credit Agreement"), giving rise to senior secured indebtedness consisting of term loans and a revolving credit arrangement.

The Former Credit Agreement provided for a $5,000,000 revolving loan. Interest on the revolving loan was payable monthly at a rate equal to LIBOR plus a margin ranging from 1.35% to 2.75% dependent on the Company's senior leverage ratio. Interest on the unused revolving loan was payable monthly at a rate of 0.25%. No amount was outstanding on the revolving loan as of October 30, 2022.

The Former Credit Agreement provided a term loan of $3,000,000, of which $42,000 remained outstanding as of October 30, 2022. Interest on the term loan was payable monthly at a rate equal to

LIBOR plus a margin determined by the Company's senior leverage ratio. The LIBOR margin for the term loan ranges from 2.25% to 3.75%. The term loan expired on November 1, 2022, and was paid in full.

The Former Credit Agreement provided a ten-year term note of $11,000,000 with principal payments of $1,500,000 annually for five years and $3,500,000 at the end of the ten-year term. As of October 30, 2022, $5,000,000 remained outstanding. The note was scheduled to expire on August 29, 2024 with interest fixed at 6.25% and payable quarterly. The Company made advance payments on the term note and paid it in full during fiscal year 2023.

Effective February 16, 2023, the Company entered into a new Credit Agreement ("New Credit Agreement") with a commercial bank. Through commitments from several banks, the New Credit Agreement provided for aggregate borrowing up to $51,300,000 through February 16, 2028, which comprise of a $8,000,000 revolving loan commitment and a $43,000,000 term loan commitment.

Under the New Credit Agreement, interest on the revolving loan is payable monthly at a rate equal to the Secured Overnight Financing Rate ("SOFR") plus a margin ranging from 2.25% to 2.75% dependent on the Company's rent adjusted leverage ratio (7.08% at October 27, 2024). At October 27, 2024 and October 29, 2023, there was no outstanding balance on the revolving loan.

Under the New Credit Agreement, interest on the term loan is payable quarterly at a rate equal to the SOFR plus a margin ranging from 2.25% to 2.75% dependent on the Company's rent adjusted leverage ratio (7.08% at October 27, 2024). Principal and interest payments on the term loan are made quarterly through February 16, 2028. At October 27, 2024 and October 29, 2023, the outstanding balance on the term loan was $39,288,000 and $41,386,000, respectively.

The Company incurred debt issuance costs of $337,000 associated with the New Credit Agreement. These costs are being amortized through February 2028 using the straight-line method. At October 27, 2024 and October 29, 2023, unamortized costs of $223,000 and $290,000 were netted against long-term debt, respectively. Amortization of debt issuance cost included in interest expense was $67,000 and $47,000 for the fiscal years October 27, 2024 and October 29, 2023, respectively.

At October 27, 2024, future debt maturities, net of annual amortization of debt issuance costs, are as follows:

2025	$ 2,909,000
2026	3,180,000
2027	3,992,000
2028	29,207,000
	$ 39,288,000

The Company's debt is secured by essentially all assets of the Company and contain certain financial and non-financial covenants. As of October 27, 2024, the Company was not in compliance with all financial and non-financial covenants. However, the Company received a waiver letter from the commercial bank on February 4, 2025 for fiscal year 2024. The Company was in compliance with all financial and non-financial covenants as of October 29, 2023 and October 30, 2022.

5. INTEREST RATE SWAP:

During fiscal year 2022, the Company entered into a forward-looking interest rate swap agreement with a commercial bank having an original notional value of $35,000,000. At October 30, 2022, the notional value of the swap was $35,000,000. The fixed leg of the swap charged the Company 1.98%, while the variable leg of the swap charged the commercial bank at the SOFR beginning February 1, 2023. At October 30, 2022, this interest rate swap agreement was reflected on the Combined Balance Sheets at settlement value of $2,230,000 with its change in settlement value of $2,230,000 recognized in the Combined Statements of Members' Equity. This forward-looking interest rate swap agreement was terminated and waived during March 2023.

During fiscal year 2023, the Company entered into an interest rate swap agreement with a commercial bank to manage its interest rate risk on variable rate debt. Under terms of the contract, the Company has agreed with the counterparty to exchange payment streams at particular intervals based on the difference between the fixed rate and floating rate interest amounts as calculated in reference to the notional principal amounts.

During fiscal year 2024, it was identified that the interest rate swap instrument should have been classified as an ineffective hedge and disqualified from hedge accounting. The change was done retrospectively, and the interest rate swap instrument will be recorded at fair value on the Combined Balance Sheets with the change in fair value recognized in other income on the Combined Statements of Income rather than other comprehensive income. As a result, the Company recorded an increase to net income of $1,047,000 for the year ended October 29, 2023. There was no impact to comprehensive income or members' equity for the year ended October 29, 2023.

The Company accounts for the interest rate swap instrument as an ineffective hedge at fair value with the change in fair value recognized in the Combined Statements of Income as a component of other income (expense).

The terms of the outstanding agreements were as follows at October 27, 2024 and October 29, 2023:

	2024	2023
Effective date	3/31/2023	3/31/2023
Expiration date	1/31/2030	1/31/2030
Fixed interest rate (Company pay rate)	2.61%	2.61%
Floating interest rate (Company receive rate)	4.83%	5.31%
Initial notional amount	$ 42,759,000	$ 42,759,000
Current notional amount	$ 39,511,000	$ 41,676,000
Fair value	$ 1,609,000	$ 3,277,000

6. FAIR VALUE MEASUREMENTS:

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data, by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Earnout liability: The Company had entered into an agreement which obligates the Company to make a contingent payment. The liability for this contingent payment was recorded as of the acquisition date at fair value in accordance U.S. GAAP using Level 3 inputs and is based on significant estimates which may change over time. The acquisition date fair value was measured based on the present value of the earnout payment expected to be paid. This earnout payment was paid in full during the fiscal year ended October 29, 2023 (Note 2).

Interest rate swap: The valuation of an interest rate swap agreement is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and while there are no quoted prices in active markets, it uses observable market-based inputs, including interest rate curves. There have been no changes in the valuation techniques utilized to value interest rate swaps in the current year.

The following presents the Company's fair value hierarchy for assets measured at fair value as of October 27, 2024:

	Fair Value Measurement at October 27, 2024			
	Fair Value	Level 1	Level 2	Level 3
Interest rate swap	$ 1,609,000	-	1,609,000	-

The following presents the Company's fair value hierarchy for the assets measured at fair value as of October 29, 2023:

	Fair Value Measurement at October 29, 2023			
	Fair Value	Level 1	Level 2	Level 3
Interest rate swap	$ 3,277,000	-	3,277,000	-

The following presents the Company's fair value hierarchy for liabilities measured at fair value as of October 30, 2022:

	Fair Value Measurement at October 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
Earnout liability	$ 21,326,000	-	-	21,326,000

7. DEFINED CONTRIBUTION PLAN:

The Company has a defined contribution pension plan with a 401(k) feature covering all employees who meet eligibility requirements. The Company matches employee contributions up to 100% of the first 3% of the employees' compensation and 50% of the next 2% of the employees' compensation. The Company can make additional contributions to the plan at its discretion. Total expense for the fiscal years ended October 27, 2024, October 29, 2023, and October 30, 2022 amounted to $292,000, $263,000, and $328,000, respectively.

8. ADVERTISING:

Company restaurants and franchisees in the Cincinnati, Ohio, Dayton, Ohio and Columbus, Ohio areas pay advertising fees to co-operative entities established for the benefit of their respective area restaurants. For the fiscal years ended October 27, 2024, October 29, 2023, and October 30, 2022, total advertising costs charged directly to expense, including amounts paid to the co-operatives, amounted to $2,700,000, $2,634,000, and $2,652,000, respectively.

9. EMPLOYEE RETENTION TAX CREDITS:

As a result of the economic uncertainty surrounding COVID-19, the Company applied for Employee Retention Tax Credits (ERTC). Application for refunds from the US Treasury was filed in March 2022, and was approved during the fiscal year ended October 29, 2023. During 2023, the total amount of refunds received by the Company was $5,763,000, which includes interest in the amount of $335,000.

10. NOTE RECEIVABLE:

The Company had an unsecured, non-interest bearing note receivable as of October 30, 2022 in the amount of $327,000. Monthly payments on the note were due in the amount of $5,055 through April 1, 2029. During the fiscal year ended October 29, 2023, the balance of the note was paid in full.

11. OPERATING LEASES:

The Company holds operating leases associated with restaurant facilities under non-cancelable operating leases that expire at various dates through April 2034. The Company includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Certain leases provide for increases in future minimum annual rental payments.

Variable lease costs, such as the Company's proportionate share of actual costs for utilities, common area maintenance, property taxes and insurance are not included in the lease liability and are recognized in the period in which they are incurred.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases.

Operating lease expense under these leases was $2,571,000 and $2,501,000 for the fiscal years ended October 27, 2024 and October 29, 2023, respectively. In accordance with the adoption of ASC 842, deferred rent of $240,000 was reclassified to reduce the beginning value of the right-of-use assets at November 1, 2022. Prior to adoption of ASC 842, the Company's total lease expense was approximately $2,337,000 for the fiscal year ended October 30, 2022.

Future minimum lease payments and the present values of the net minimum lease payments as of October 27, 2024, are as follows:

2025	$ 2,122,000
2026	2,012,000
2027	1,815,000
2028	1,596,000
2029	1,181,000
Thereafter	1,953,000
Total lease payments	$ 10,679,000
Less: Imputed interest	(1,401,000)
Present value of lease payments	$ 9,278,000
Less: lease liability – short term	(1,731,000)
Lease liability – long term	$ 7,547,000

Other information related to leases is as follows:

	2024	2023
Operating cash flows from operating leases	$ 2,219,000	$ 2,152,000
Weighted average remaining operating lease term (years)	5.77	6.54
Weighted average discount rate for operating leases	5.00%	5.00%

12. CONTINGENCIES:

As of October 27, 2024, the Company is not involved in any litigation involving material claims against it. Claims by the Company against others are anticipated to remedy operational defects in equipment or reimbursement of costs for services. No material contingencies not otherwise disclosed in the combined financial statements exist.

13. REDEMPTION OF MEMBER UNITS:

Effective June 9, 2023, the Company redeemed 18,784 ownership units of the Members’ outstanding units for $21,000,000 from AGM Holdings, Inc.

Effective May 1, 2024, the Company redeemed 8,700 ownership units of the Members’ outstanding units for $5,502,000 from the Greater Cincinnati Foundation.

Skyline Chili LLC and Skyline CEM Holdings LLC
Combined Balance Sheets
May 11, 2025

ASSETS

Current assets:		
Cash	$	**8,580,000**
Accounts receivable, net		**4,445,000**
Inventories		**8,898,000**
Prepaid expenses/Other Current Assets		**726,000**
Interest Rate Swap Contract at Settlement Value		**1,252,000**
Total current assets		**23,901,000**
Property and equipment:		
Land and improvements		**3,246,000**
Buildings and improvements		**10,977,000**
Equipment and fixtures		**19,334,000**
Construction in Progress		**9,649,000**
		43,206,000
Less accumulated depreciation		**(16,793,000)**
Net property and equipment		**26,413,000**
Goodwill, net		**39,212,000**
Lease Contracts- Right of Use Asset		**8,454,000**
Loan Origination Costs, net		**187,000**
Other assets		**762,000**
Total Noncurrent Assets		**48,615,000**
TOTAL ASSETS	$	**98,929,000**

Skyline Chili LLC and Skyline CEM Holdings LLC
Combined Balance Sheets
May 11, 2025

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Accounts payable	$	**2,274,000**
Accrued salaries and wages		**1,664,000**
Accrued interest		**57,000**
Income taxes payable (refundable)		**1,000**
Other accrued liabilities		**3,255,000**
Long-term debt due within one year		**3,248,000**
Lease escalation liability due within one year		**1,819,000**
Total Current Liabilities		**12,318,000**
Long-term debt, less current portion		**34,911,000**
Lease escalation liability, less current portion		**6,836,000**
Total Noncurrent Liabilities		**41,747,000**
Total Liabilities		**54,065,000**
Members' Equity:		
Members' Interest:		**31,162,000**
Retained Earnings (Deficit)		**13,702,000**
Other Comprehensive Income		**0**
Total Members' Equity		**44,864,000**
Total Liabilities and Members' Equity	**$**	**98,929,000**

Skyline Chili LLC and Skyline CEM Holdings LLC
Combined Statements of Income
For the Quarter and Year-to-Date Ended May 11, 2025

	Second Quarter	Fiscal Year-to-Date
Revenue:		
Sales:		
Commissary	$ 9,634,000	$ 24,966,000
Restaurants	10,012,000	22,875,000
Franchise fees and royalties	1,713,000	3,940,000
	21,359,000	51,781,000
Operating cost and expenses:		
Cost of sales - commissary	7,494,000	18,976,000
Restaurant operating costs:		
Cost of food and paper	2,817,000	6,337,000
Payroll cost	3,707,000	8,744,000
Occupancy and other expenses	1,868,000	4,199,000
Selling, general, and administrative	3,611,000	8,578,000
Goodwill amortization	1,612,000	3,760,000
Total Operating costs and expenses	21,109,000	50,594,000
Income from operations	250,000	1,187,000
Other (income) expense:		
Interest (income)	(61,000)	(152,000)
Interest expense	469,000	1,078,000
Other expense (income)	794,000	875,000
Total Other expense (income)	1,202,000	1,801,000
Income from continuing operations		
Before income taxes	(952,000)	(614,000)
Provision for income taxes	13,000	14,000
Net Income	$ (965,000)	$ (628,000)

Skyline Chili LLC and Skyline CEM Holdings LLC
Combined Statements of Cash Flows
For the Quarter and Year-to-Date Ended May 11, 2025

	Second Quarter	Fiscal Year-to-Date
Operating activities:		
Net income	$ (965,000)	$ (628,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,010,000	2,362,000
Amortization of intangible assets	1,627,000	3,796,000
Amortization of lease escalation expense	(40,000)	(95,000)
Bad debt expense	(132,000)	(85,000)
(Gain)/Loss on sale of property and equipment	150,000	376,000
Severance expense	-	109,000
SWAP Change in fair value	627,000	357,000
Decrease (increase) in:		
Accounts receivable	1,013,000	975,000
Inventories	(883,000)	1,016,000
Prepaid expenses/Other Assets	(130,000)	404,000
Increase (decrease) in:		
Accounts payable	(85,000)	(1,526,000)
Income taxes payable	(3,000)	(127,000)
Accrued liabilities	284,000	(599,000)
Other - net	1,000	(108,000)
Net cash provided by operating activities	2,474,000	6,227,000
Investing activities:		
Capital expenditures	(1,355,000)	(3,540,000)
Net cash used by investing activities	(1,355,000)	(3,540,000)
Financing activities:		
Proceeds (repayments) of long-term debt	(812,000)	(1,353,000)
Member tax distributions	(613,000)	(613,000)
Net cash used by financing activities	(1,425,000)	(1,966,000)
Net change in cash	(306,000)	721,000
Cash at beginning of period	8,886,000	7,859,000
Cash at end of period	$ 8,580,000	$ 8,580,000

GUARANTY OF PERFORMANCE

For value received, Skyline CEM Holdings, LLC, an Ohio limited liability company (the "Guarantor"), located at 4180 Thunderbird Lane, Fairfield, Ohio 45014, absolutely and unconditionally guarantees to assume the duties and obligations of Skyline Chili, LLC, located at 4180 Thunderbird Lane, Fairfield, Ohio 45014 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document dated as of February 25, 2025, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Fairfield, Ohio effective as of the 25th day of February, 2025.

Guarantor:

Skyline CEM Holdings, LLC

By: ______________________________
Richard F. Williams, II, President and Chief Executive Officer

EXHIBIT F

SKYLINE CHILI, LLC
AREA FRANCHISE AGREEMENT

AND STATE SPECIFIC ADDENDA FOR THE FOLLOWING STATE:

INDIANA

SKYLINE CHILI, LLC

AREA FRANCHISE AGREEMENT

Agreement between:

Skyline Chili, LLC
4180 Thunderbird Lane
Fairfield, Ohio 45014
(513) 874-1188

and

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( ) _________________

Dated: _____________________

TABLE OF CONTENTS

AREA FRANCHISE AGREEMENT

This Agreement made and entered into at Cincinnati, Ohio as of ____________________________ by and between **Skyline Chili, LLC**, an Ohio Corporation (hereinafter "Skyline") and ______________________________ a(n) __________________________ (hereinafter "Area Franchisee").

WHEREAS, Skyline is engaged in the business of operating and franchising a distinctive style of quick service restaurants featuring chili and related products under the name of "Skyline Chili;" and

WHEREAS, Skyline has developed a distinctive restaurant format and operating system and procedures for providing the products and services which are described therein in accordance with the uniform standard specifications and procedures of operation, quality and uniformity of products and services offered, and the procedures for operation and management control as therein contained (all of which are hereinafter referred to as the "Skyline System" or "System") which may be changed, improved and further developed from time to time by Skyline; and

WHEREAS, among the distinguishing characteristics of the Skyline System are the use of the words "Skyline" and "Skyline Chili" and the Skyline Chili logo together with such other service marks, trademarks, trade names and trade symbols, emblems, signs, slogans, insignia and copyrights as Skyline has adopted and designated for use in connection with the Skyline System and as may hereafter be developed or designated for use in connection with the Skyline System (all of which are hereafter referred to as the "Marks"); and

WHEREAS, Skyline has established a high reputation and a positive image with the public as to the uniform quality of products and services available at Skyline Chili restaurants which reputation and image have been, and continue to be, unique benefits to Skyline and its franchisees; and

WHEREAS, Area Franchisee recognizes the benefits to be derived from being identified with and licensed by Skyline and being able to utilize the Skyline System for operation of franchised restaurants which are distinguished to the public by use of the Skyline Marks and logo which are made available by Skyline to its franchisees; and

WHEREAS, Area Franchisee desires to obtain the right to construct and operate Skyline Chili restaurants within the Development Area (as hereinafter defined) upon sites selected by Area Franchisee and approved by Skyline and upon such approval by Skyline to enter into individual Franchise Agreements with Skyline to operate Skyline Chili restaurants upon those sites all subject to the terms and conditions set forth within the individual Franchise Agreement applicable to each such Restaurant; and

WHEREAS, Area Franchisee recognizes the value in and the necessity for insuring the controlled development of Skyline Chili restaurants within the Development Area and in maintaining Skyline's high uniform standards of quality and service and to protect the good will and public image of the Skyline System and Marks.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, the parties hereby agree as follows:

1. GRANT OF EXCLUSIVE DEVELOPMENT AREA

(a) Subject to the terms and conditions of this Skyline Chili, LLC Area Franchise Agreement (hereinafter the "Agreement"), Skyline hereby grants to the Area Franchisee the exclusive development rights for ___________ (___) Skyline Chili restaurants to be constructed, opened and operated within the geographic area described on ***Exhibit A***, attached hereto and incorporated herein by reference (hereinafter the "Development Area"). Nothing in this Agreement shall be interpreted to imply any representation or warranty that Skyline will limit the number of restaurants to be located in the Development Area to the number set forth herein after the expiration of this Agreement. Area Franchisee acknowledges and agrees that the exclusive territory granted under each individual Skyline Chili, LLC Franchise Agreement will vary as to the size of such exclusive territory, and Area Franchisee hereby consents to whatever size exclusive territory that Skyline shall designate for any particular Skyline Chili restaurant opened by Area Franchisee within the Development Area.

(b) Area Franchisee agrees to open for business Skyline Chili restaurants within the Development Area in accordance with the development and performance schedule set forth on ***Exhibit B***, attached hereto and incorporated herein by reference (hereinafter referred to as the "Performance Schedule").

2. TERM OF AGREEMENT

Unless sooner terminated in accordance with the terms and conditions of this Agreement, the term of this Agreement and all development rights granted under this Agreement shall expire on the date that the last Skyline Chili restaurant required to be opened pursuant to the Performance Schedule set forth in Subsection 1(b) hereof is open for business.

3. RENEWAL

This Agreement shall not be subject to renewal.

4. PAYMENTS

In consideration of the granting of such exclusive development rights to Area Franchisee, Area Franchisee shall pay to Skyline, upon the execution of this Agreement, a development fee of ___________________________________ ($________) (the "Development Fee"). In addition to the Development Fee, Area Franchisee shall also pay to Skyline such initial franchisee fees, continuing license fees and other fees in such amounts as are required under the then standard Skyline Chili, LLC Franchise Agreements executed for each individual Skyline Chili restaurant opened and operated by Area Franchisee pursuant to this Agreement. Area Franchisee hereby acknowledges and agrees that the payment of such Development Fee to Skyline is strictly and only in consideration of the granting of such exclusive development rights to Area Franchisee.

5. LIMITATION OF DEVELOPMENT AND OTHER RIGHTS

Area Franchisee acknowledges and agrees as follows:

(a) This Agreement grants to Area Franchisee only the right to select sites for opening and operating Skyline Chili restaurants and to submit the same to Skyline for its approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license or franchise by Skyline to Area Franchisee or any rights to use the Skyline System or Marks or to open or operate any Skyline Chili restaurant within the Development Area. Area Franchisee shall obtain the franchise to use those additional rights at each Skyline Chili restaurant location upon the execution of each individual Skyline Chili, LLC Franchise Agreement by both Area Franchisee and Skyline and only in accordance with the terms of each such individual Skyline Chili, LLC Franchise Agreement.

(b) The development rights granted hereunder are personal to Area Franchisee and cannot be sold, assigned, transferred or encumbered in whole or in part except as specifically provided under the terms of this Agreement.

(c) In the adoption of a corporate, partnership or other business name, Area Franchisee shall not use any of the Marks or any variations or abbreviations or any words confusingly similar to the Marks. Notwithstanding the preceding, Skyline will permit Area Franchisee to use the word "Skyline" or the word "Chili", but not both, in connection with the adoption of a corporate, partnership or other business name (e.g. "Centerville Skyline, Inc." or "Centerville Chili, LLC" but not "Centerville Skyline Chili, LLC"), provided that if Area Franchisee uses the word "Skyline" as part of its corporate, partnership or other business name, it shall file with the appropriate agencies to change its business name and cease any further use of the word "Skyline" in its business name upon termination of this Agreement.

(d) Except as provided in Section 1 hereof, the development rights granted hereunder are non-exclusive and relate solely to the development of one or more Skyline Chili restaurants within the Development Area. Nothing in this Agreement prohibits Skyline from developing, marketing, selling, distributing or licensing others to sell its products within the Development Area through outlets other than Skyline Chili restaurants. For purposes hereof, a Skyline Chili restaurant is defined as an enclosed restaurant at least one thousand (1,000) square feet in size with seating for at least 30 customers, accessible to the general public with a direct outside entrance and exterior signage, operating under the Skyline Marks, and serving at least half of the menu items then specified by Skyline for sale at a Skyline Chili restaurant. Skyline and Area Franchisee understand and agree that regardless of anything to the contrary in this Agreement, Skyline shall have the right to do the following within the Development Area without notice to, the consent of, or any compensation to Area Franchisee (and to license or otherwise authorize others to do the same):

(1) Skyline may advertise the Skyline System and Skyline products, and, on a non-exclusive basis, solicit and fulfill customer orders, including providing catering and delivery services. Nothing in this Agreement is intended to prohibit the solicitation and fulfillment of customer orders by Skyline and/or any other franchisee of Skyline within Area Franchisee's Development Area, including providing catering and delivery services.

(2) Skyline may sell, or Skyline may authorize others to sell, all Skyline products through channels of distribution other than Skyline Chili restaurants (including grocery stores, convenience stores, internet sales and catalog sales), which products, services and merchandise may be similar or identical to those offered by Skyline Chili restaurants. Area Franchisee acknowledges that Skyline markets and sells and/or authorizes others to market and sell Skyline branded products

(including secret recipe chili products) and other non-Skyline branded products through grocery stores and other retail outlets which may be located within or outside the Development Area.

(3) Skyline may sell products, services and merchandise that are not similar to those offered under the then-current Skyline System or at the Skyline Chili restaurants, under the Skyline name and Marks or other names and marks within or outside the Development Area.

(4) Skyline may sell products, services and merchandise that are similar to those offered under the then-current Skyline System or at the Skyline Chili restaurants, under other names and marks within or outside the Development Area.

(5) Skyline may establish and operate, and grant licenses for the establishment and operation of, "Non-traditional Locations" for the sale of Skyline products, which may be similar or identical to those offered by Skyline Chili restaurants, within Area Franchisee's Development Area. Non-traditional Locations are defined as either permanent (including without limitation a facility which meets the definition of a Skyline Chili restaurant as set forth above) or temporary (including without limitation booths, kiosks and carts) food service facilities located in: (i) enclosed shopping malls larger than 250,000 square feet; (ii) food courts; (iii) airports; (iv) hotels; (v) cafeterias (whether open to the public or not); (vi) hospitals; (vii) commissaries; (viii) dormitories; (ix) schools, colleges and universities; (x) convention centers; (xi) parks; (xii) stadiums; (xiii) arenas; (xiv) ballparks; (xv) sports fields (xvi) museums; (xvii) amusement or theme parks; (xviii) zoos; (xix) business or industry parks; and (xx) highway travel plazas. Non-traditional Locations shall also include the sale of Skyline products at parades, fairs, concerts, festivals or other mass gatherings. Provided Area Franchisee is not in default of this Agreement, Skyline shall give Area Franchisee the right of first refusal to establish and operate a potential Non-traditional Location within Area Franchisee's Development Area, except for Non-traditional Locations in which the right to operate such location has been granted to a third party by the owner or operator of the Non-traditional Location (e.g. arenas, ballparks or stadiums in which a one or more institutional food service vendors have contractual rights to service the entire facility or universities or business cafeterias serviced by institutional food service vendors such as Aramark Services, Inc., Sodexho America, LLC and similar institutional food service vendors). For those Non-traditional Locations at which a third party has been granted exclusive rights, Area Franchisee shall not have a right of first refusal and Skyline will be free to enter into an agreement for the sale of Skyline products with the third party having rights to such Non-traditional Location. Skyline will notify Area Franchisee in writing of its intent to sell Skyline products at any Non-traditional Location subject to Area Franchisee's right of first refusal. Area Franchisee will have thirty (30) days after receipt of such notice to advise Skyline in writing that Area Franchisee desires to exercise its right of first refusal to operate such location. In the event that Area Franchisee exercises its right of first refusal, Area Franchisee shall enter into Skyline's then standard form Franchise Agreement for the Non-traditional Location, subject to such modifications as Skyline may determine are necessary due to specific nature of the Non-traditional Location. Area Franchisee will take such further actions as are necessary to open for business at the Non-traditional Location within the time frame reasonably specified by Skyline. If Area Franchisee fails to provide written notice of its exercise of its right of first refusal within the thirty day period, or if Area Franchisee fails to execute a Franchise Agreement and open for business at the Non-traditional Location within the time frame specified by Skyline, then Area Franchisee's right of first refusal shall lapse and be of no further force and effect with respect to the Non-traditional Location

and Skyline shall have the right to establish and operate, or grant a license to a third party to establish and operate the particular Non-traditional Location.

(e) Upon the expiration or earlier termination of this Agreement for any reason, Skyline may, in its sole discretion, establish or operate, or authorize any other person or entity to establish or operate, one or more Skyline Chili restaurants within the Development Area, or conduct any other activity, except as may be prohibited by any other agreement between Skyline and Area Franchisee.

(f) Because complete and detailed uniformity under many varying conditions may not be possible or practicable, Skyline specifically reserves the right and privilege, at its discretion, to vary standards for any franchisee based upon the peculiarities of a particular site or locale or circumstance, density of population, business potential, population of trade area, existing business practices in such locale or any other condition which Skyline deems to be important to the successful operation of any franchise to be granted for the operation of a Skyline Chili restaurant. Area Franchisee acknowledges that such variations may be required by Skyline from time to time and further that such variations may be allowed to other individual or area franchisees under the same or different circumstances and yet not be allowed to Area Franchisee, all in Skyline's discretion.

(g) Area Franchisee's rights hereunder shall be subject to the rights of any existing Skyline Chili franchisees in the Development Area, including without limitation, the protected territories granted to any such franchisees. Area Franchisee's rights hereunder shall further be subject to Skyline's right to maintain any existing Skyline Chili restaurants owned by Skyline within the Development Area and to assign protected territories to any existing Skyline Chili restaurants it owns in the Franchise Area. Skyline may, without the agreement or consent of Area Franchisee, relocate or permit the relocation of any existing Skyline Chili restaurant owned by Skyline or licensed by an existing Skyline Chili franchisee from one location within the Development Area to another location within the Development Area, provided that such relocation does not violate the protected territory (denominated as the "Assigned Restaurant Area" under the current form of Skyline Chili, LLC Franchise Agreement) of a Skyline Chili restaurant owned by Area Franchisee.

(h) Area Franchisee acknowledges and agrees that the ownership of all right, title and interest in and to the Skyline System, the Marks and the design, decor and image of Skyline Chili Restaurants is and shall remain vested solely in Skyline and Area Franchisee disclaims any right or interest therein or the goodwill derived therefrom.

(i) Area Franchisee will not directly or indirectly at any time during the term of this Agreement or thereafter do or cause to be done any act or thing disputing, attacking or in any way impairing or tending to impair Skyline's right, title or interest in the Marks or the Skyline System. Area Franchisee shall immediately notify Skyline of all infringements or imitations of the Skyline Marks which come to its attention. Skyline shall exercise absolute discretion in deciding what action, if any, should be taken. Area Franchisee agrees to cooperate in the prosecution of any action to prevent the infringement, imitation, illegal use or misuse of the Marks and agrees to be named as a party in any such action if so requested by Skyline. Skyline agrees to bear reasonable legal expenses incidental to Area Franchisee's participation in such action if undertaken by Skyline, except for the cost of Area Franchisee's personal legal counsel if Area Franchisee elects to be represented by counsel of its own choosing.

(j) Area Franchisee acknowledges the uniqueness of the Skyline System, and Skyline's Secret Recipe Products, procedures, menus, strategies and materials and that Skyline is making its knowledge, know-how and expertise available to Area Franchisee only for the purposes of developing and operating Skyline Chili restaurants within the Development Area. Area Franchisee agrees that it would be an unfair method of competition to use or duplicate any of the knowledge, know-how and expertise received from Skyline for any use other than for the operation of Skyline Chili restaurants.

6. SERVICES BY SKYLINE

Skyline agrees to use its best efforts to maintain the excellent reputation of all Skyline Chili restaurants and in connection therewith, to make available to Franchisee during the term of this Agreement the following:

(a) Such standard prototype plans, specifications and interior layouts of the structures, equipment, furnishings, decor and signs identified with the Skyline System as Skyline makes available to all area franchisees from time to time.

(b) Initial training in the Skyline System, standard methods, procedures and techniques that are utilized in implementing the Skyline System. Such initial training shall be available to Area Franchisee (and/or to the individual(s) responsible for the day-to-day management of the Skyline Chili restaurants owned and operated by Area Franchisee pursuant to the individual Franchise Agreement(s)) at such times and places and under the terms and conditions Skyline may designate from time to time for its training program in its sole discretion, or as otherwise designated in any individual Franchise Agreement for a specific restaurant.

(c) The use of such confidential documentation, site selection criteria and/or training aids that may be made available to all area franchisee by Skyline from time to time in its discretion.

(d) Such periodic continuing individual or group advice, consultation and assistance rendered by personal visit or otherwise, which is made available from time to time to all area franchisees of Skyline or as Skyline may deem necessary or appropriate.

(e) Such bulletins, brochures and reports as may from time to time be published by Skyline regarding its plans, policies, research developments and activities regarding development of Skyline Chili restaurants.

(f) Such other resources and assistance as may hereafter be developed and offered to all existing area franchisees by Skyline from time to time.

7. SITE SELECTION

(a) Area Franchisee agrees to submit for review and approval by Skyline a completed Skyline Submittal Form (the form of Site Submittal Form in effect as of the date of this Agreement is attached hereto as ***Exhibit C***, but Skyline reserves the right to amend this form and the information to be provided with respect to a prospective Skyline Chili restaurant site from time to time) for each proposed Skyline Chili restaurant site within the Development Area. Skyline shall review the proposed site in light of its standard site selection criteria and shall conduct such other investigation of the proposed site as it determines may be necessary to properly evaluate the site, which site selection criteria may include an analysis of the impact of the proposed Skyline Chili restaurant site on existing Skyline Chili restaurants and the rights of existing franchisees, if any. Skyline shall either accept or reject the site by written notice to Area Franchisee.

(b) Area Franchisee hereby acknowledges and understands that the only manner in which any proposed restaurant site can be approved by Skyline is by written acceptance on Skyline's Site Submittal Form or by execution and delivery of a fully executed individual Franchise Agreement for the site location and any other representations or purported approvals or acceptances, whether oral or written, by any officer, employee or agent of Skyline shall be of no effect. Area Franchisee further acknowledges and agrees that neither Skyline's approval of, nor its assistance in the selection of, any site constitutes a representation, warranty or guarantee by Skyline that the site will be a successful location for the proposed Skyline Chili restaurant, and Franchisee expressly assumes all risks concerning such matters.

(c) Skyline reserves the right to revoke any site approval granted at any time prior to actual commencement of construction upon such site, if additional facts or factors affecting such site become known to Skyline subsequent to the time Skyline originally approves such site that, in Skyline's reasonable opinion, have a material adverse impact upon the suitability of such site for development of the Skyline Chili restaurant. Nothing contained in this Section shall imply an obligation on the part of Skyline to continually evaluate and study sites proposed by Area Franchisee.

8. INDIVIDUAL FRANCHISE AGREEMENT

Upon acceptance of Area Franchisee's proposed restaurant site, Skyline shall forward an individual Franchise Agreement applicable to the proposed restaurant site to Area Franchisee, and Area Franchisee shall execute the Franchise Agreement and return it to Skyline along with the initial franchise fee provided under the terms of the individual Franchise Agreement, within seven (7) days after receipt. The Franchise Agreement shall be the standard form of Franchise Agreement then being executed by franchisees of Skyline in the state in which the proposed restaurant site is located. In the event that Skyline does not receive the properly executed Franchise Agreement and initial franchise fee within the seven (7) day period, Skyline's acceptance of the site as provided in Section 7 above shall, at Skyline's option, be void and Area Franchisee shall have no rights with respect to said site thereafter. Upon Skyline's receipt of the signed Franchise Agreement in Cincinnati, Ohio, Skyline shall execute the Franchise Agreement and return a fully executed copy thereof to the Area Franchisee. The Area Franchisee specifically understands that no Franchise Agreement shall be effective until it is executed by Skyline in Cincinnati, Ohio and that Area Franchisee shall not begin work at the approved site until it receives the executed Franchise Agreement from Skyline.

9. INDEMNIFICATION

Area Franchisee shall, at its own cost and expense, indemnify, defend (using legal counsel and other advisors selected by Skyline) or at Skyline's option reimburse Skyline for the defense of, and hold Skyline, its parents, subsidiaries, affiliates and their respective shareholders, directors, officers, employees and agents and the respective heirs, successors and assigns of all of the foregoing (the "Skyline Entities") harmless from and against any and all losses, costs, expenses, liabilities or damages the Skyline Entities, either jointly or separately, may incur, including reasonable attorneys' and advisors' fees, as a result of any claims, demands, costs or judgments of any kind or nature by anyone whomsoever arising out of or otherwise connected with this Agreement or the operation or ownership of any Restaurant by the Area Franchisee pursuant hereto, except such losses, expenses, liability or damage arising from or through a default by Skyline or failure by Skyline to perform its obligations under the terms of this Agreement. In furtherance of the foregoing, upon receipt of notice of a claim for indemnity hereunder, Area Franchisee shall, at the election of Skyline, either: (i) provide a defense to the Skyline Entities using legal counsel and other advisors selected by Skyline; or (ii) reimburse Skyline on a current basis for all of Skyline's costs and expenses incurred in defending such claim, including without limitation, attorneys' and advisors' fees and costs. In addition, Area Franchisee shall, in either case, reimburse Skyline on a current basis for all of Skyline's costs and expenses incurred in investigating any such claim. The entire cost and liability of defending Skyline and resolving any claim for which Skyline is entitled to indemnification hereunder shall be at Area Franchisee's sole cost and expense. Area Franchisee shall not enter into any settlement of any claim against Skyline without the prior written consent of Skyline. Skyline shall cooperate with Area Franchisee to protect Area Franchisee against the infringement of the Skyline System and Marks by a third party, including but not limited to the defense or prosecution of any lawsuits if such action is deemed to be necessary or advisable in the judgment of Skyline's legal counsel.

10. CONDITIONS AND LIMITATIONS UPON ASSIGNMENT

(a) Area Franchisee shall neither sell, assign, transfer or encumber this Agreement or any part thereof, or any other interests hereunder, nor suffer or permit any such sale, assignment, transfer, or encumbrance to occur by operation of law or otherwise, without the prior written consent of Skyline. If Area Franchisee is a corporation, partnership, limited liability company, limited liability partnership, unincorporated association or similar entity, the terms of this Section shall be deemed to apply to any sale, resale, pledge, assignment, transfer or encumbrance of the voting stock of, or other ownership interest in the Area Franchisee, which would alone or together with other related, previous, simultaneous or proposed transfers, result in a change of "control" of Area Franchisee within the meaning of the Securities and Exchange Act of 1934 and the regulations thereunder. Area Franchisee acknowledges and agrees that the purpose of this Section 10 is to insure that the control and operation of the Area Franchisee shall remain with the original holder or holders of ownership interests in the Area Franchisee and that Skyline's grant of this Agreement to Area Franchisee is based upon the present individual(s) or entities holding stock or ownership interests in the Area Franchisee and that any change in control of the Area Franchisee without the prior written consent of Skyline shall be grounds for Skyline to terminate this Agreement.

(b) In the event of death, disability or permanent incapacity of Area Franchisee or any shareholder of Area Franchisee (or any individual who shall have an ownership interest in Area Franchisee), Skyline shall not unreasonably withhold its consent to the transfer (by will, operation of law or contract) of all of the interest in the Area Franchisee which any such individual shall have to other shareholders or individuals who have an ownership interest in the Area Franchisee, or to his or her respective spouse, heirs or relatives, by blood or marriage, or to trusts for their benefit, provided that the requirements of Subsection (e) hereof are met. In the event that Area Franchisee's heirs or the heirs of an individual who was a shareholder or had an ownership interest in the Area Franchisee do not obtain the consent of Skyline as prescribed herein, the personal representative of such individual shall have a reasonable time to dispose of such interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

(c) If Area Franchisee receives or desires to accept a bona fide written offer from an independent third party for the purchase of Area Franchisee, or Area Franchisee's interest in this Agreement, Skyline (or a person or entity designated by Skyline) shall have the option, exercisable within thirty (30) days after receipt of written notice and a copy of such offer and other information set forth in this Subsection, to purchase such business, development rights and interest in this Agreement which Area Franchisee may possess on the same terms and conditions as offered by said independent third party. Notwithstanding the preceding, Skyline shall have the right to pay the designated purchase price in cash and shall further be entitled to require Area Franchisee to give such written representations and warranties as are customary in connection with the sale of a similar type of business in the Development Area. In order that Skyline may have information sufficient to enable it to determine whether to exercise this right of first refusal, Area Franchisee shall deliver to Skyline annual financial statements as of the end of the Area Franchisee's most recent fiscal year, and interim financial statements up to the date of such offer, certified as being accurate and a fair presentation by Area Franchisee's President or Chief Financial Officer, and such other information about the business and operations of Area Franchisee as Skyline shall deem reasonably necessary. If Skyline does not exercise its option, Area Franchisee may, within thirty (30) days from the expiration of the right of first refusal period, sell, assign and transfer its business, or interest in this Agreement to said independent third party provided Skyline has consented to such transfer as required by this Section 10. Any material change in the terms of said offer prior to the closing of the sale to such independent third party shall constitute a new offer subject to the same rights of first refusal by Skyline or its designee as in the case of an initial offer. Failure of Skyline to exercise the purchase rights afforded hereunder shall not constitute a waiver of any other provisions of this Agreement, including all the requirements of this Section with respect to the proposed transfer.

(d) In the event Area Franchisee or its successor is a corporation, partnership (general or limited), limited liability company, limited liability partnership or similar entity, the Articles of Incorporation (Charter) and Code of Regulations (Bylaws), the Partnership Agreement, the Operating Agreement or similar governing document(s), and the certificates representing the shares or other ownership interests in the entity, shall reflect that the issuance and transfer of voting stock or other ownership interests therein ("securities") is restricted by the terms of this Agreement. Area Franchisee shall furnish Skyline, at the time of execution of this Agreement or assignment to the corporation, partnership or other entity, an agreement executed by all the shareholders, partners, members or owners of the Area Franchisee, stating that no stockholder, member, partner or owner will sell, assign or transfer, either voluntarily or by operation of law, any securities of the Area Franchisee to any person or entity without the prior written consent of Skyline.

(e) Skyline agrees not to unreasonably withhold its consent to a sale, assignment or transfer by Area Franchisee of the Area Franchisee or Area Franchisee's interest in this Agreement. Consent to such transfer otherwise permitted or permissible may be refused unless:

(1) All obligations of the Area Franchisee created by this Agreement and all other Franchise documents and the relationship created hereunder are assumed by the transferee ("Transferee").

(2) All ascertained or liquidated debts of Area Franchisee to Skyline and its affiliates are paid.

(3) Area Franchisee is not in default under this Agreement or any amendments hereto or any other agreements with Skyline or its affiliates.

(4) Transferee satisfactorily completes the training required of new area franchisees, if any, upon Skyline's then current terms prior to the date of transfer.

(5) Area Franchisee satisfies Skyline that the Transferee meets all the requirements of Skyline for new area franchisees including, but not limited to, good reputation and character, business acumen, operational ability, financial strength and other business considerations.

(6) Transferee executes, or in appropriate circumstances causes all necessary parties to execute, Skyline's then standard form Area Franchise Agreement for the Development Area and such other then current ancillary agreements then being required by Skyline of new area franchisees as of the date of transfer.

(7) Area Franchisee executes a general release in form satisfactory to Skyline of any and all claims against Skyline.

(8) Area Franchisee pays to Skyline a transfer fee of Five Thousand ($5,000.00) Dollars or such higher amount as Skyline then charges all of its area franchisees similarly situated. Said transfer fee is to be paid at the time the request is submitted for transfer in accordance with this Section and said fee is not refundable regardless of whether Skyline consents to the transfer or waiver of any requirements is granted.

(f) This Agreement shall inure to the benefit of Skyline, its successors and assigns, and Skyline shall have the right to transfer, assign, pledge or collaterally assign all or any part of its interest herein to any person or legal entity.

11. NON-COMPETITION

Area Franchisee, its owners and any other persons controlling, controlled by or under common control with Area Franchisee will not, without Skyline's prior written consent, have any interest, direct or indirect, in the ownership or operation of any restaurant engaged in the sale of chili and related products or which is otherwise similar to Skyline in appearance or products sold during the term of this Agreement and for a period of one (1) year following termination of this Agreement, except pursuant to franchise agreements with Skyline. In addition, Area Franchisee shall not, during the term of this Agreement or thereafter, use in connection with the operation of any restaurant wherever located, any of the Marks or any names, marks, systems, insignia or symbols which are licensed hereunder or cause or permit any such restaurant to look like, copy or imitate any Skyline Chili restaurant or to be operated in any manner tending to have such an effect.

12. CONFIDENTIALITY

(a) The term "Confidential Information" shall mean the Skyline System and all parts thereof, including without limitation any confidential manuals provided to Area Franchisee by Skyline (the

"Confidential Manuals"), and all information that Skyline, its representatives, agents or advisors has delivered, is delivering or will deliver to Area Franchisee, its owners and any other persons controlling, controlled by or under common control with Area Franchisee, or their respective accountants, attorneys or advisors (the "Franchisee Recipients"), that: (i) in whatever format (tangible, intangible, oral, visual, electronic, etc.), concerns Skyline, its assets, properties, liabilities, finances, financial condition, financial projections, customers, potential customers, products, suppliers, agreements with third parties, know-how, data, processes, techniques, technology, programs, pricing plans, marketing plans, trade methods, business plans and the like that is not publicly available and the use or disclosure of which would harm Skyline's business or competitive position, regardless of whether such information is marked as confidential or not and with respect to intangible, oral or visual information, regardless of whether the confidential nature of such information is confirmed in writing; or, (ii) in written, recorded, photographic, machine readable or other physical form is marked or labeled as "Confidential"; or, (iii) subject to Section 12(a)(i) above, in oral or visual form is identified at the time of such oral or visual disclosure as Confidential Information and the confidential nature of such disclosure is confirmed in writing as soon as practicable thereafter; or, (iv) Franchisee Recipients know is of a confidential nature.

(b) Confidential Information does not include information that: (i) is or becomes generally available to the public other than as a result of a prohibited disclosure by Franchisee Recipients; (ii) was lawfully available to Franchisee Recipients on a non-confidential basis prior to disclosure to Franchisee Recipients by Skyline, its representatives, agents or advisors; (iii) becomes available to Franchisee Recipients on a non-confidential basis from a source other than Skyline, its representatives, agents or advisors, provided that such source is not bound by a confidentiality or similar agreement relating to the information with Skyline, its representatives, agents or advisors and is not otherwise prohibited from transmitting the information to Franchisee Recipients by a contractual, legal or fiduciary obligation; (iv) is independently developed by Franchisee Recipients; or (v) is approved for release by Skyline.

(c) Confidential Information shall be held by Franchisee Recipients in the strictest confidence and secrecy. Franchisee Recipients shall use at least the same degree of care to avoid inadvertent disclosure or unpermitted use of the Confidential Information that it employs with respect to its own proprietary or confidential information that it does not wish to have disclosed, but in no event less than reasonable care. Franchisee Recipients shall use the Confidential Information only for the purpose of developing Skyline Chili restaurants within the Development Area under the terms of this Agreement or for the operation of Skyline Chili restaurants within the Development Area under the terms of individual Franchise Agreements from Skyline (the "Permitted Purpose") and shall not use, or permit the use of, the Confidential Information for any other purpose without the prior written consent of Skyline or in any manner that would constitute a violation of federal or state securities laws. Area Franchisee acknowledges and agrees that the Skyline System is a technologically advanced program of accounting, identification schemes, management systems, techniques and business operation plans that would, if used by other persons, corporations or entities, give such other persons, corporations or entities a substantial competitive advantage which is presently enjoyed by Skyline. Except as provided below, Franchisee Recipients shall not disclose the Confidential Information to any other person. The Franchisee Recipients may disclose the Confidential Information among themselves (i.e. among Area Franchisee, persons controlling, controlled by or under common control with Area Franchisee, or their respective accountants, attorneys or advisors) and to Area Franchisee's directors, officers and employees, provided that each such person: (i) reasonably has need to have access to the Confidential Information for the Permitted Purpose; (ii) is instructed by the Franchisee Recipients not to further disclose the Confidential Information to any person; (iii) will not use such Confidential Information for any purpose other than the Permitted Purpose; and, (iv) is advised of the terms and conditions of this Agreement and agrees to be bound by the such terms and conditions as if he or she were a party hereto.

(d) If Franchisee Recipients are required (by oral question, interrogatories, requests for information or documents, subpoena, court order, civil investigation, demand or similar process) to disclose any Confidential Information, they will, unless prohibited by law, provide Skyline with prompt notice of such request(s) so that Skyline may seek an appropriate protective order. In the event that such a protective order or other appropriate remedy to prevent such disclosure is not obtained, Franchisee Recipients may disclose only that portion of the Confidential Information (and only to those persons) which is legally required and Franchisee Recipients agree to fully cooperate with Skyline, at Skyline's sole cost and expense, in securing assurances that the disclosed Confidential Information will be accorded confidential treatment.

(e) Area Franchisee agrees that the Confidential Information, including without limitation, the Confidential Manuals and any other material designated for use with the Skyline System, delivered to Franchisee Recipients by Skyline, shall at all times be deemed to be and shall remain the sole property of Skyline and Area Franchisee agrees that it shall acquire no right, title or interest therein by virtue of its authorization to use such information pursuant to this Agreement.

13. DEFAULT AND TERMINATION OF AREA DEVELOPMENT AGREEMENT

(a) The occurrence of any of the following events shall constitute a default under this Agreement and shall give Skyline the right to terminate this Agreement:

(1) If Area Franchisee shall fail to meet the Performance Schedule set forth in Section 1 of this Agreement in any respect or for any reason;

(2) If Area Franchisee shall misuse the Skyline System or Marks or any other names, marks, systems, insignia, symbols or rights provided by Skyline to Area Franchisee, or otherwise materially impair the goodwill associated therewith or Skyline's rights therein.

(3) If Area Franchisee or persons controlling, controlled by or under common control with Area Franchisee shall have any interest, direct or indirect, in the ownership or operation of any restaurant engaged in the sale of chili or related products or which is otherwise similar to Skyline Chili Restaurants in appearance or products sold prohibited by Section 11 hereof, or in any restaurant which looks like, copies or imitates any Skyline Chili Restaurant or operates in a manner tending to have such effect other than in accordance with Section 11 hereof.

(4) If Area Franchisee shall fail to remit any payments when due to Skyline or to any subsidiary, affiliate or designee of Skyline.

(5) If Area Franchisee shall fail to submit to Skyline the financial or other information required under this Agreement.

(6) If Area Franchisee shall attempt to effect any sale, assignment, transfer or encumbrance other than in accordance with Section 10 hereof.

(7) If Area Franchisee fails to obtain Skyline's prior written approval or consent as expressly required under the provisions of this Agreement.

(8) If Area Franchisee defaults in the performance of any other obligation under this Agreement.

(9) If Area Franchisee defaults in the performance of any obligation under any other agreement between Area Franchisee and Skyline, its subsidiaries or affiliates, including without limitation an individual franchise agreement for a Skyline Chili restaurant, regardless of whether or not such other agreement has been terminated as a result of such default.

(10) If Area Franchisee makes or has made any misrepresentation to Skyline in connection with obtaining this Agreement or in developing Skyline Chili restaurants hereunder.

(11) If Area Franchisee knowingly maintains false books or records, or submits any false reports to Skyline.

(12) If Area Franchisee or any person controlling, controlled by or under common control with Area Franchisee shall become insolvent by reason of inability to pay its debts as they mature; shall be adjudicated a bankrupt; shall file or have filed against it a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; or if a receiver, permanent or temporary, of the business assets or property of Area Franchisee or any such person or any part thereof is appointed by any court of competent authority; or if Area Franchisee or any such person requests the appointment of a receiver or makes a general assignment for the benefit of creditors; or if a final judgment against Area Franchisee or any other such person in the amount of Ten Thousand ($10,000.00) Dollars or more remains unsatisfied for thirty (30) days or longer; or if the bank accounts, property or receivables of Area Franchisee or any such person are attached and such attachment proceedings are not dismissed within a thirty (30) day period; or if execution is levied against the business or property of Area Franchisee or any such person; or if suit to foreclose any lien or mortgage against the Restaurant, the premises thereof or equipment thereon is instituted and not dismissed within thirty (30) days.

(13) If Area Franchisee or any person controlling, controlled by or under common control with Area Franchisee shall be convicted of, or enter a plea of no contest to: a felony; a crime involving moral turpitude; or, any other crime or offense that Skyline believes is reasonably likely to have an adverse effect on the Skyline System, the Marks, the goodwill associated therewith or Skyline's interest therein.

(14) If Area Franchisee shall sell or distribute, or permit to be sold or distributed, a product purported to be or otherwise held out to the customers of any Skyline Chili restaurant owned or operated by Area Franchisee or the general public to be a "Secret Recipe Product" (i.e. secret recipe chili or other secret recipe products that are or may be manufactured and marketed solely by Skyline or its designated distributor(s) for use in connection with Skyline Chili restaurants) that is not a Secret Recipe Product purchased from Skyline or its designated distributors (e.g. the use in any

Skyline Chili restaurant owned or operated by Area Franchisee of chili other than genuine Skyline secret recipe chili purchased from Skyline or its designated distributors).

(15) If Area Franchisee shall adulterate any Secret Recipe Product used, sold or distributed, or permit the adulteration of any Secret Recipe Product used, sold or distributed in connection with any Skyline Chili restaurant owned or operated by Area Franchisee, by the addition to or deletion from the Secret Recipe Product of any spice, ingredient or other item, other than in accordance with the Confidential Manuals or other written directions from Skyline, or otherwise (e.g. the use in any Skyline Chili restaurant owned or operated by Area Franchisee of genuine Skyline secret recipe chili that has been mixed with other non-Skyline chili or to which additional spices have been added).

(16) If an immediate threat or danger to public health or safety results from the construction, maintenance or operation of the Restaurant.

(b) Upon the occurrence of any of the events of default as set forth in this Section 13, Skyline may, without prejudice to any other rights or remedies contained in this Agreement or as provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice is given to Area Franchisee by Skyline of any of the events of default set forth in Subsections 13(a)(1) through 13(a)(9) above, if such defaults are not cured within such thirty (30) day period. Provided, however, that notwithstanding the preceding sentence, if Skyline has sent two (2) or more prior notices of default to Franchisee during any consecutive twelve (12) month period, whether for the same or different defaults, then Skyline may terminate this Agreement effective immediately upon sending of notice thereof by Skyline, without opportunity to cure. Provided further, that termination shall be effective immediately upon sending of notice thereof by Skyline upon the occurrence of any of the events of default as specified in Subsections 13(a)(10) through 13(a)(16) above, without opportunity to cure.

(c) Upon termination of this Agreement for any reason or upon expiration of the term hereof, Area Franchisee agrees as follows:

(1) To cease immediately any attempts to select or develop sites upon which to open Skyline Chili restaurants; and

(2) Unless used by Area Franchisee in connection with the operation of an individual Skyline Chili restaurant, to cease any use of the word “Skyline” as provided in Section 5(c), above.

(3) To cease immediately to hold itself out in any way as an area franchisee of Skyline or to do anything which would indicate any relationship between it and Skyline except to the extent permitted pursuant to Subsection (e) below.

(d) In the event of the termination of this Agreement:

(1) Skyline shall have the right to grant development rights for the opening and operation of one or more additional Skyline Chili restaurants within the Development Area to any other person or entity or Skyline itself may elect to develop and operate such additional restaurants; and

(2) Skyline shall be entitled to retain all amounts paid by Area Franchisee to Skyline for the grant of this Agreement without any obligation or liability whatsoever to return any part of such payment or payments to Area Franchisee.

(e) The termination of this Agreement shall not affect the right of Area Franchisee to operate Skyline Chili restaurants in accordance with the terms of any individual Franchise Agreements with Skyline until and unless such individual Franchise Agreements or any of them are terminated in accordance with their terms.

(f) In the event of the termination of this Agreement as herein provided, Area Franchisee understands, acknowledges and agrees that all rights of Area Franchisee contained in this Agreement shall be extinguished, including any rights with respect to potential Skyline Chili restaurant locations that have not, at the time of termination, been accepted by Skyline pursuant to Section 7 of this Agreement.

14. RELATIONSHIP OF THE PARTIES

Area Franchisee is an independent contractor and is not an agent, partner, joint venturer or employee of Skyline, and no fiduciary relationship between the parties exists. Area Franchisee shall have no right to bind or obligate Skyline in any way nor shall it represent that it has any right to do so. Other than to require compliance with the terms and conditions of this Agreement and the Confidential Manuals for the purpose of protecting the System, the Marks and the goodwill embodied therein, Skyline shall not exercise control over the time, manner, method or mode of operation of Area Franchisee's business or day-to-day operations. Skyline shall have no control over the engagement, discharge, supervision, training or terms and conditions of employment of Area Franchisee's employees nor shall Skyline in any way supervise, control or direct Area Franchisee's employees. Skyline shall not withhold or in any way be responsible for the payment of any federal, state, or local income or occupational taxes, FICA taxes, FUTA, unemployment compensation, or workers' compensation contributions, vacation pay, sick leave, retirement benefits, or any other fringe benefits or payments for or on behalf of Area Franchisee's employees. All such payments, withholdings and benefits are the sole responsibility of Area Franchisee. Area Franchisee shall be solely responsible for operating its business in compliance with all applicable laws, rules and regulations and shall be solely responsible for any and all claims, demands, actions, costs, expenses or liabilities of any type arising from or in any way related to the operation of Area Franchisee's business or the premises on which Area Franchisee's business is located. In all public records and in all correspondence with other persons on stationery, business forms and checks, Area Franchisee shall indicate its independent ownership of the Restaurant and that it is a Area Franchisee of Skyline. Area Franchisee shall exhibit on the premises in such places as may be designated by Skyline, a notification that any Skyline Chili restaurants operated by Area Franchisee are operated by an independent operator and not by Skyline.

15. THIRD PARTIES

This Agreement is made solely for the benefit of the parties hereto, their permissible successors and assigns, and no other person shall acquire or have any rights under or by virtue of this Agreement.

16. TAXES, PERMITS AND INDEBTEDNESS

Area Franchisee shall pay when due all taxes and accounts and other indebtedness of every kind incurred by Area Franchisee in the conduct of its business under this Agreement. Area Franchisee shall comply with all federal, state and local laws and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of its business under this Agreement.

17. CONSENT OR APPROVAL BY SKYLINE

Whenever this Agreement requires Skyline's prior approval or consent, Area Franchisee shall make a timely written request to Skyline therefor and such approval shall be obtained in writing. Skyline will also consider granting in its sole discretion other reasonable requests individually submitted by Area Franchisee in writing for Skyline's prior waiver of any obligation imposed hereunder. Skyline makes no warranties or guarantees upon which Area Franchisee may rely and assumes no liability or obligation to Area Franchisee by providing any waiver, approval, consent or suggestion to Area Franchisee in connection with this Agreement or by reason of any neglect, delay or denial of any requests therefor. Any waiver granted by Skyline shall be subject to Skyline's continuing review and may subsequently be revoked for any reason effective upon ten (10) days prior written notice to Area Franchisee and shall be without prejudice to any other rights Skyline may have.

18. GOVERNING LAW

This Agreement, after review by Area Franchisee, was accepted by Skyline in Ohio and shall be interpreted and construed under the laws of Ohio as applied to Ohio residents with respect to contracts performed wholly within Ohio, which laws shall prevail in the event of any conflict of law.

19. MEDIATION; ARBITRATION; WAIVER OF JURY; WAIVER OF PUNITIVE DAMAGES; TIME LIMITATION OF ACTIONS

(a) Non-Binding Mediation

(1) All controversies, disputes and claims between Skyline, its, parents, subsidiaries, affiliates, and their respective shareholders, officers, directors, employees and agents (collectively the "Skyline Entities"), or any of them, on the one hand, and Area Franchisee, its parents, subsidiaries, affiliates, owners, partners, officers, directors, employees and agents (collectively the "Franchisee Entities"), or any of them, on the other hand, arising out of or related to this Agreement, the Skyline Chili restaurant(s) owned or operated by Area Franchisee or the business operated by Area Franchisee under this Agreement shall be subject to non-binding mediation pursuant to the terms of this Subsection 19(a). Except as specified in Subsection 19(a)(5), no litigation or arbitration may be commenced between such parties prior to the mediation termination date, as defined in Subsection 19(a)(4), on any claim which is subject to non-binding mediation hereunder, whether or not the mediation has been commenced. The commencement or pendency of litigation or arbitration shall not stay non-binding mediation required hereunder, and non-binding mediation required hereunder shall not stay any litigation or arbitration commenced in conformity with Subsection 19(a)(5). Mediation under this Subsection 19(a) is not intended to alter or suspend the rights or obligations of the parties under this Agreement or to determine the validity or effect of any provision of this Agreement, but is intended to provide the parties with an opportunity to amicably and

expeditiously resolve disputes in a cost-effective manner on mutually acceptable terms and conditions.

(2) The non-binding mediation provided for hereunder shall be commenced by the party demanding mediation (the "complainant") by giving written notice of the demand for mediation (the "demand") to the party with whom mediation is sought (the "respondent"). The demand shall specify with reasonable particularity the matter or matters on which non-binding mediation is being sought. A copy of the demand shall be given by the complainant simultaneously to Skyline if Skyline is not a complainant or a respondent.

(3) Non-binding mediation hereunder shall be conducted by a mediator or mediation program designated by Skyline in writing (the "designation") in Cincinnati, Ohio, or by such mediator as complainant and respondent may otherwise agree to. Skyline shall send the designation to complainant and respondent within a reasonable time after its receipt of the demand.

(4) Non-binding mediation hereunder shall be concluded within sixty (60) days after the giving of the demand or such longer period as may be mutually agreed to in writing by the parties to the mediation (the "mediation termination date"). All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others except as necessary to comply with legal or regulatory requirements, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator and mediation service.

(5) If Area Franchisee is more than thirty (30) days past due in any of its payments to any of the Skyline Entities, none of the Skyline Entities shall be required to seek or to participate in mediation of any matter or dispute under this Subsection 19(a) (although they reserve the right to require mediation), and any of the Skyline Entities shall be free to commence or to pursue arbitration and/or litigation, as permitted hereunder, at any time. None of the Skyline Entities shall be required to seek or to participate in mediation of any matter or dispute relating to: (i) an Event of Default under Section 13(a)(10) through 13(a)(16) hereof, inclusive; or, (ii) the indemnification or insurance provisions of this Agreement (although they reserve the right to require mediation). Nothing in this Subsection 19(a) shall prevent any party from instituting or pursuing litigation at any time to specifically enforce or enjoin the violation of the provisions of Sections 11 and/or 12, preserve the status quo, protect the Marks, protect the health or safety of the public, or avoid irreparable harm.

(b) Binding Arbitration

(1) In the event that the parties have not settled their dispute by the mediation termination date (as defined in Subsection 19(a)(4), above) or in the event that the particular controversy, dispute or claim is not subject to mediation under Subsection 19(a), then, except as otherwise specifically provided herein, all controversies, disputes and claims between the Skyline Entities, or any of them, on the one hand, and the Franchisee Entities, or any of them, on the other hand, arising out of or related to this Agreement, the Skyline Chili restaurant(s) owned or operated by Area Franchisee or the business operated by Area Franchisee under this Agreement shall be determined solely and exclusively by binding arbitration pursuant to the terms of this Subsection 19(b).

(2) Arbitration under this Subsection 19(b) shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Rules") at the American Arbitration Association office located in Cincinnati, Ohio, subject to the following:

(i) A single arbitrator shall be selected by the parties to arbitrate the dispute. If the parties cannot agree on an arbitrator within fifteen (15) business days after filing of a demand for arbitration with the American Arbitration Association, a single arbitrator with experience in franchise law and practice will be chosen pursuant to the Rules. All arbitration proceedings shall be held in Cincinnati, Ohio.

(ii) Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of the provisions of this Subsection 19(b) and the procedures set forth hereunder, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrator. No potential arbitrator may serve unless he or she has agreed in writing to abide and be bound by the procedures set forth herein.

(iii) No discovery will be permitted in connection with the arbitration unless it is expressly authorized by the arbitrator upon a showing of substantial need by the party seeking discovery.

(iv) The arbitrator may not award non-monetary or equitable relief of any sort. The arbitrator shall have no power to award punitive damages or any other damages not measured by the prevailing party's actual damages, and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitrator have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

(v) Notice of arbitration will be made within a reasonable time after the dispute, controversy or claim in question has arisen (or after the mediation termination date); but in no event after the earlier of: the date when institution of legal or equitable proceedings based on such dispute, controversy or claim in question would be barred by the applicable statute of limitations; or, one (1) year after the occurrence of the facts giving rise to such dispute, controversy or claim, except for an action by Skyline for non-payment, violation of Sections 11 and/or 12 hereof, to protect the Marks or under the indemnification or insurance sections of this Agreement, which shall be subject only to the applicable statute of limitations. The parties hereby expressly waive their right to institute or pursue any action beyond the time limits set forth in this Subsection 19(b)(2)(v), whether in arbitration or in any other forum.

(vi) The arbitrator shall have no authority to award attorneys' fees unless they could be awarded by a court deciding the matter in the same jurisdiction. The arbitrator, in his or her discretion, may require that the cost of arbitration be paid by the party against whom the arbitration decision is made or require such other division of the cost of the arbitration as the arbitrator deems appropriate under the circumstances.

(vii) All aspects of the arbitration shall be treated as confidential. Neither the parties nor the arbitrator may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements.

(3) Nothing in this Subsection 19(b) shall prevent any party from instituting or pursuing litigation at any time to specifically enforce or enjoin the violation of the provisions of Sections 11 and/or 12, preserve the status quo, protect the Marks, protect the health or safety of the public, or avoid irreparable harm. None of the Skyline Entities shall be required to seek or to participate in arbitration of any matter or dispute relating to the indemnification or insurance provisions of this Agreement (although they reserve the right to require arbitration).

(4) In the event of a conflict between the Rules and the provisions of this Subsection 18(b), the provisions of this Subsection shall control.

(5) The result of the arbitration will be binding on the parties, and judgment on the arbitrator's award may be entered in any court having jurisdiction.

(c) Waiver of Jury Trial

Skyline and Area Franchisee hereby irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, permitted hereunder.

(d) Waiver of Punitive/Exemplary Damages

Skyline and Area Franchisee hereby waive to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained, whether in arbitration or in any other forum.

(e) Time Limitation for Actions

Except for an action by Skyline for non-payment, violation of the provisions of Sections 11 and/or 12 hereof, to protect the Marks, or under the indemnification or insurance sections of this Agreement, which shall be subject only to the applicable statute of limitations, an action or arbitration on any controversy, dispute or claim between the Skyline Entities, or any of them, on the one hand, and the Franchisee Entities, or any of them, on the other hand, arising out of or related to this Agreement, the Restaurant or the business operated by Area Franchisee under this Agreement shall be commenced before the earlier of: (i) the date when institution of legal or equitable proceedings based on such dispute, controversy or claim in question would be barred by the applicable statute of limitations; or, (ii) one (1) year after the occurrence of the facts giving rise to such controversy, dispute or claim. Except as provided above, any action or arbitration not commenced within the foregoing time period shall be barred.

20. REMEDIES

Except as otherwise provided in this Agreement, the parties hereto reserve all other rights and remedies available to them under the laws and regulations of copyright, patent, trademark, trade secret, and other applicable laws and administrative regulations; provided that nothing herein is intended, nor shall it be construed, to limit the scope or applicability of the arbitration provisions of Section 19. The remedies set forth in this Agreement for the performance of the covenants, terms and conditions contained herein are cumulative and concurrent and: (i) may be pursued singularly or in combination; (ii) may be pursued successively or concurrently; and (iii) may be exercised as often as occasion therefor shall occur. In the event of any breach or threatened breach of this Agreement by Area Franchisee, Skyline shall immediately be entitled to injunctive relief (including a temporary restraining order, preliminary injunction, and specific performance), in addition to any other remedies available to it, without showing or proving actual damage sustained and shall not thereby be deemed to have elected its remedies. It is specifically understood and agreed that Skyline may incur incalculable and irreparable damage from any violation of Sections 5, 11, 12 and 16 and all subsections thereunder, and that Skyline has no adequate remedy at law and is entitled to injunctive relief, including specific performance for any actual or threatened violation.

21. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits and schedules attached hereto, if any, constitute the entire, full and complete Agreement between Skyline and Area Franchisee concerning the subject matter hereof and supersede all prior agreements, if any, no other representation having induced Area Franchisee to execute this Agreement and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein which are of any force or effect with reference to this Agreement or otherwise.

22. AMENDMENT

No amendment, change or variance from this Agreement shall be binding on either party unless in writing executed by both parties.

23. NON-WAIVER

No failure of Skyline to exercise any power or right reserved to it or to insist upon strict compliance by Area Franchisee with any obligation or condition hereunder and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Skyline's right to demand exact compliance with the terms hereof. Waiver by Skyline of any particular default by Area Franchisee shall not affect or impair Skyline's right in respect of any subsequent default of the same or of a different nature nor shall any delay, forbearance or omission of Skyline to exercise any power or rights arising out of any breach or default by Area Franchisee of any of the terms, provisions or covenants hereof affect or impair Skyline's rights nor shall such constitute a waiver by Skyline of any rights hereunder or the rights to declare any subsequent breach or default. Subsequent acceptance by Skyline of any payments due to it hereunder or other payments by Area Franchisee shall not be deemed to be a waiver by Skyline of any preceding breach by Area Franchisee of any terms, covenants or conditions of this Agreement.

24. SEVERABILITY AND REFORMATION

(a) Should any provision of this Agreement, or the application thereof, to any extent, be held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement, or alternative applications thereof, shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law or equity.

(b) Further, should any provision of this Agreement be held invalid or unenforceable by reason of an excessive scope, restriction or obligation, such provision shall be deemed reformed to provide for such scope, restriction or obligation to the fullest extent deemed not to be invalid or unenforceable.

(c) Further, should any provision of this Agreement be in conflict with any mandatory applicable provisions of the Franchise Laws (as defined below) of any state wherein the Restaurant is located or otherwise having jurisdiction over this Agreement, such provision shall be considered modified to the extent, and only to the extent, necessary to conform to such mandatory provisions of that state's Franchise Laws. As stated in this Agreement, the term "Franchise Laws" means any mandatory provision of the law of any state which specifically regulates the offer, sale, termination, renewal or other specific aspects of franchises and does not mean the general laws of such state other than such specific franchise act.

25. AUTHORITY

The parties hereto and the individuals executing this Agreement on behalf of such parties warrant that they have the full right, power and authority to enter into this Agreement and to cause the same to create a legal and binding obligation on the party on whose behalf the Agreement is executed.

26. NOTICE

(a) All notices authorized or required to be given herein shall be in writing and will be duly given if (1) delivered personally, or (2) mailed by U.S. Postal Service certified mail, postage prepaid, return receipt requested, or (3) sent by nationally recognized overnight delivery service, to a party at the following addresses, or at such other address as may be subsequently furnished by such party in a written notice delivered in accordance with the terms of this Section:

If to Skyline at:

Skyline Chili, LLC
4180 Thunderbird Lane
Fairfield, OH 45014
Attention: Franchise Department

If to Area Franchisee at:

Attention:

(b) Any notice so addressed will (1) if delivered personally be deemed given upon delivery, (2) if sent by U.S. Postal Service certified mail, be deemed given five (5) days after deposit with the U.S. Postal Service, or (3) if sent by nationally recognized overnight delivery service be deemed given on the next business day after such notice is deposited with the delivery service.

(c) Area Franchisee shall obtain and maintain an e-mail address to which Skyline may direct day-to-day communications. Routine operational communications between Skyline and Area Franchisee may be made by e-mail, facsimile, telephone or in any other manner agreed to by Skyline.

27. FORCE MAJEURE

Notwithstanding any provision of this Agreement to the contrary, neither party shall have any liability to the other for a temporary cessation of performance or delay in performance resulting from flood, fire or other extreme weather conditions, national emergency, strikes or other labor difficulties, war, civil unrest, power failure, equipment failure or any cause of like nature beyond its reasonable control; provided that nothing in this Section is intended nor shall it be construed to relieve either party hereto of any obligation to pay money hereunder or extend any time for payment hereunder.

28. BINDING UPON SUCCESSORS

In the case of any sale, assignment or transfer of or under this Agreement permitted under Section 10 hereof, this Agreement or the relevant provisions shall be binding upon, and inure to the benefit of, the successors, executors, heirs, representatives, administrators and assigns of the parties hereto.

29. JOINT AND SEVERAL OBLIGATION

If the Area Franchisee is owned by or consists of more than one person, liability hereunder shall be deemed joint and several. Area Franchisee represents and warrants that all of the owners of Franchisee are listed on the signature page. Each owner of Area Franchisee shall execute this Agreement and by executing this Agreement hereby agrees to be bound by the terms hereof applicable to owners of Area Franchisee, including without limitation Sections 11, 12 and 19. If Franchisee is not owned directly by natural persons, then each successive level of ownership shall execute this Agreement until the owners who are natural persons (or trustees on behalf of trusts) execute this Agreement and agree to be bound by the provisions of this Agreement applicable to owners of the Franchisee, including without limitation Sections 11, 12 and 19. If any person who has not signed this Agreement shall at any time acquire any ownership interest in Area Franchisee, then each such new owner shall execute a joinder or counterpart signature page agreeing to be bound by all of the terms and conditions of this Agreement applicable to owners of Area Franchisee, including without limitation Sections 11, 12 and 19.

30. COUNTERPARTS, SECTION HEADINGS, PRONOUNS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The recitations shall be considered a part of this Agreement. The section and paragraph headings in this Agreement are for convenience and reference only and shall not be deemed to alter or affect any provision hereof. Each pronoun used herein shall be deemed to include the singular or plural and other genders as the context may require.

31. EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by Skyline Chili, LLC

32. SURVIVAL OF OBLIGATIONS

All rights, obligations and provisions of this Agreement that by their terms apply to time periods after the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement, including without limitation, Sections 5, 9, 10, 11, 12, 13, 15, 16, 18, 19, 20, 21, 22, 23, 24, 28, 29, 30 and 32.

33. ACKNOWLEDGMENTS

Area Franchisee acknowledges that:

(a) **It has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks, making the success of the venture largely dependent upon the business abilities of the Area Franchisee as well as other variables. Skyline expressly disclaims the making of, and Area Franchisee acknowledges that it has not received or relied upon, any representations, warranties or guarantees, express or implied as to the potential volume, profits or success of the business venture contemplated by this Agreement, except as may have been set forth in the Uniform Franchise Offering Circular received by Area Franchisee.**

(b) **Area Franchisee hereby expressly warrants that it has no knowledge of any representation by Skyline or its officers, directors, shareholders, employees, agents or servants about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein and further represents to Skyline as an inducement to its entry into this Agreement that Area Franchisee has made no misrepresentations in obtaining this Agreement.**

(c) **Area Franchisee has received, read and understood this Agreement, the attachments hereto, if any, the confidential manuals and any other documents delivered to Area Franchisee**

by Skyline. Skyline has fully and adequately explained the provisions of each to its satisfaction and Skyline has afforded it ample time and opportunity to consult with advisors of Area Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

(d) **Area Franchisee has received Skyline's Uniform Franchise Offering Circular for the state in which the Development Area is located at the earlier of the first personal meeting or ten (10) business days prior to the execution of any agreements or payment of any consideration. Area Franchisee has also received this Area Franchise Agreement for review at least five (5) business days prior to the execution of any such agreement or the payment of any consideration to Skyline.**

(e) Area Franchisee is aware that some present franchisees of Skyline may operate under different forms of agreements, and consequently that Skyline's obligations and rights in respect to its various franchisees may differ materially in certain circumstances.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

SKYLINE:

Skyline Chili, LLC

By: ______________________________

Title: ______________________________

Dated: ___________________

SKYLINE CHILI, LLC
AREA FRANCHISE AGREEMENT – VERSION 02/25/2024

136647.4:SKY00.GB002

OWNERS OF FRANCHISEE:

The owners of Franchisee hereby execute this Agreement pursuant to the terms of Section 29.

Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*

Attach additional sheets as necessary.

EXHIBIT A

DEVELOPMENT AREA

EXHIBIT B

PERFORMANCE SCHEDULE

EXHIBIT C

SITE SUBMITTAL FORM

BUSINESS DATA

Name of Entity Requesting Site Acceptance: ____

Type of Entity (sole owner, corporation, etc.): ____

Business Address: ____
Street City/State Zip Code

Business Telephone: ______________________ Person to Contact: _________________________

LOT DATA

Type of Skyline proposed: ☐ Freestanding ☐ Storefront Endcap ☐ In-Line

Dimensions of lot: Frontage: __________________ Depth: _____________________

Corner? ☐ Yes ☐ No Vacant? ☐ Yes ☐ No

Set backs: Front _________ Rear __________ Left Side _________ Right Side __________

Describe shape of lot: ____

Estimate No. of parking spaces: ____

Location address: ____
Street City/State Zip Code

Visibility from street: ____

Zoned for restaurant use? ☐ Yes ☐ No Drive-thru permitted? ☐ Yes ☐ No

Easements or restrictions to use of property: ____

____

Utilities available: Water _____ Sewer _____ Gas _____ Electric _____ Voltage _____

COMPETITIVE DATA

No. of restaurants within 1 mile: __________ Names: ____

____

Estimated breakeven sales volume for new location: ____

SITE SUBMITTAL FORM
Page 2

LOCATION DATA

This location is: ☐ City ☐ Downtown ☐ Interstate highway location

Other (Explain): ____

Site is on: ☐ City street ☐ State highway ☐ Federal highway ☐ Other

24 hour traffic count past site: ________________ Date Taken: ________________

Speed limit on street: _________________ Is traffic constant all day? ☐ Yes ☐ No

Direct access to lot via: Right Turn? ☐ Yes ☐ No Left Turn? ☐ Yes ☐ No

Easy access from nearby offices/plants? ☐ Yes ☐ No Travel time in minutes: _______

Easy access from nearby residential? ☐ Yes ☐ No Travel time in minutes: _______

Is site on workbound or homeward bound side of street? ______________________________

Shopping center(s) within 3 miles (list and show distance): ___________________________

____

____

Public or private schools within 3 miles (list and show distance): ______________________

____

____

Medical facilities (hospitals, clinics, etc.) within 3 miles (list and show distances): ______________

____

_______________________________ ______________ _______________________
Signature of Entity Representative Date Date Received at Skyline

Attachments: Map Demographics Site Plan Photographs

ADDENDUM TO INDIANA AREA FRANCHISE AGREEMENT

This Addendum to the Indiana Area Franchise Agreement is entered into as of __________________________,

by and between ____, hereinafter referred to as the "Franchisee", and

Skyline Chili, LLC, hereinafter referred to as "Skyline." Franchisee and Skyline hereby further agree as follows:

1. This addendum is executed coincidentally with the execution of the Area Franchise Agreement of even date herewith to which it is attached and is intended to be an integral part of that Area Franchise Agreement (hereinafter "this Agreement").

2. That Section 9 of this Agreement be amended by adding the following underlined language at the end of Section 9 as indicated:

> ". . . or failure by Skyline to perform its obligations under the terms of this Agreement<u> or imposed on Skyline by Title 23, Article 2, Chapter 2.7 of the Indiana Code</u>. In furtherance of the foregoing . . ."

3. That Section 11 of this Agreement be amended by inserting the following underlined language into Section 11 as indicated:

> "... during the term of this Agreement and<u>, within the Development Area defined in Section 1(a) of this Agreement,</u> for a period of one (1) year ..."

4. That Section 10(e)(7) of this Agreement is hereby deleted in its entirety and removed.

5. That the first subparagraph of Section 20 of this Agreement is hereby restated in its entirety to read as follows:

> Except as otherwise provided in this Agreement, the parties hereto reserve all other rights and remedies available to them under the laws and regulations of copyright, patent, trademark, trade secret, and other applicable laws and administrative regulations; provided that nothing herein is intended, nor shall it be construed, to limit the scope or applicability of the arbitration provisions of Section 19. The remedies set forth in this Agreement for the performance of the covenants, terms and conditions contained herein are cumulative and concurrent and: (i) may be pursued singularly or in combination; (ii) may be pursued successively or concurrently; and (iii) may be exercised as often as occasion therefor shall occur. In the event of any breach or threatened breach of this Agreement by Area Franchisee, Skyline may, subject to the law of the State of Indiana, be entitled to seek injunctive relief, in addition to any other remedies available to it (including a temporary restraining order, preliminary injunction and specific performance) and shall not thereby be deemed to have elected its remedies.

6. That Section 18 of this Agreement is hereby restated in its entirety to read as follows:

> This Agreement shall be interpreted and construed under the laws of Indiana, which laws shall prevail in the event of any conflict of law.

7. Notwithstanding the provisions of Section 5(d)(4) of the Area Franchise Agreement or the provisions of any Franchise Agreement entered into pursuant thereto, Skyline shall not establish a Skyline-owned outlet within the Assigned Restaurant Area of Franchisee under the terms of a Franchise Agreement entered into pursuant to the Area Franchise Agreement that is engaged in substantially identical business to that of Franchisee under such Franchise Agreement in violation of Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1(2) and 2(4).

8. The provisions of Sections 19(c) and 19(d) of the Area Franchise Agreement are hereby deleted to the extent prohibited by Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1(5) and 1(10).

9. The provisions of Section 19(e) of the Area Franchise Agreement shall not apply to an action under Indiana Code, Title 23, Article 2, Chapter 2.5 or Chapter 2.7, which shall be limited solely by Indiana Code, Title 23, Article 2, Chapter 2.5, Section 30 and Indiana Code, Title 23, Article 2, Chapter 2.7, Section 7, respectively.

10. To the extent of and in the instance that any terms or provisions of the Franchise Agreement are inconsistent or in conflict with the Indiana Franchise Disclosure Act (Indiana Code, Title 23, Article 2, Chapter 2.5, Sections 1 to 51, as amended), and the Indiana Deceptive Franchise Practices Act (Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 to 7, as amended), the terms of these Acts shall govern and control.

11. Except as herein provided, all of the terms of the Franchise Agreement executed coincidentally herewith are hereby reaffirmed as though fully herein written.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

IN WITNESS WHEREOF, Skyline and the Franchisee have executed this Addendum to the Area Franchise Agreement as of the day and year first above written.

FRANCHISEE:

____

By: __________________________________
Signature

____
Printed Name

Title: __________________________________

Dated: ____________________

OWNERS OF FRANCHISEE:

The owners of Franchisee hereby execute this Agreement pursuant to the terms of Section 32.

Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*

Attach additional sheets as necessary.

SKYLINE:

Skyline Chili, LLC

By: ________________________________

Title: _________________________________

Dated: __________________

EXHIBIT G

SKYLINE CHILI, LLC
FRANCHISE AGREEMENT

AND STATE SPECIFIC ADDENDA FOR THE FOLLOWING STATE:

INDIANA

SKYLINE CHILI, LLC

FRANCHISE AGREEMENT

Agreement between:

Skyline Chili, LLC
4180 Thunderbird Lane
Fairfield, Ohio 45014
(513) 874-1188

and

____

____

____

(____) ______- __________

Dated: ________________, 20___

TABLE OF CONTENTS

SUMMARY

Term:	10 years from the Commencement Date.
Franchisee:	
Franchise Location:	
Phone Number:	
Fax Number:	
Email Address:	
Restaurant Manager:	
Assigned Restaurant Area:	
Initial Franchise Fee	$20,000
Transfer Fee:	$5,000
License Fee:	4% of Gross Sales
Additional First Year Local Advertising:	$15,000
Advertising Contribution:	4% of Gross Sales
Scheduled Opening Date:	
Address for Notices:	Skyline: Skyline Chili, LLC 4180 Thunderbird Lane Fairfield, OH 45014 Attention: Franchise Department Franchisee:
Insurance:	See Section 11 (p. 30) for current minimum insurance requirements.

Disclosure Law Compliance:	Delivery Date of Franchise Disclosure Document: _________________, 20__. Delivery Date of completed copy of this Agreement: _________________, 20__.

The foregoing table summarizes some of the key economic provisions of this Agreement for your convenience. In the event of a conflict between the provisions in the foregoing table and the terms in the body of the Agreement, the terms in the body of the Agreement will control.

FRANCHISE AGREEMENT

This Agreement is made and entered into at Cincinnati, Ohio this ____ day of ________________, 20__, by and between **Skyline Chili, LLC**, an Ohio Corporation (hereinafter "Skyline") and ____, a(n) ______________________________________ (hereinafter "Franchisee").

WHEREAS, Skyline is engaged in the business of operating and franchising a distinctive style of quick service restaurants featuring chili and related products under the name of "Skyline Chili;" and

WHEREAS, Skyline has developed a distinctive restaurant format and operating system and procedures for providing the products and services which are described therein in accordance with the uniform standard specifications and procedures of operation, quality and uniformity of products and services offered, and the procedures for operation and management control as therein contained (all of which are hereinafter referred to as the "Skyline System" or "System") which may be changed, improved and further developed from time to time by Skyline; and

WHEREAS, among the distinguishing characteristics of the Skyline System are use of the words "Skyline" and "Skyline Chili" and the Skyline Chili logo together with such other service marks, trademarks, trade names and trade symbols, emblems, signs, slogans, insignia and copyrights as Skyline has adopted and designated for use in connection with the Skyline System and as may hereafter be developed or designated for use in connection with the Skyline System (all of which are hereafter referred to as the "Marks"); and

WHEREAS, Skyline has established a high reputation and a positive image with the public as to the uniform quality of products and services available at Skyline Chili Restaurants, which reputation and image have been and continue to be unique benefits to Skyline and its franchisees; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Skyline and being able to utilize the Skyline System for operation of a franchise restaurant which is distinguished to the public by use of the Skyline Marks and logo which are made available by Skyline to its franchisees; and

WHEREAS, Franchisee desires to operate a Skyline Chili Restaurant pursuant to the provisions hereof and at the location specified herein and Franchisee has had a full and adequate opportunity to be fully advised of the terms and conditions of this Franchise Agreement by counsel of its own choosing, such restaurant to be operated upon a site reviewed by Skyline in accordance with and subject to the terms and conditions hereinafter set forth, which terms and conditions Franchisee agrees are reasonably necessary to maintain Skyline's high uniform standards of quality and service and to protect the good will and enhance the public image of the Skyline System and Marks, all as set forth herein; and

WHEREAS, Franchisee desires to construct, own and operate a Skyline Chili Restaurant at the location described in Section 1 hereof upon the terms and conditions set forth hereinafter which terms and conditions Franchisee agrees are reasonable to protect the good will and the public image of the Skyline System and Marks;

NOW THEREFORE, in consideration of the foregoing and of the covenants herein contained, the parties hereby agree as follows:

1. GRANT OF FRANCHISE AND LICENSE RIGHTS

(a) Subject to the terms and conditions of this Skyline Chili, LLC Franchise Agreement (hereinafter the "Agreement"), Skyline hereby grants to Franchisee the exclusive franchise and license (hereinafter sometimes referred to as the "Franchise") to use the name Skyline Chili and other related variations of it, the Skyline System and the Marks in connection with the operation of a food service business and the ownership and operation of a restaurant at and only at the following location:

(which location and premises are hereinafter referred to as the "Restaurant").

(b) It is hereby agreed that Franchisee shall have the exclusive right to operate a Skyline Chili restaurant and to use the Skyline System and Marks at the Restaurant specified above in Subsection (a) and within the area:

☐ determined by drawing a circle around the Restaurant which circle shall have the primary entrance door of the Restaurant as its center and shall have a radius of ________________ (______) miles; or

☐ described in ***Exhibit A***, attached hereto and incorporated herein by reference

(hereinafter referred to as Franchisee's "Assigned Restaurant Area"). Due to variations in population, density and accessibility, Franchisee acknowledges and understands that the Assigned Restaurant Area granted hereunder may differ from assigned restaurant areas granted under other franchise agreements. Skyline reserves the right to establish or license others to establish Skyline Chili restaurants anywhere outside the Assigned Restaurant Area in its sole discretion.

(c) This Agreement relates solely to the operation of the Restaurant at the location defined above and nothing in this Agreement prohibits Skyline from developing, marketing, selling, distributing or licensing others to sell its products within the Assigned Restaurant Area through outlets other than a Skyline Chili restaurant. For purposes hereof, a Skyline Chili restaurant is defined as an enclosed restaurant at least one thousand (1,000) square feet in size with seating for at least 30 customers, accessible to the general public with a direct outside entrance and exterior signage, operating under the Skyline Marks, and serving at least half of the menu items then specified by Skyline for sale at a Skyline Chili restaurant. Skyline and Franchisee understand and agree that regardless of anything to the contrary in this Agreement, Skyline shall have the right to do the following within the Assigned Restaurant Area without notice to, the consent of, or any compensation to Franchisee (and to license or otherwise authorize others to do the same):

(1) Skyline may advertise the Skyline System and Skyline products, and, on a non-exclusive basis, solicit and fulfill customer orders, including providing catering and delivery services. Nothing in this Agreement is intended to prohibit the solicitation and fulfillment of customer orders by Skyline and/or any other franchisee of Skyline within Franchisee's Assigned Restaurant Area, including providing catering and delivery services.

(2) Skyline may sell, or Skyline may authorize others to sell, all Skyline products through channels of distribution other than Skyline Chili restaurants (including grocery stores, convenience stores, internet sales and catalog sales), which products, services and merchandise may be similar or identical to those offered by Skyline Chili restaurants. Franchisee acknowledges that Skyline markets and sells and/or authorizes others to market and sell Skyline branded products (including secret recipe chili products) and other non-Skyline branded products through grocery stores and other retail outlets which may be located within or outside the Assigned Restaurant Area.

(3) Skyline may sell products, services and merchandise that are not similar to those offered under the then-current Skyline System or at the Skyline Chili restaurants, under the Skyline name and Marks or other names and marks within or outside the Assigned Restaurant Area.

(4) Skyline may sell products, services and merchandise that are similar to those offered under the then-current Skyline System or at the Skyline Chili restaurants, under other names and marks within or outside the Assigned Restaurant Area.

(5) Skyline may establish and operate, and grant licenses for the establishment and operation of, "Non-traditional Locations" for the sale of Skyline products, which may be similar or identical to those offered by Skyline Chili restaurants, within Franchisee's Assigned Restaurant Area. Non-traditional Locations are defined as either permanent (including without limitation a facility which meets the definition of a Skyline Chili restaurant as set forth above) or temporary (including without limitation booths, kiosks and carts) food service facilities located in: (i) enclosed shopping malls larger than 250,000 square feet; (ii) food courts; (iii) airports; (iv) hotels; (v) cafeterias (whether open to the public or not); (vi) hospitals; (vii) commissaries; (viii) dormitories; (ix) schools, colleges and universities; (x) convention centers; (xi) parks; (xii) stadiums; (xiii) arenas; (xiv) ballparks; (xv) sports fields (xvi) museums; (xvii) amusement or theme parks; (xviii) zoos; (xix) business or industry parks; and (xx) highway travel plazas. Non-traditional Locations shall also include the sale of Skyline products at parades, fairs, concerts, festivals or other mass gatherings. Provided Franchisee is not in default of this Agreement, Skyline shall give Franchisee the right of first refusal to establish and operate a potential Non-traditional Location within Franchisee's Assigned Restaurant Area. Skyline will notify Franchisee in writing of its intent to sell Skyline products at such Non-traditional Location and Franchisee will have thirty (30) days after receipt of such notice to advise Skyline in writing that Franchisee desires to exercise its right of first refusal to operate such location. In the event that Franchisee exercises its right of first refusal, Franchisee shall enter into Skyline's then standard form Franchise Agreement for the Non-traditional Location, subject to such modifications as Skyline may determine are necessary due to specific nature of the Non-traditional Location. Franchisee will take such further actions as are necessary to open for business at the Non-traditional Location within the time frame reasonably specified by Skyline. If Franchisee fails to provide written notice of its exercise of its right of first refusal within the

thirty day period, or if Franchisee fails to enter into a Franchise Agreement and open for business at the Non-traditional Location within the time frame specified by Skyline, then Franchisee's right of first refusal shall lapse and be of no further force and effect with respect to the Non-traditional Location and Skyline shall have the right to establish and operate, or grant a license to a third party to establish and operate the particular Non-traditional Location. Notwithstanding the preceding, for Non-traditional Locations in which the right to operate such location has been granted to a third party food service provider by the owner or operator of the Non-traditional Location (e.g. arenas, ballparks or stadiums in which a one or more institutional food service vendors such as SportsService have contractual rights to service the entire facility; or, universities or business cafeterias serviced by institutional food service vendors such as Aramark Services, Inc., Sodexho America, LLC and similar institutional food service vendors), Franchisee shall not have a right of first refusal and Skyline will be free to enter into an agreement for the sale of Skyline products with the third party having rights to such Non-traditional Location without notice to Franchisee.

(d) Upon the expiration or earlier termination of this Agreement for any reason, Skyline may, in its sole discretion, establish or operate, or authorize any other person or entity to establish or operate, a Skyline Chili restaurant within the Assigned Restaurant Area, or conduct any other activity, except as may be prohibited by any other agreement between Skyline and Franchisee.

2. TERM AND RENEWAL

(a) The Term of this Agreement shall commence on the date set forth in ***Exhibit B***, attached hereto and incorporated herein by reference (the "Commencement Date"), which ***Exhibit B*** may be completed and attached after the execution of the remainder of the Agreement (e.g. in the event the term is to commence upon opening of the Restaurant for business, ***Exhibit B*** would be completed and attached once the Restaurant opening date is established). Unless sooner terminated as hereinafter provided, this Agreement shall expire ten (10) years after the Commencement Date.

(b) Franchisee may, at its option, renew the franchise to own and operate the Restaurant and to use the Skyline System and Marks at the Restaurant location for one additional term which shall be equal to the initial term in Skyline's then current standard form of Franchise Agreement as of the renewal date provided that prior to expiration of the initial term, the following must have occurred:

(1) Franchisee must give Skyline written notice of Franchisee's election to renew the franchise not less than ninety (90) days nor more than two hundred seventy (270) days prior to the end of the term of this franchise.

(2) Franchisee must execute Skyline's then standard form Franchise Agreement in use as of the date of renewal of the franchise, which Franchisee understands may have more restrictive provisions than this Agreement including, without limitation, additional or different requirements as to methods, procedures, service and cleanliness, all as may be set forth in Skyline's then current Confidential Manuals or otherwise, as well as higher continuing license fees and advertising fees than are currently charged to Franchisee. Provided, however, that Franchisee shall not be required to pay the Initial Franchise Fee then required under the then

standard Franchise Agreement upon renewal (but must pay the Renewal Fee described in Section 2(b)(7), below).

(3) Franchisee must not, when notice is given or on the renewal date, be in default of any provision of this Agreement or any modification or amendment hereto or any other agreement between Skyline and Franchisee, and must have substantially complied with the terms and conditions of all such agreements during the term of this Agreement including the payment of all monetary obligations owed by Franchisee to Skyline or to any entity affiliated with Skyline which are required under the terms of such agreements.

(4) Franchisee must execute a general release in form satisfactory to Skyline of any and all claims it may have against Skyline, its parent company, subsidiaries, affiliates, and their respective current and former shareholders, directors, officers, employees and agents, in either their corporate or individual capacities, and the respective heirs, successors and assigns of all of the foregoing, including, without limitation, any and all claims arising under any federal, state or local law, rule or ordinance.

(5) Franchisee or any other person required under the terms of Section 6 hereof must attend and satisfactorily complete such retraining or refresher training programs as Skyline may require in its sole discretion at such time and place prior to the expiration of this Agreement as Skyline may reasonably designate.

(6) Franchisee must perform such remodeling, repairs, replacements and redecoration of the Restaurant as Skyline may require to cause the Restaurant equipment, fixtures, furnishings and furniture to conform to the then standard plans and specifications being used for new or remodeled Skyline Chili restaurants as of the renewal date.

(7) Franchisee must pay to Skyline a "Renewal Fee" equal to fifty (50%) percent of the then current Initial Franchise Fee being charged by Skyline for an individual restaurant franchise or Ten Thousand Dollars ($10,000.00), whichever is greater. Said Renewal Fee is to be paid at the time the notice of election to renew is given by Franchisee in accordance with this Section and said Renewal Fee is not refundable regardless of whether Franchisee actually renews this Agreement.

3. SERVICES BY SKYLINE

Skyline agrees to make available to Franchisee the following:

(a) Such standard prototype plans, specifications and interior layouts of the structures, equipment, furnishings, decor and signs identified with the Skyline System as Skyline makes available to all new franchisees from time to time.

(b) Review of Franchisee's specific site plans and final construction plans and specifications to assure conformity with the construction standards and specifications of the Skyline System after delivery of same by Franchisee to Skyline.

(c) Initial training in the Skyline System, standard methods, procedures and techniques for each individual required to participate in such training pursuant to the terms of Section 6 of this Agreement at such times and places as Skyline may designate for its training program in its discretion all subject to the other terms of Section 6 hereof.

(d) Such assistance, if any, as Skyline may, in its discretion, provide in conjunction with the opening of the Restaurant by Franchisee, which may include assistance by Skyline personnel in planning and developing pre-opening and promotional programs and utilization of Skyline personnel in helping to open such restaurants.

(e) The use of Skyline's Confidential Manuals including the Skyline Operations Manual and any other such manuals as Skyline may lend to Franchisee from time to time, all on a loan basis and as revised from time to time by Skyline. In addition, other documentation and training aids may be made available by Skyline from time to time in its discretion.

(f) Such merchandising, marketing and other data and advice as may from time to time be developed by Skyline and deemed by it to be helpful in the operation of the Restaurant.

(g) Such periodic continuing individual or group advice, consultation and assistance rendered by personal visit or otherwise which is made available from time to time to all franchisees of Skyline or as Skyline may deem necessary or appropriate.

(h) Such bulletins, brochures and reports as may from time to time be published by Skyline regarding its plans, policies, research developments and activities regarding the Restaurant.

(i) Such other resources and assistance as may hereafter be developed and offered to existing franchisees by Skyline from time to time.

4. PAYMENTS AND REPORTS

(a) In consideration of the execution and return of this Agreement, Franchisee agrees to pay to Skyline an "Initial Franchise Fee" in the amount of Twenty Thousand ($20,000.00) Dollars upon execution of this Agreement that shall be a non-refundable fee and shall be deemed fully earned, due and payable at such time.

(b) Franchisee agrees to pay to Skyline a monthly continuing license fee equal to four (4%) percent of the Gross Sales, as hereinafter defined, of the Restaurant during each month, or part thereof commencing with the opening of the Restaurant (the "License Fee"). Payment of the License Fee shall be made on or before the tenth (10th) day of the next succeeding month which shall be the due date. In addition to any other remedies Skyline may have, if Franchisee is more than ten (10) days late in the payment of any License Fees, Franchisee hereby agrees to pay a late charge equal to the maximum rate permitted under state law or one and one half (1½ %) percent per month (whichever is less) which late charge shall be payable on the outstanding balance calculated from the due date.

(c) As partial consideration for the granting of this Franchise, Franchisee shall pay a monthly Advertising Contribution (as defined in Section 9) to Skyline or otherwise as required under the provisions of Section 9 hereof and subject to the provisions of Section 9 hereof. Payment of the Advertising Contribution to the appropriate entity shall be made on or before the tenth (10th) day of the next succeeding month which shall be the due date. In addition to any other remedies Skyline may have, if Franchisee is more than ten (10) days late in the payment of any said Advertising Contribution, Franchisee hereby agrees to pay a late charge equal to the maximum rate permitted under state law or one and one half (1½ %) percent per month (whichever is less) which late charge shall be payable on the outstanding balance calculated from the due date. Said late charge shall be paid as directed by Skyline to the entity or entities to which the Advertising Contribution is to be paid, in proportion to the amount of the Advertising Contribution each such entity receives.

(d) The term "Gross Sales" as used herein shall include, but shall not be limited to, all receipts from operations, sales, charges, fees, orders taken, services and all revenues of any kind and nature whether for cash or credit in, from, about or by reason of the operation of the Restaurant as licensee, permittee or otherwise. Notwithstanding the preceding, Gross Sales shall not include: (i) intracompany transfers; (ii) bona fide credits and refunds upon return of merchandise; (iii) amounts collected and turned over to Franchisee for use tax, sales tax and all other similar taxes (other than taxes on net income) levied by any governmental body; (iv) income from sales by the Franchisee of items such as clothing and other premium or promotional items; and (v) the value of any coupons received.

(e) Franchisee agrees to provide to Skyline along with its monthly License Fee a Statement of Gross Sales showing the results by month of operations of the Restaurant for the month immediately preceding such filing date, including an itemization of all sales of any kind and all deductions therefrom in order to ascertain Gross Sales as defined herein in the manner and under categories prescribed by Skyline from time to time. All such Statements of Gross Sales shall be in a form approved by Skyline and must contain the certification of Franchisee's Chief Financial Officer, President or other officer acceptable to Skyline that each is true and correct. Such reports shall also include Franchisee's profit and loss statement for the immediately preceding month, including sales and net sales and documentation of Franchisee's sales and net sales from Franchisee's POS system, including sales mix information. Skyline shall also have the right to review such information prior to its submission.

(f) In addition, Franchisee shall provide such reports that Skyline may from time to time require, all in a form, containing such information and on such frequency as Skyline may designate from time to time. Such reports may include information regarding sales and net sales, sales mix information, expenses, marketing activities, and such other information regarding Franchisee and Franchisee's operations as Skyline deems necessary or appropriate in its sole discretion. Skyline may use the information provided by Franchisee in such reports for any reasonable business purpose, including without limitation: (i) the preparation of franchise disclosure documents used in connection with the sale of franchises (including financial performance representations); (ii) market research; (iii) development and changes to marketing and promotional campaigns, programs and materials; (iv) product research; (v) operational research; (vi) and other analysis of and improvements to the Skyline System. Skyline may aggregate such information with the information provided by other franchisees and use such information, either alone or in aggregate form. All such reports and information shall be true and correct and Skyline may require the certification of Franchisee's Chief Financial Officer, President or other officer acceptable to Skyline that such reports and information are true and correct. Skyline shall also have the right to review such information prior to its submission.

(g) On or before ninety (90) days after the end of each calendar year (or fiscal year if approved in advance in writing by Skyline), Franchisee shall file with Skyline its Balance Sheet as of the end of such year and its Profit and Loss Statement for the year then ended, prepared either on the Federal Income Tax Basis of accounting or in accordance with generally accepted accounting principles and specified as to which, and such statements shall be certified to as true and correct by Franchisee's Chief Financial Officer, President or other officer acceptable to Skyline.

(h) Franchisee agrees to keep full and true books of account and other records regarding its operations. Such books of account shall, at a minimum, be maintained in sufficient detail so that the License Fee payable to Skyline and the Advertising Contribution payable to Skyline and/or a Skyline related advertising entity may be properly ascertained. Franchisee agrees, whenever requested by Skyline, to permit Skyline or Skyline's representatives to have access to all such books and records. Skyline or its representatives shall be entitled to make such examination at any time during normal business hours.

(i) Franchisee may elect to use a fiscal year of thirteen 4-week accounting periods instead of calendar-month accounting periods. In such event, Franchisee may, upon written notice to Skyline, file reports and make payments on the basis of such 4-week accounting periods instead of calendar-month accounting periods.

(j) Skyline may require all License Fees, Advertising Contributions, and any other amounts due to Skyline or an advertising cooperative to be paid through electronic funds transfer. Franchisee shall give Skyline and/or the applicable advertising cooperative authorization, in a form or forms designated or approved by Skyline, to initiate debit entries or credit correction entries to the Franchisee's operating account for payments of any fees due to Skyline and other amounts due under this Agreement, including any applicable interest charges. The form may vary based on Franchisee's or Skyline's banking institution. Franchisee shall make the funds available in the operating account for withdrawal by electronic transfer no later than the due date of the payment.

5. CONSTRUCTION OF RESTAURANT PREMISES

(a) Upon the execution of this Agreement, Franchisee shall immediately take the necessary steps to acquire the site for the proposed Restaurant by purchase, lease or sublease, and to acquire the rights to erect and operate the Restaurant at the site. Franchisee acknowledges and agrees that neither Skyline's approval of, nor its assistance in the selection of, the site constitutes a representation, warranty or guarantee by Skyline that the site will be a successful location for the Restaurant and Franchisee expressly assumes all risks concerning such matters. In the event that Franchisee plans to enter into any type of lease for the Restaurant site, Franchisee must provide Skyline a copy of the lease at least 10 business days prior to the date Franchisee would execute the lease. Skyline reserves the right to, in such 10 days period, review and reject the lease. Skyline has no responsibility for the lease; it is Franchisee's sole responsibility to evaluate, negotiate and enter into the lease for the Restaurant site. Franchisee must execute, and provide Skyline an executed copy of the lease for the Restaurant site or the purchase agreement for the selected site for the Restaurant within 90 days after the execution of this Agreement. If Franchisee fails to have the Restaurant site "under control" (execute the lease or the purchase agreement within the periods set forth in this subparagraph), Skyline will have the right to terminate this Agreement pursuant to Section 15(a)(1), below.

(b) Franchisee agrees to diligently pursue the construction of a Skyline Chili Restaurant upon the subject premises and such Restaurant shall be under construction within ninety (90) days after execution of this Agreement and completed and the Restaurant opened within one hundred fifty (150) days from the date such Restaurant shall have first been deemed to be under construction.

(c) For purposes of this Agreement, the Restaurant shall be deemed to be "under construction" upon the occurrence of any one of the following at the site for such Restaurant and upon the delivery to Skyline of proof in writing of such occurrence upon Skyline's Commencement of Construction Notice form:

(1) Where the approved plans and specifications provide for excavation and footers, all such excavation is completed and all footers are formed and poured.

(2) Where the approved plans and specifications require Caisson footings, such footings are complete and in place.

(3) Where the approved plans and specifications provide for the remodeling of an existing building, such plans and specifications have been approved by Skyline and remodeling work pursuant to such plans and specifications has commenced.

(d) The aforesaid one hundred fifty (150) day period shall be extended by a number of days equal to the days construction is delayed due to strikes, material and equipment shortages outside of the control of Franchisee, acts of God, fire and other acts beyond the control of Franchisee.

(e) Any construction plans which Franchisee desires to use at the Restaurant shall be developed in accordance with a site plan approved by Skyline which site plan approval must be obtained from Skyline in writing prior to commencement of any construction upon the proposed site.

(f) If Franchisee is constructing a freestanding Restaurant Franchisee shall begin construction of the Restaurant at the site in accordance with Skyline's standard construction plans, specifications and layouts subject, however, to any alteration thereto that may be required by applicable law, regulation or ordinance. If any alterations of any kind are required to be made to the site plan approved by Skyline or any of Skyline's standard construction plans, specifications or layouts for any reason, such alterations must be approved by Skyline in writing before any work is begun. All costs, including engineering and architectural fees incurred in obtaining approvals by the appropriate governmental agencies of the site plan, construction plan, specifications and layouts shall be paid by the Franchisee.

(g) If the Franchisee is remodeling an existing building, all remodeling plans and specifications must be approved by Skyline in writing before any work is begun on the premises.

(h) Once such site plans and specifications have been approved by Skyline, Franchisee shall not deviate from such plans and specifications in any manner in the construction or remodeling of the Restaurant without the prior written approval of Skyline. If at any time Skyline determines that Franchisee has not constructed or remodeled the Restaurant in accordance with the plans and specifications previously approved by Skyline, Skyline shall, in addition to any other remedies, have the right to obtain an injunction from a court of competent authority against the continued construction or remodeling and the opening of the Restaurant (or, if the Restaurant is already open, against the continued operation of the Restaurant) and Franchisee hereby consents to the obtaining of any such injunction.

6. TRAINING AND OPENING OF FRANCHISED RESTAURANT; MANAGING OWNER'S PARTICIPATION IN OPERATIONS

(a) No later than sixty (60) days prior to the opening of the Restaurant, Franchisee shall give Skyline notice in writing of the proposed opening date on Skyline's Notice of Opening form. If such notice is not given, Skyline shall be relieved of its obligation under this Agreement to provide assistance in connection with the opening of the Restaurant in the planning and development of pre-opening programs and promotions. In addition, Franchisee shall complete such other documents giving details regarding the opening of the Restaurant as Skyline shall reasonably request.

(b) Prior to the opening of the Restaurant, the following persons shall have satisfied all of the conditions established by Skyline from time to time for admission to and graduation from Skyline's initial training program in Cincinnati, Ohio or at such other locations as Skyline may direct:

(1) Franchisee, or if the Franchisee is not a natural person, the Managing Owner of Franchisee (as defined in Section 6(g), below).

(2) Any other individual responsible for the day to day management or operation of the Restaurant if other than Franchisee or the Managing Owner.

(3) Any other person, including one or more owners other than the Managing Owner, who may from time to time be involved in the management or operation of the Restaurant, if requested in writing by Skyline in its discretion.

(c) Attendance and successful completion of the training program by the Managing Owner, and any other individual responsible for the day to day management or operation of the proposed Restaurant is essential and is a condition to the granting of the Franchise under this Agreement. These individuals, as well as any other individuals requested in writing by Skyline, shall successfully complete Skyline's training programs to Skyline's satisfaction. In the event of the failure of Franchisee or any other such person to complete such training program successfully for any reason, Skyline may accept a substitute trainee approved in writing by Skyline to attend and successfully complete the program. Such substitute trainee shall thereafter supervise the management and operation of the Restaurant if Skyline, at its option, so directs.

(d) Skyline shall provide such initial training free of charge for two individuals; however, there will be an additional fee at Skyline's standard rates in effect from time to time for each additional individual undergoing such initial training beyond the first two individuals. In addition, Franchisee shall be responsible for all expenses of travel, room, board and wages for any person who attends the programs.

(e) Franchisee recognizes the value of the training to be obtained through Skyline's training program and agrees that at all times throughout the term of this Agreement the individual actively in charge of the management of the day to day operations of the Restaurant shall be a graduate of Skyline's training program unless otherwise qualified by experience as approved in writing by Skyline.

(f) From time to time Skyline may institute programs for advanced or ongoing training of such individuals and, if Skyline shall so request, Franchisee and/or the people involved in the management or operation of the Restaurant shall attend such advanced or ongoing training programs or seminars as directed by Skyline. Skyline shall not charge Franchisee any amounts for the participation of such individuals in any advanced or continuing training programs at which Skyline requires attendance, however, in the event of such attendance at such programs, Franchisee shall be responsible for all expenses of travel, room, board and wages for any person who attends any such programs. Skyline may, in addition, offer optional training sessions from time to time for which Skyline may charge additional fees.

(g) Unless otherwise agreed in writing by Skyline, Franchisee must designate in writing one of its owners to perform all of the day-to-day operational, management and supervisory tasks necessary to sell the products and services offered under the Skyline System at the Restaurant, including for example, carrying out the direct, on-premises supervision, management and operation of the Restaurant as required by the Confidential Manuals (the "Managing Owner"). In addition, except as otherwise agreed in writing by Skyline, the Managing Owner shall: (i) perform all development/construction tasks with respect to the Restaurant, including site selection, negotiation of lease sites, management of a Restaurant while under construction and start-up operation of the completed Restaurant; (ii) undertake the collection and completion of all internal accounting and financial information and complete the reporting required under the terms of this Agreement; and (iii) perform all overall management, marketing, administrative and financial duties and tasks necessary or desirable to carry out Franchisee's duties under this Agreement. A sole proprietor or the sole owner of a Franchisee that is a business entity will be deemed to be the Managing Owner. Where there are multiple owners of a Franchisee, the Managing Owner must be an officer of Franchisee who has executive authority, be a voting owner and have a percentage ownership interest in Franchisee that is acceptable to Skyline. The Managing Owner must devote his or her full time, energy and best efforts to carrying out his duties and acting in his capacity as Managing Owner and to the management and operation of the Franchisee and the Restaurant. Notwithstanding the preceding, Managing Owner may, with Skyline's prior written consent, devote time and effort to other Skyline Chili Restaurants franchised to Franchisee or an affiliate of Franchisee. No other owner of Franchisee (and no new person who is seeking to become an owner of Franchisee) may become the Managing Owner unless each of the following conditions is met: (i) Skyline is given sixty (60) days prior written notice before the date of the proposed replacement of the Managing Owner; (ii) the proposed new Managing Owner has successfully completed the training program described above; and (iii) the proposed new Managing Owner, in Skyline's judgment, has the aptitude and ability to be the Managing Owner and meets such other criteria as Skyline may have for the approval of Managing Owners in effect at the time of the proposed change.

7. STANDARDS AND UNIFORMITY OF OPERATION

Franchisee recognizes the importance of the proper marketing of the products sold by Skyline Chili Restaurants to the preservation of the reputation and acceptance by the public at large of such products; that uniform standards of quality and food appearance must be maintained; and that uniform quantities, volumes and types of food must be provided in such a way as to distinguish them to the public through use of Skyline's Marks; and that Skyline's Marks must be used in the Restaurant in accordance with the procedures detailed by Skyline. Consequently, Franchisee hereby agrees, as part of the consideration for the issuance of the Franchise, that Franchisee will fulfill the following requirements:

(a) Franchisee acknowledges and agrees that an integral part of the Skyline System is the sale of a unique and distinctive secret recipe chili and other secret recipe products which are or may be manufactured and marketed solely by Skyline or its designated distributor(s) (the "Secret Recipe Products"). Skyline reserves the right, in its sole and absolute discretion, to change the formulation, recipe, form and packaging of its Secret Recipe Products. Franchisee shall purchase from Skyline or its designated distributor(s) all of Franchisee's requirements of Skyline's Secret Recipe Products, including without limitation, Skyline secret recipe chili, at Skyline's or its designated distributor(s)'s then current price at the time of each sale, and upon Skyline's or its designated distributor(s)'s then current terms of sale. All Secret Recipe Products so purchased shall be used only as permitted in this Agreement and in conformance to the standards of operation contained in the Confidential Manuals.

(b) In order to protect the Skyline System and to maintain the uniform standards of operation under the system, Franchisee shall operate the Restaurant in accordance with Skyline's Confidential Manuals, copies of which Franchisee acknowledges having received on loan from Skyline for the term of this Agreement. For the purposes hereof, the Confidential Manuals are deemed to include an Operations Manual and such other manuals as Skyline may deliver to Franchisee from time to time, all of which shall at all times remain the sole property of Skyline. Franchisee acknowledges and agrees that Skyline may, from time to time, revise the contents of the Confidential Manuals to implement new or different operating requirements applicable to all Skyline Chili Restaurants, including restaurants which may be owned by Skyline or affiliates of Skyline and Franchisee expressly agrees to comply with each changed requirement within such reasonable time as Skyline may require. Franchisee shall at all times ensure that its copies of the Confidential Manuals are kept current and up to date. In the event of any dispute as to the contents thereof, the terms of the master copies maintained by Skyline at its offices shall be controlling.

(c) Any and all improvements in the Skyline System, including without limitation any new or improved process, recipe, menu item, method, concept or promotion (hereinafter "Improvement"), whether developed by Franchisee or by Skyline, shall be and become the sole and absolute property of Skyline. Skyline may incorporate such Improvement in the Skyline System as Skyline deems appropriate and Skyline shall have the sole and exclusive right to such Improvement thereafter. Franchisee shall promptly notify Skyline of the development of any Improvement and provide Skyline with all necessary information required to incorporate such Improvement into the System. In furtherance of Franchisee's obligations hereunder, Franchisee, on its behalf and on behalf of its employees, agents and representatives, hereby assigns to Skyline all right, title and interest in any such Improvement, and acknowledges that the Improvement is the property of Skyline and that Skyline may use or disclose such Improvement to other franchisees or developers as Skyline determines is appropriate. Franchisee shall execute, from time to time, any and all documents reasonably requested by Skyline to confirm Skyline's ownership of such Improvement. Notwithstanding the preceding, Franchisee shall retain ownership of any patent rights to any tangible equipment invented by Franchisee provided that: (i) Franchisee notifies Skyline in writing of the existence of such invention and the intent to file an application for patent protection thereof prior to the filing of the patent application;(ii)

Franchisee secures a U.S. patent on such invention; and (iii) Franchisee grants to Skyline, in form and substance acceptable to Skyline, a perpetual, world-wide, irrevocable, non-exclusive, assignable, royalty-free right and license to use such invention and to license others to use such invention in connection with Skyline's operation of the Skyline System.

(d) In order to further protect the Skyline System and Marks and the goodwill associated therewith, Franchisee agrees that the Marks will be displayed only in the manner and at such locations as are authorized by Skyline. Franchisee agrees to maintain and display signs reflecting the current image of Skyline and shall not place additional signs or posters on the premises without the prior written consent of Skyline. The color, size, design and location of such signage shall be specified by Skyline. The Franchisee shall discontinue the use of and destroy such signs as are declared obsolete by Skyline within such reasonable time as may be specified by Skyline.

(e) Franchisee shall serve the menu items specified by Skyline and shall only serve such menu items as specified by Skyline and shall follow all specifications and formulas of Skyline as to the contents and weight of unit products served. Franchisee shall sell no other food or drink item or any other merchandise of any kind without the prior written approval of Skyline. The Franchisee shall adhere to all specifications contained in the Confidential Manuals or as otherwise prescribed by Skyline as to ingredients, methods of preparation and service, and standards of cleanliness, health and sanitation. Franchisee agrees that all food, drink and other items shall be served and sold in packaging that meets Skyline's specifications, including containers bearing accurate reproductions of Skyline's Marks. Skyline agrees to assist Franchisee in establishing sources of supply for food, drink, packaging and other supplies meeting Skyline's specifications for such items, but Skyline shall not be required to pledge its financial credit in Franchisee's attempt to obtain such sources.

(f) Franchisee shall cause its employees to wear apparel which conforms strictly to the specifications, designs and style approved by Skyline from time to time as specified in the Confidential Manuals.

(g) Franchisee shall acquire, by purchase or lease, machinery, equipment, furnishings, signs and other personal property (hereinafter collectively referred to as the "Equipment") used in the operation of the Restaurant which Skyline may reasonably specify from time to time. Franchisee agrees to maintain such Equipment in excellent repair and working condition. As items of Equipment become obsolete or mechanically impaired to the extent that they require replacement, Franchisee will replace such items with the same or substantially the same types and kinds of Equipment as are being installed in Skyline restaurants at the time replacement becomes necessary. All Equipment used in the Restaurant shall meet Skyline specifications. Franchisee shall not install ATM machines, newspaper racks, jukeboxes, gum machines, games, rides or any coin vending machines without the prior written consent of Skyline. Franchisee agrees that all products, supplies, ingredients and materials (hereinafter referred to as "Products") purchased and used in the operation of the Restaurant shall be of such quality and quantity as meet Skyline's standards and specifications as published from time to time. Upon notice from Skyline that any Equipment or Products fail to meet such standards or specifications, Franchisee shall immediately terminate the use of such Equipment or Products.

(h) Franchisee shall acquire and install, at Franchisee's expense, the computer hardware, software, internet connections and service (including designated bandwidth, speed and functionality), required dedicated cable equipment, cable, telephone and power lines and other computer-related or point-of-sale related accessories, peripherals and equipment that Skyline specifies in the Confidential Manuals or otherwise in writing (the "Computer and POS Systems"). Skyline reserves the right to designate a single source from whom Franchisee must purchase the Computer and POS Systems and related support services, and that single source may be Skyline or an affiliate. Franchisee agrees to provide promptly all assistance Skyline requests or requires to bring the Computer and POS Systems online with Skyline's computers, networks and systems and to maintain all connections Skyline requests or requires from time to time. Franchisee shall, at its expense, keep the Computer and POS Systems in good maintenance and repair, and agrees to install, at Franchisee's expense, such updates and additional equipment and services as specified by Skyline from time to time. Upon termination or expiration of this Agreement, at Skyline's option, Franchisee must surrender to Skyline or its designee the Computer and POS Systems in their entirety and in good condition, allowing for normal wear and tear. If Skyline exercise its option, Skyline or its designee will pay Franchisee fair market value for the surrendered Computer and POS Systems. Franchisee agrees not to disable, expunge any data from, modify or encrypt the Computer and POS Systems prior to surrendering them to Skyline.

(i) Franchisee must license and use any computer software or POS system that Skyline develops or selects for the Restaurant, including all future updates, supplements, and modifications. Franchisee must sign, concurrently with the execution of this Agreement, Franchisor's standard agreement(s) relating to technology, POS systems and computer systems and related support services. Skyline may supplement or amend such agreements or create new agreements from time to time and Franchisee will execute such new or amended agreements as required by Skyline. Franchisee shall purchase from Skyline or its designee new, upgraded or substitute software whenever Skyline determines it is necessary or desirable to support the Restaurant, at the prices and on the terms that Skyline or its designee establishes. Skyline reserves the right to designate a single source from whom Franchisee must purchase such software or POS system and related support services, and that single source may be Skyline or an affiliate. Franchisee agrees to input and maintain in the Computer and POS Systems all data and information which Skyline prescribes in the Confidential Manuals or otherwise in writing. Franchisee will provide Skyline with physical and remote electronic access to the Computer and POS Systems and agrees that Skyline may inspect and/or retrieve from the Computer and POS Systems all information that Skyline considers necessary, desirable or appropriate at any time without notice to the Franchisee. If the information cannot be retrieved by Skyline, Franchisee agrees to provide any information maintained in its Computer and POS Systems as Skyline may request and shall procure cooperation of third-party service providers/vendors as necessary. Franchisee shall obtain Skyline's prior written consent prior to integrating any additional hardware or software into the Computer and POS Systems not prescribed or previously approved by Skyline.

(j) Franchisee will maintain at all times at its expense, all equipment, fixtures, furnishings, improvements, structural components and related Restaurant premises, parking areas, landscape areas and interior and exterior signs in a good, clean, attractive and safe condition in conformity with Skyline's high standards and public image, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Skyline's prior written consent) as may be required to keep the Restaurant in the highest degree of sanitation, repair and condition including, without limitation, such periodic repainting, repairs to Equipment not in good working order, and replacement of outdated signs as Skyline may reasonably direct.

(k) Franchisee shall comply with all laws, ordinances, and regulations affecting the operation of the Restaurant. Without limiting the generality of the foregoing, Franchisee specifically agrees to comply with all applicable laws, ordinances and regulations including, without limitation, all laws or regulations governing or relating to the handling of food products, health and safety, labeling of products and menus, data security and privacy, antiterrorism, economic sanctions, anti-money laundering and narco-trafficking laws, immigration, discrimination, harassment, occupational hazards and health insurance, employment and labor laws, including, without limitation, wage and hour laws, workers' compensation insurance, unemployment insurance, and the withholding and payment of federal and state income taxes, social security taxes and sales taxes. Franchisee shall, in all dealings with Franchisee's customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the goodwill associated with the Marks or the business of Skyline or its affiliates, the System or other restaurants operated or franchised by Skyline or its affiliates. Franchisee shall furnish Skyline within ten (10) days after Franchisee's receipt thereof, copies of all inspection reports, warnings, certificates and ratings issued by any governmental authority that reflect Franchisee's failure to meet and maintain such ratings or Franchisee's noncompliance with any applicable law, rule or regulation.

(l) Franchisee agrees to notify Skyline in writing within ten (10) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction or decree of any court, agency or other government instrumentality which may adversely affect the Restaurant or Franchisee's financial condition or ability to meet any of its obligations hereunder.

(m) Franchisee shall permit authorized personnel of Skyline to enter the Restaurant at any time during normal business hours for the purpose of inspecting and examining the operations and facilities. Franchisee will cooperate with Skyline's representatives in such inspections by rendering such assistance as such representative shall reasonably request and shall permit Skyline's representative to remove from the Restaurant samples of any ingredients and products without payment therefor, in amounts reasonably necessary for testing by Skyline or an independent certified laboratory to determine whether said samples meet Skyline's then current specifications. Upon notice from Skyline, Franchisee shall take such steps as may be necessary to immediately correct any deficiencies detected during any inspection or by any such testing including, without limitation, immediately ceasing to use any methods, ingredients, products or advertising materials which do not conform to Skyline's then current specifications, standards and requirements. In addition to any other remedies it may have under this Agreement, Skyline may require Franchisee to bear the cost of such testing in the event that the supplier from whom such ingredients and products were acquired has not been previously approved by Skyline or if the sample fails to conform to Skyline's specifications. In addition, Franchisee shall, at its sole cost and expense: (i) contract with a food safety auditing firm designated by Skyline to provide semi-annual audits of Franchisee's Restaurant; and (ii) engage such food safety auditing firm to perform additional audits upon the written request of Skyline based on food safety deficiencies discovered by Skyline's inspection of Franchisee's Restaurant. A copy of each audit report shall be provided to Skyline immediately upon delivery to Franchisee. Any Critical Deficiency disclosed by such audit must be corrected by Franchisee as soon as reasonably possible. For purposes of this Agreement, a "Critical Deficiency" shall mean the disclosure of any one or more of the following: (i) pest infestation; (ii) unavailability of hot and cold water; (iii) no manager that has successfully completed the ServSafe training program (or an approved equivalent program or local health department board program) on duty during business hours; (iv) products not approved by Skyline offered for sale at the Restaurant; (v) any products not stored, cooked and served at correct temperatures; or (vi) the existence of any deficiency that would constitute grounds for closure of the Restaurant by the health department or other governmental agency with similar jurisdiction and authority over the operation of restaurants. If any audit report discloses a Critical Deficiency, Franchisee shall, at its sole cost and expense, have the auditing firm reinspect the Restaurant within 7 days after the completion of the audit that disclosed such Critical Deficiency to demonstrate that such Critical Deficiency has been corrected; provided however, if such Critical Deficiency is not capable of cure within such 7-day period, such period shall be extended (up to a maximum of a total of 30 days) so long as Franchisee is and continues to diligently attempt to cure such Critical Deficiency in Skyline's sole judgement. Franchisee acknowledges that some Critical Deficiencies may require closure of the Restaurant until such Critical Deficiencies are cured and Franchisee will close the Restaurant if Skyline determines such closure is appropriate under the circumstances. If Franchisee fails to close the Restaurant upon demand by Skyline until all such Critical Deficiencies are cured, Skyline may terminate this Agreement immediately upon notice to Franchisee without opportunity to cure. If the report from the reinspection indicates that the Critical Deficiency has not been fully corrected it shall be an event of default under this Agreement and in addition to any other rights or remedies it may have at law or in equity, Skyline shall have the right to exercise one or more of the following remedies: (i) require Franchisee's Managing Owner and/or Franchisee's manager(s) to successfully complete such remedial training as Skyline may designate, such training to be at Franchisee's sole cost and expense; (ii) at its option, but without any obligation to do so, correct the Critical Deficiency and require reimbursement of the cost thereof from Franchisee immediately upon demand; or (iii) require more frequent food safety audits the frequency and period over which such audits will be required to be determined by Skyline in its sole discretion, all at Franchisee's sole cost and expense. Notwithstanding the foregoing, if Franchisee has had food safety audits disclosing Critical Deficiencies on three occasions in any 24 month period and such Critical Deficiencies were the result of an act or omission of the Franchisee, whether cured or not, Skyline may terminate this Agreement immediately upon written notice to Franchisee without opportunity to cure; provided however, any Critical Deficiencies identified on the Franchisee's initial food safety audit shall not count towards such three occasions. For example, a Critical Deficiency of unavailability of hot and cold water disclosed in an audit as a result of a water main break would not count as one of the three occasions as it did not result from an act or omission of the Franchisee, but would require closure of the Restaurant pending its cure.

(n) Franchisee shall purchase all designated fixtures, furniture, signs, equipment, inventory, supplies, products, ingredients and other materials used in the operation of the Restaurant as Skyline in its discretion may specify from time to time solely from suppliers who demonstrate to Skyline's continuing reasonable satisfaction, the ability to meet Skyline's standards and specifications for such items, who possess adequate quality control and such capacity as is necessary to supply Franchisee's needs promptly and reliably, and who have been approved in writing by Skyline and not thereafter disapproved. In the event that Franchisee desires to purchase any such items from any unapproved supplier, Franchisee shall submit to Skyline a written request for such approval or may request the supplier to do so. Any such supplier shall be required to meet, on a continuing basis, the standards of Skyline's Vendor Certification Program then in effect. Franchisee and/or the requesting supplier shall be provided with a copy of Skyline's then current standards upon written request. Skyline's Vendor Certification Program may require, among other things, that: (i) Skyline and/or its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered at Skyline's option to Skyline or its designee for testing; (ii) Skyline shall have found the results of any investigation or inspection of the proposed supplier acceptable to Skyline in its sole discretion; (iii) the supplier undergo regular inspection and testing, at the supplier's expense, by a third party inspection agency selected by Skyline, the results of which shall be released to and found acceptable by Skyline in its sole discretion; and (iv) the supplier shall execute and deliver to Skyline and the Franchisees purchasing from such supplier a product guaranty in form and substance acceptable to Skyline. A processing fee of Two Thousand Dollars ($2,000.00) or such higher amount as may be set forth in the Vendor Certification Program from time to time, shall be paid to Skyline by the Franchisee or by the supplier seeking approval in addition to the costs of independent testing by an approved testing agency. Skyline shall not be liable for damage to any sample which may result from the testing process. Skyline reserves the right to re-inspect the facilities and to retest the products of any such approved supplier at any time and to revoke such approval if the supplier has failed to continue to meet any of Skyline's standards and specifications as set forth in the Confidential Manuals or otherwise in writing. Skyline further reserves the right to amend the terms and conditions of the Vendor Certification Program from time to time without notice to Franchisee or any supplier.

(o) Franchisee agrees to open and operate the Franchised Restaurant during the hours prescribed by Skyline in the Confidential Manuals except during such periods as Franchisee may be required by law or permitted by Skyline to be closed as evidenced in writing. Skyline shall use its reasonable business judgment in setting and modifying the hours of operation set forth in the Confidential Manuals and in responding to requests by Franchisee for variances from the required hours of operation.

(p) Franchisee will pay on a timely basis for all food products, beverages, paper and plastic goods and other items used in the operation of the Restaurant. Franchisee understands and agrees that failure to make prompt payment to its suppliers may cause irreparable harm to the reputation and credit of Skyline and other franchisees. Franchisee shall keep complete records of its business operations in accordance with good accounting practices which shall accurately show the Gross Sales of the Restaurant and Franchisee shall supply to Skyline on a timely basis, the financial reports required under Section 4 of this Agreement.

(q) Franchisee shall institute and maintain any guest feedback program adopted by Skyline for all similarly situated franchisees from time to time. The cost of the purchase, license or subscription to such guest feedback program shall be paid by SBDF (as defined in Section 9(a)(1)); provided that any expenses associated with any update or modification of Franchisee's systems (e.g. POS) to integrate a guest feedback program will be at the sole expense of Franchisee. Skyline shall have or be provided access by Franchisee to all guest feedback data received from any guest feedback program.

(r) Franchisee shall: (i) comply in all material respects with all applicable laws, codes or regulations that regulate the processing of "Personal Information" (defined as any information in any media or format that can be used alone or in combination with other information within Franchisee's control to identify, locate or contact an individual or pertains in any way to an identified or identifiable individual), including, but not limited to, data protection laws, laws regulating marketing communications and/or electronic communications, laws regulating the collection of Personal Information at the point of sale or online, information security laws, regulations or best practices, Payment Card Industry Data Security Standards, and security breach notification laws, regulations or rules (collectively, "Privacy Laws"); (ii) comply with all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by Skyline that relate to Privacy Laws and the privacy and security of Personal Information, or the privacy, protection and security of the systems, networks or software of Skyline or its affiliates; (iii) refrain from any action or inaction that could cause Franchisee, Skyline or Skyline's affiliates to breach any Privacy Laws; (iv) do and execute, or arrange to be done and executed, each act, document and thing Skyline deems necessary in Skyline's sole discretion to keep Franchisee and Skyline in compliance with the Privacy Laws in a timely manner; and (v) promptly report to Skyline upon becoming aware of, the actual, attempted or suspected theft or loss of, or unauthorized access to, Personal Information. If there is a conflict between Skyline's standards and policies pertaining to Privacy Laws and applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Skyline written notice of said conflict; and (iii) promptly and fully cooperate with Skyline and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Privacy Laws within the bounds of applicable law.

(s) Franchisee shall honor all debit, credit, charge or other credit devices specified by Skyline and shall obtain all necessary hardware and/or software used in connection with these non-cash systems. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, and electronic-fund-transfer systems that Skyline has approved in writing, and Franchisee must not use any such services or providers that Skyline has not approved in writing or for which Skyline has revoked its approval. Skyline has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee shall comply with the then current Payment Card Industry Data Security Standards ("PCI DSS") as those standards may be revised by the PCI Security Standards Council, LLC or successor organization, including: (i) implementing (at Franchisee's sole cost expense) all security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards; and (ii) participating in (at Franchisee's sole cost and expense) a standardized PCI DSS compliance program. In the event Franchisee is unable to demonstrate to Skyline full compliance with PCI DSS (or the then applicable current) standards by providing a report from an independent third party qualified security assessor or other method acceptable to Skyline, Skyline may require Franchisee to engage the services of an approved vendor to assist Franchisee to demonstrate full compliance on an ongoing basis. Additionally, Skyline may require Franchisee to use, and directly contract with, certain approved third-party vendors for some or all of Franchisee's technology security compliance and/or card brand or government requirements related to the transmission/processing of debit and credit card transactions and personally identifiable information. Franchisee shall promptly notify Skyline if Franchisee becomes aware of any breach, or suspected breach, of card holder data or personally identifiable information related to the Franchised Business, whether notice is provided by Franchisee's credit card processor, law enforcement or any other party. Franchisee shall annually submit to Skyline or its designee a certification of compliance with PCI DSS requirements (or the then applicable current standards) in the form designated by Skyline.

(t) Franchisee shall also comply with all other requirements set forth in this Agreement and any requirements set forth in the Confidential Manuals and related materials supplied to Franchisee by Skyline from time to time.

(u) Because complete and detailed uniformity under many varying conditions may not be possible or practicable, Skyline specifically reserves the right and privilege, at its discretion, to vary standards for any franchisee based upon the peculiarities of a particular site or locale or circumstance, density of population, business potential, population of trade area, existing business practices in such locale or any other condition which Skyline deems to be important to the successful operation of any franchise to be granted for the operation of a Skyline Chili restaurant. Franchisee acknowledges that such variations may be required by Skyline from time to time and further that such variations may be allowed to other franchisees under the same or different circumstances and yet not be allowed to Franchisee, all in Skyline's discretion.

8. LIMITATION OF FRANCHISE AND RIGHTS TO USE OF MARKS AND SYSTEM

(a) Franchisee, Managing Owner and each other owner of Franchisee each acknowledges and agrees that ownership of all right, title and interest in and to the Skyline System, the Marks and the design, decor and image of Skyline Chili Restaurants is and shall remain vested solely in Skyline and Franchisee, Managing Owner and each other owner of Franchisee each disclaims any right or interest therein or the goodwill derived therefrom. Franchisee, Managing Owner and each other owner of Franchisee agrees that all materials loaned or otherwise made available to Franchisee and all disclosures made to Franchisee and not to the general public by or at the direction of Skyline at any time before or during the term of this Agreement, including without limitation, the Confidential Manuals in their entirety, are to be considered trade secrets of Skyline for purposes of this Agreement and shall be kept confidential as more particularly set forth in Section 14 and used only in the operation of the Restaurant and other Skyline Chili restaurants, as applicable.

(b) Franchisee, Managing Owner, each other owner of Franchisee and any person controlling, controlled by or under common control with Franchisee will not, jointly or severally, directly or indirectly at any time during the term of this Agreement or thereafter do or cause to be done any act or thing disputing, attacking or in any way impairing or tending to impair Skyline's right, title or interest in the Marks and the Skyline System. Franchisee, Managing Owner, each other owner of Franchisee and any person controlling, controlled by or under common control with Franchisee will not in any way identify itself as the owner of, or register or attempt to register any of the Marks in its name or any other name, or request or assist anyone else in doing so. Franchisee, Managing Owner, each other owner of Franchisee and any person controlling, controlled by or under common control with Franchisee will not register any Internet domain names incorporating the name "Skyline," any of the Marks or any confusingly similar names without the prior written consent of Skyline. Franchisee shall immediately notify Skyline of all infringements or imitations of the Skyline Marks which come to its attention or challenges to Franchisee's use of any of the Marks. Skyline shall exercise absolute discretion in deciding what action, if any, should be taken. Franchisee agrees to cooperate in the prosecution of any action to prevent the infringement, imitation, illegal use or misuse of the Marks and agrees to be named as a party in any such action if so requested by Skyline. Skyline agrees to bear reasonable legal expenses incidental to Franchisee's participation in such action if undertaken by Skyline except for the cost of Franchisee's personal legal counsel if Franchisee elects to be represented by counsel of his own choosing. Skyline will defend Franchisee from any third-party infringement claims brought against Franchisee as a result of Franchisee's use or display of the Marks in accordance with this Agreement and the Confidential Manuals.

(c) In the adoption of a corporate, partnership or other business name, Franchisee, Managing Owner, each other owner of Franchisee and any person controlling, controlled by or under common control with Franchisee shall not use any of the Marks or any variations or abbreviations or any words confusingly similar to the Marks. Notwithstanding the preceding, Skyline will permit Franchisee to use the word "Skyline" or the word "Chili", but not both, in connection with the adoption of a corporate, partnership or other business name (e.g. "Centerville Skyline, LLC" or "Centerville Chili, LLC" but not "Centerville Skyline Chili, LLC"), provided that if Franchisee uses the word "Skyline" as part of its corporate, partnership or other business name, it shall file with the appropriate agencies to change its business name and cease any further use of the word "Skyline" in its business name upon termination of this Agreement.

(d) Franchisee, Managing Owner and each other owner of Franchisee acknowledges the uniqueness of the Skyline System and Skyline's Secret Recipe Products, procedures, menus, strategies and materials and that Skyline is making its knowledge, know-how and expertise available to Franchisee only for the purposes of operating the Restaurant. Franchisee, Managing Owner and each other owner of Franchisee agrees that it would be an unfair method of competition to use or duplicate any of the knowledge, know-how and expertise received from Skyline for any use other than for the operation of the Restaurant. Franchisee therefore warrants that during the term of this Agreement it will use its best and continuing efforts to promote and develop the business at the Restaurant and during the term hereof and thereafter Franchisee, Managing Owner, each other owner of Franchisee and any person controlling, controlled by or under common control with Franchisee will not directly or indirectly engage in the operation of any restaurant other than the Restaurant or other Skyline Chili Restaurants licensed from Skyline which utilize or duplicate the Skyline System or any part thereof. Franchisee acknowledges that the rights to use the Skyline System and Marks licensed hereunder are personal to Franchisee and cannot be sold, assigned or transferred in whole or part except as provided in Section 12 hereof. Franchisee acknowledges that the rights to use the System and the Marks hereunder are not exclusive and Skyline retains the right to franchise or license others to use the System and the Marks at any other location or to operate other Skyline Chili Restaurants in its own right except as explicitly provided herein.

(e) Franchisee, Managing Owner, each of the other owners and any person controlling, controlled by or under common control with Franchisee shall not conduct any special sale at a parade, fair, concert, athletic contest festival, special event or other mass gathering through mobile units or temporary locations or sell Skyline Chili or other products through mail order, catalogs or over the Internet or in any location, temporary or permanent, other than at the Restaurant, or engage in catering or delivery of Skyline Chili or other Skyline products, except that Franchisee may engage in certain of such activities subject to the prior written consent of

Skyline and upon executing a separate agreement with Skyline for the right to conduct such sale, catering or delivery activity.

9. ADVERTISING AND PROMOTION

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the Skyline System and Marks, the parties agree as follows:

(a) Skyline shall have the right to require Franchisee to spend on advertising and promotion, or to participate in and contribute for the purpose of advertising and promotion, each month during the term of this Agreement, an amount, in the aggregate, equal to four percent (4%) of Franchisee’s Gross Sales during the preceding month (the “Advertising Contribution”), or such greater amount as provided for in Subsection 9(b) hereof, all in such manner as Skyline may direct from time to time, subject to the following:

(1) During any period that the Skyline Brand Development Fund (hereinafter referred to as “SBDF”) (or any account, fund or successor entity designated by Skyline) is in existence as an advertising and promotional fund for the System, Franchisee shall contribute to SBDF on a monthly basis such amount as may be specified by Skyline from time to time in writing, which amount shall not be greater than fifty percent (50%) of Franchisee’s Advertising Contribution;

(2) Franchisee shall spend on a monthly basis, for the purpose of local advertising and promotion, such amounts as may be specified by Skyline from time to time in writing, which amounts shall not be less than fifty percent (50%) of Franchisee’s Advertising Contribution. Franchisee’s expenditures for local advertising and promotion shall be made in accordance with Subsection 9(c) hereof;

(3) If an advertising and marketing Cooperative (as defined in Subsection 9(d)) is established for Franchisee’s region, Skyline may specify the amount that Franchisee shall contribute to the Cooperative each month; provided, however, that Franchisee’s contribution to the Cooperative shall be credited towards satisfaction of the obligations required by Subsection 9(a)(2) hereof, and shall be made in accordance with the provisions set forth in Subsection 9(d) hereof; and

(4) Franchisee acknowledges that Skyline franchisees operate under different forms of agreement and agrees that not all franchisees of Skyline may be required to pay their Advertising Contribution in the same percentages to SBDF and for local advertising (either directly or through a Cooperative).

(b) Skyline reserves the right (i) to increase the Advertising Contribution specified in Subsection 9(a) at any time to an amount not in excess of six percent (6%) of the Franchisee’s Gross Sales, (ii) to increase the contributions to SBDF beyond the limit specified in Subsection 9(a)(1), and (iii) to reduce the minimum expenditures specified in Subsection 9(a)(2); provided, however, that Skyline may require any of such changes only upon obtaining an affirmative vote representing sixty-six and two-thirds percent (66 2/3 %) or more of all restaurants in the United States operating in the Skyline System (whether operated by Skyline or by its franchisees and excepting those restaurants operating under any form of franchise agreement with Skyline which does not provide for such changes). Any increase of the Advertising Contribution above four percent (4%) of the Franchisee's Gross Sales shall be implemented at a rate of not more than one-half percent (1/2%) per year (e.g. a full 2% increase in Advertising Contribution would be phased in over 4 years).

(c) All local advertising and promotion by Franchisee shall be in such media, and of such type and format as Skyline may approve; shall be conducted in a dignified manner; and, shall conform to such standards and requirements as Skyline may specify. Franchisee shall not use any advertising or promotional plans or materials, including without limitation any Internet web sites, promotional e-mails, Internet distribution lists or other Internet-based advertising materials or methods, unless and until Skyline has approved them in writing, pursuant to the procedures and terms set forth in Subsection 9(g) hereof.

(1) As used in this Agreement, spending on "local advertising and promotion" which may be credited toward Franchisee's Advertising Contribution as set forth under Subsection 9(a)(2) shall be advertising and promotion related directly to the Restaurant and shall be in such media and of such type and format as Skyline may approve. Examples of the types of "local advertising and promotion" which may be credited toward Franchisee's Advertising Contribution are: (i) advertising and media - the direct costs of measurable media for television, radio, newspaper and print, outdoor (billboard or transit), yellow pages and direct mail, including space or time charges, agency planning, selection, placement and production, and the direct costs of in store materials, including window signs, counter signs and other promotional signs; (ii) promotions - the direct costs of market-wide efforts to stimulate trial, increase frequency of purchase or increase average amounts of purchase, including direct advertising costs and costs incurred for planning and execution of same; and (iii) direct out-of-pocket expenses - the direct costs incurred by an advertising agency approved by Skyline and related to the cost of advertising and marketing, including agency travel expense, postage, shipping, meeting room charges, telephone and photocopying.

(2) Skyline may, from time to time, specify the types of expenditures and costs which shall not qualify as "local advertising and promotion". Franchisee agrees that unless otherwise agreed in advance by Skyline in writing, the definition of local advertising and promotion set forth above shall not include, and Franchisee shall not include in its report of the amounts expended on advertising and promotion, any costs or expenses incurred by Franchisee in connection with any of the following: (i) incentive programs, including the cost of honoring coupons; (ii) market-wide or other research that is not conducted by a professional marketing research firm approved in writing by Skyline; (iii) food costs incurred in, or price reductions associated with, any promotion; (iv) salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities; (v) charitable, political or other contributions or donations; (vi) press parties or other expenses of publicity other than those associated with the grand opening or re-opening of the Restaurant; (vii) in-store materials consisting of fixtures or equipment; (viii) any entertainment or related expenses for travel, meals and the like; (ix) any fees paid to parties who are not professional consultants, counselors or advisors in marketing, advertising, public relations, promotion or associated efforts previously approved in writing by Skyline; (x) seminar and educational costs and expenses of employees of Franchisee; (xi) specialty items (such as tee shirts, premiums, pins and awards) unless such items are part of a market wide advertising program and the cost of such items is not

recovered by the promotion; and (xii) such other items as Skyline shall reasonably determine in its discretion.

(3) Franchisee acknowledges the importance of a substantial expenditure of funds on pre-opening and opening related local advertising and marketing, particularly if Franchisee is entering a new market area for Skyline restaurants. Consequently, in the event that this Agreement is executed in connection with the initial opening of the Restaurant at the location specified in Section 1(a) (i.e. Franchisee is not renewing its franchise for an existing Restaurant at the same location), Franchisee agrees to expend an additional sum for local advertising and marketing over and above those sums required to be expended pursuant to Sections 9(a) and 9(b) above, during the period commencing with the execution of this Agreement and ending one (1) year after the Restaurant is open for business in an amount not to exceed Fifteen Thousand Dollars ($15,000.00), which amount shall be determined by Skyline in the exercise of its reasonable discretion and communicated in writing to Franchisee not later than thirty (30) days after the opening of the Restaurant. Such amounts shall be expended as directed by Skyline at such time or times as Skyline shall direct. Skyline may require Franchisee to deposit the full amount of such required initial year advertising funds with Skyline upon execution of this Agreement. If Skyline requires such deposit, Skyline will release such funds for the payment of approved initial year advertising expenses upon receipt of satisfactory evidence of Franchisee's payment of such expense, or, in Skyline's discretion, evidence of the incurrence of such expense and the amount due.

(4) Franchisee agrees to file with Skyline not more than ten (10) days following the close of each and every calendar month during the term of this Agreement a Statement of Local Advertising showing the local advertising expenditures of the Restaurant for the month immediately preceding such filing date, including copies of invoices and such other information as Skyline may reasonably request to ascertain compliance with this Section 9(c). All such reports shall be made on forms approved by Skyline and must contain the properly executed Statement of Franchisee's Chief Financial Officer, President or other officer acceptable to Skyline that each is true and correct. Skyline shall also have the right to request by telephone or otherwise such information prior to its submission. Franchisee agrees to keep full and true books of account and other records in sufficient detail so that local advertising expenditures may be properly ascertained. Franchisee agrees, whenever requested by Skyline, to permit Skyline or Skyline's representatives to have access to all such books and records as may be necessary to determine, in respect of any monthly accounting period ending not more than two years prior to the date of such request, the correctness of any report or payment required under this Agreement or to obtain information as to the amounts payable in the case of failure of Franchisee to report. Skyline or its representatives shall be entitled to make such examination at any time during normal business hours.

(5) Franchisee understands and acknowledges that the required contributions and expenditures are minimum requirements only, and that Franchisee may, and is encouraged by Skyline to, expend additional funds for local advertising and promotion, where appropriate.

(d) Any regional advertising pertaining to the Restaurant, and any local advertising which Skyline may specify as inconsistent with the provisions of Subsection 9(c) pertaining to individual restaurant advertising and promotion, shall be conducted by and through a regional advertising cooperative ("Cooperative") established or required to be established by Skyline for that purpose. Skyline shall have the right, in its discretion, to designate any geographical area for purposes of establishing a Cooperative, and Franchisee agrees to take appropriate steps to establish and participate in such Cooperative if required to do so by Skyline. If a Cooperative for the geographic area in which the Restaurant is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately be bound by the obligation to become a member of such Cooperative under the terms of the then-existing Cooperative agreement. If a Cooperative for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall immediately become a member of such Cooperative, and take all steps necessary to become and remain a member of such Cooperative. In no event shall Franchisee be required to be a member of more than one Cooperative with respect to the Restaurant. Skyline shall have the right, from time to time, to issue such policies and procedures as it deems necessary or appropriate with respect to franchisees whose restaurants are located in multiple market areas. The following provisions shall apply to each such Cooperative:

(1) Each Cooperative shall be organized and governed in a form and manner approved by Skyline in writing, and shall commence operations on a date specified by Skyline. Any disputes arising among or between Franchisee, other franchisees in the Cooperative, and/or the Cooperative, shall be resolved by Skyline, whose decisions shall be final and binding on all parties;

(2) Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs, and developing, subject to Skyline's approval, standardized promotional materials for use by the members in local advertising and promotion;

(3) No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Skyline, pursuant to the procedures and terms set forth in Subsection 9(g) hereof;

(4) Franchisee shall submit its required contribution to the Cooperative, either directly or through Skyline, as directed by Skyline in writing. Franchisee shall submit its required contribution to the Cooperative at such times as determined by the Cooperative, but no later than the tenth (10th) day of each month on Gross Sales for the preceding calendar month, together with such other statements or reports as may be required by Skyline, or by the Cooperative with Skyline's prior written approval;

(5) Skyline shall, for each of the restaurants operated by Skyline under the System which are located in a geographic area for which a Cooperative has been established, be a voting member of the applicable Cooperative (with voting rights for each Skyline-owned restaurant comparable to the voting rights of the owners of each franchised Skyline Chili restaurant) and make contributions to the applicable Cooperative on the same basis as assessments required of comparable franchisees who are members of such Cooperative, as determined by Skyline;

(6) Each Cooperative shall, unless otherwise agreed in writing by Skyline, spend all of the Advertising Contribution contributed to it in the same fiscal year that it is received. In the event that a Cooperative does not comply with the preceding sentence, Skyline may direct such Cooperative to turn over all such funds to Skyline and Skyline shall have the right to spend such funds for regional advertising on behalf of the Cooperative and Skyline shall further have

the right, in its sole and absolute discretion, to select the manner and method of spending such funds, including the specific marketing campaigns to be used and the media in which they will be placed;

(7) Skyline shall have the right, from time to time, to issue and modify such policies and procedures as it deems necessary or appropriate regarding the organization, governance and operations of Cooperatives and the regional advertising conducted by Cooperatives, provided that nothing in such policies or procedures shall be in conflict with the provisions of this Section 9; and

(8) Skyline, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, or from the requirement to pay all or a portion of the contribution (described in Subsection 9(a)(2)) to the Cooperative upon written request of such franchisee stating reasons supporting such exemption. Skyline's decisions concerning such request for exemption shall be final. If an exemption is granted to a franchisee, such franchisee may be required to expend an amount equal to the exempted portion of the contribution for local advertising in accordance with and as may be required in Subsections 9(a)(2) and 9(c) hereof.

(e) To the extent permitted by the organizational and operational documents of SBDF, SBDF shall be maintained and administered by Skyline or its designee, as follows:

(1) Skyline or its designee shall direct all advertising programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees that SBDF is intended to maximize general public recognition, acceptance, and use of the Skyline System and the Marks. In furtherance of the foregoing and without limitation, SBDF may, under the direction and control of Skyline, engage in some or all of the following: (i) conduct consumer brand research by market or region (e.g. measuring the effectiveness of SBDF programs, determining the type and method of brand research); (ii) formulate brand image enhancement strategies (e.g. formulate branding strategies with input from SBDF's advertising agency, brand development consultants and the SBDF Advisory Board, devise methods for the restaurant brand and grocery product brands to complement and reinforce one another, develop system wide promotions and regional sponsorship opportunities); (iii) establish an annual budget based on anticipated receipts; (iv) create advertising and promotional campaigns (e.g. Skyline's marketing department will work with SBDF's advertising agency to create advertising campaigns intended to execute against the established brand enhancement strategy, exploit regional or system-wide promotional or sponsorship opportunities that present themselves); (v) seek and exploit cost effective regional buying opportunities for SBDF advertising and promotional campaigns and regional campaigns (e.g. Skyline's marketing department will work with the SBDF advertising agency on regional media buying); (vi) measure sales results (e.g. where SBDF exploits regional media buying opportunities, measure the effectiveness of the advertising campaigns across markets and report the results of such measurement to the individual Cooperatives); and (vi) purchase, license or subscribe to programs designed to measure consumer satisfaction with the System, the products and individual restaurants;

(2) SBDF shall have an advisory board consisting of Skyline appointed members and franchisee members (the "SBDF Advisory Board"). The SBDF Advisory Board shall

initially consist of five (5) members, one (1) member appointed by Skyline and four (4) members appointed by Skyline franchisees, provided that the franchisee members shall, unless otherwise agreed by Skyline, be officers of their respective Cooperatives. Skyline may, in its sole discretion, change the number of members of the SBDF Advisory Board, provided that the proportion of Skyline appointed members to franchisee appointed members remains roughly 20% to 80%. The SBDF Advisory Board shall meet at least twice each year and shall assist Skyline and the SBDF advertising agency in developing and implementing the advertising, promotional and marketing plans for the Skyline restaurant system. While Skyline shall maintain sole control over the overall marketing strategies, brand messages, policies and specific marketing campaigns and materials, the SBDF Advisory Board is established to provide franchisee input into the process. Skyline may, from time to time, establish and modify policies and procedures with respect to the composition and operation of the SBDF Advisory Board; provided, that any such policies and procedures shall be consistent with the provisions of this Subsection 9(e);

(3) All contributions to SBDF, and any earnings thereon, shall be used exclusively to pay the costs of maintaining, administering, directing, conducting, producing, preparing and placing advertising, marketing, public relations and promotional programs and materials, and any other activities which Skyline believes will enhance the image of the System and/or the Marks, including, without limitation, the costs of preparing, conducting and placing media advertising campaigns; direct mail advertising; market studies; market research; marketing surveys and other public relations activities; employing advertising or public relations agencies to assist therein; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the restaurants operated under the Skyline System. SBDF may also be used to meet the costs of preparing, conducting and placing marketing and promotional programs and materials in connection with local or regional programs conducted by a Cooperative and to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by Skyline, which products, services, or improvements Skyline deems, in its sole discretion, will promote general public awareness and favorable support for the Skyline System;

(4) Subject to the provisions of Section 9(e)(5) below, SBDF may, in its sole discretion, contribute funds to one or more Cooperatives to pay the costs of maintaining, administering, directing, conducting, preparing and placing regional or local advertising, marketing, public relations and promotional programs and materials by the Cooperative and developing, subject to Skyline's approval, standardized promotional materials for use by the members in local advertising and promotion;

(5) Funds contributed to SBDF shall be divided into two pools, a Production Pool and a Regional Media Buying Pool. The Production Pool shall be used only for the following production-related expenses: (i) television/radio/print/other media production costs for overall brand image campaigns (e.g. film, editing, talent, music, photography, typesetting, printing, agency fees other than media-buying commissions); (ii) production costs for point of sale materials for system-wide advertising and promotional programs; (iii) menu development costs for Skyline's products; (iv) production costs for children's programs (e.g. photography, typesetting, agency fees other than media-buying commissions); (v) development costs for drive-through programs; (vi) legal costs related to the protection of the Marks and Skyline brands

related to SBDF's programs; and (vii) all costs to administer SBDF (including reimbursement of Skyline for any costs incurred by Skyline, including without limitation salaries of Skyline employees, for creating and implementing SBDF programs and administration of SBDF, not to exceed 10% of the contributions to SBDF). The Regional Media Buying Pool shall be used only for the following expenses: (i) brand image consumer research, including guest feedback programs; (ii) regional media costs; (iii) agency media buying commissions; (iv) attribute performance research on a local market basis not otherwise conducted by a Cooperative established for that market or region; and (v) any other purposes permitted under this Subsection 9(e). Of the Advertising Contribution contributed to SBDF, not more than three fourths of one percent (.75%) of Franchisee's Gross Sales, calculated over each fiscal year of SBDF, shall be allocated for the Production Pool. Any sums contributed to SBDF in excess of such amount shall be allocated to the Regional Media Buying Pool. Unless otherwise agreed by Skyline and the governing boards of each affected Cooperative, funds allocated to the Regional Media Buying Pool shall be expended on a basis that is roughly in the same proportion that the funds were contributed to SBDF by the franchised and Skyline-owned restaurants within each Cooperative. Skyline's good faith determination of the basis for expenditures under the preceding sentence shall be final and binding upon Franchisee. Franchisee shall be bound by the decision of Skyline and the governing boards of the affected Cooperatives with respect to any non-proportional expenditure of Regional Media Buying Pool funds regardless of whether Franchisee is a member of one of the affected Cooperatives. In the event Skyline determines there are excess funds in the Production Pool, Skyline may, in its sole discretion, retain such funds in the Production Pool or transfer some or all of such excess funds to the Regional Media Buying Pool;

(6) Franchisee shall contribute to SBDF, either directly or through Skyline, as directed in writing by Skyline. Franchisee shall submit its required contribution to SBDF at such times as determined by SBDF, but no later than the tenth (10th) day of each month on Gross Sales for the preceding calendar month, together with such other statements or reports as may be required by Skyline, or by SBDF with Skyline's prior written approval. All sums paid by Franchisee to SBDF shall be maintained in an account separate from the other monies of Skyline and shall not be used to defray any of Skyline's expenses, except for such reasonable costs and overhead, if any, as Skyline may incur in activities reasonably related to the administration, direction, and implementation of SBDF and advertising programs for franchisees and the System, including, without limitation, costs of personnel for creating and implementing advertising, merchandising, promotional and marketing programs and administration of SBDF funds. Funds contributed to SBDF, and any earnings thereon, shall not otherwise inure to the benefit of Skyline. Skyline or its designee shall maintain separate bookkeeping accounts for SBDF;

(7) Skyline shall, for each of the restaurants operated by Skyline under the System, make contributions to SBDF on the same basis as assessments required of comparable franchisees within the Cooperative or geographic area in which each Skyline owned restaurant is located, as determined by Skyline;

(8) It is anticipated that all contributions to and earnings of SBDF shall be expended for advertising and promotional purposes during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in SBDF at the end of such taxable year, such excess amounts may, in Skyline's sole discretion, be carried over to

the following year(s), or contributed to each Cooperative in roughly the same proportion that the funds were contributed to SBDF by the franchised and Skyline-owned restaurants within each Cooperative (provided that funds attributable to contributions by franchisees that are not members of any Cooperative may, in Skyline's sole discretion, be returned directly to such franchisees to be used for local advertising in compliance with Section 9(c), above). Franchisee acknowledges that precise mathematical calculations of proportionality under the preceding sentence are not possible and Franchisee agrees that, so long as Skyline is acting in good faith in making determinations under the preceding sentence, Skyline shall not be liable to Franchisee for such determinations. If there are insufficient funds in SBDF to carry out its purposes, Skyline may, in its sole discretion, loan money to SBDF, which loan(s) shall be repaid out of subsequent contributions to SBDF;

(9) Regardless of whether SBDF is established as a separate legal entity from Skyline, Skyline shall not treat the funds contributed to SBDF, and any earnings thereon, as an asset of Skyline (except as may be required by Generally Accepted Accounting Principles or applicable law) nor shall Skyline use such funds except as provided in this Section 9(e). A statement of the operations of SBDF as shown on the books of Skyline shall be prepared annually by Skyline and shall be made available to Franchisee; and

(10) In the event that SBDF is established as a separate legal entity from Skyline, SBDF is intended to be of perpetual duration. However, Skyline shall have the right to terminate SBDF at any time and not to designate a successor entity. SBDF shall not be terminated, however, until all monies in SBDF have been expended for advertising and promotional purposes. In the event that SBDF is terminated without the designation of a successor entity, Franchisee shall make its Advertising Contribution as directed in writing by Skyline. For any period that SBDF is terminated and no successor entity has been designated, Skyline may direct that the portion of the Advertising Contribution that is otherwise payable to SBDF hereunder be paid directly to Skyline. Any portion of the Advertising Contribution paid directly to Skyline shall be maintained in an account separate from the other monies of Skyline and shall be subject to the terms and conditions of this Subsection 9(e).

(f) Skyline shall make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, which may include newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials.

(g) For all advertising and promotional plans that require Skyline's approval prior to use, as set forth in Subsections 9(c) and 9(d) hereof, Franchisee or the Cooperative, where applicable, shall submit samples of such plans and materials to Skyline, for Skyline's prior written approval at least forty-five (45) days in advance of their anticipated usage, if such plans and materials have not been prepared or previously approved by Skyline. If written approval is not received by Franchisee or the Cooperative from Skyline within fifteen (15) days after the date of Skyline's receipt of such samples or materials, Skyline shall be deemed to have disapproved them. In addition, Skyline may promulgate policies with respect to certain types or methods of advertising and promotion which shall be binding upon Franchisee.

(h) Franchisee shall honor all gift certificates issued by Skyline, in accordance with procedures specified by Skyline in writing.

(i) All rebates, refunds, marketing allowances or similar items not reflected in the price of goods charged by the supplier actually received by Skyline as a result of purchases of goods by franchisees of Skyline and Skyline-owned restaurants (collectively "Rebates") shall, to the extent the applicable information required to make the calculations is available to Skyline, be contributed by Skyline to the regional Cooperative(s) in roughly the same proportion that purchases of the applicable products by franchisees and Skyline-owned restaurants in each Cooperative bear to the total purchases of the applicable products by all franchisees and Skyline-owned restaurants (e.g. if the franchisees and Skyline-owned restaurants within Cooperative A purchased 20% of all Product X purchased by all Skyline restaurants, then Cooperative A would receive roughly 20% of the Rebates attributable to the purchase of Product X); or, to the extent the applicable information is not available to Skyline, such Rebates shall be contributed by Skyline to SBDF. Franchisee acknowledges that Skyline may not have access to sufficient data to precisely calculate the proportion of purchases by franchisees in each Cooperative and agrees that Skyline may, in its sole discretion, instead make an estimate of such proportion based on such information as Skyline deems appropriate. Skyline's good faith determination of the proportion of franchisee and Skyline-owned restaurant purchases hereunder and the amount of Rebates to contribute to each Cooperative shall be final and binding upon the parties hereto.

(j) Skyline has established and plans to maintain a website to provide information about the Skyline System and the products and services offered by Skyline and/or its franchisees (the "Skyline Website"). Skyline shall have control over the Skyline Website's design and contents. Skyline shall have no obligation to maintain the Skyline Website indefinitely and may discontinue it at any time without liability to Franchisee. The Skyline Website includes a series of interior pages that identify participating Restaurants by address and telephone number. At Franchisee's request and upon Franchisee's execution of a terms of use agreement in a form provided by Skyline, Skyline shall, technology permitting, include at the Skyline Website one or a series of interior pages dedicated to information about Franchisee's Restaurant. Franchisee may propose the content of the page(s), but such content must be developed by Skyline or its webmaster at Franchisee's expense, with a template that Skyline provides and shall be subject to Skyline approval prior to posting as to form, content and programming quality. Franchisee shall not have the capability to modify its page(s) except in coordination with Skyline's webmaster and in compliance with Skyline's standards. Skyline may use a portion of the Advertising Contribution directed to SBDF to pay for the cost of developing, hosting and maintaining the Skyline Website. If Franchisee defaults under this Agreement or fails to pay when due amounts payable to Skyline or its affiliates, Skyline may remove information about the Franchisee's Restaurant from the Skyline Website until such time as Franchisee pays its outstanding obligation in full or cures such default as provided in Section 15, if applicable. Franchisee shall not establish any separate websites or presence on the Internet without the prior written consent of Skyline, which consent may be withdrawn at any time by Skyline in its sole discretion. Any separate website or Internet presence maintained by Franchisee apart from the Skyline Website shall be subject to such rules and regulations as Skyline may implement from time to time. Further, all content to be included in such separate website or Internet presence shall be approved as provided in Sections 9(c) and (g) hereof. Franchisee may not promote the Restaurant or use the Marks in any manner on any social media site existing now or in the future (including, without limitation, on blogs, Facebook, LinkedIn, Twitter, Instagram, Flickr, Tumblr, Pinterest, Google+, Vine and Snap Chat) or on file-, audio-, or video-sharing sites, without complying with Skyline's standards as set forth in the Confidential Manuals or as specifically permitted by Skyline. Skyline has final authority over all social media marketing, and Franchisee must comply with Skyline's standards regarding use of social media whenever promoting or referencing to the Restaurant or to the Marks. Franchisee may not post communications about the Restaurant or the Skyline System that would disclose the System's Confidential Information, violate any laws, regulations, or guidelines or violate the terms of use imposed by the social media site. Franchisee may not post communications about the Restaurant or the Skyline System on any social media site that is not authorized by Skyline for use by Franchisee. Franchisee must ensure that policies it adopts for its employees' social media use are consistent with the requirements for social media advertising set forth herein.

(k) Skyline may, at its option and sole expense, establish and maintain a so-called intranet through which Skyline and its franchisees may communicate with each other and through which Skyline may disseminate updates to the Operations Manual and other confidential information (the "Skyline Intranet"). Skyline shall have no obligation to maintain the Skyline Intranet indefinitely and may discontinue it at any time without liability to Franchisee. Skyline shall establish policies and procedures for the Skyline Intranet's use. These policies, procedures and other terms of use shall address issues such as (a) restrictions on the use of abusive, slanderous or otherwise offensive language in electronic communications; (b) restrictions on communications between or among franchisees that endorse or encourage breach of any franchisee's Franchise Agreement; (c) confidential treatment of materials that Skyline transmits via the Skyline Intranet; (d) password protocols and other security precautions; (e) grounds and procedures for Skyline's suspending or revoking a Franchisee's access to the Skyline Intranet; and (f) a privacy policy governing Skyline's access to and use of electronic communications that franchisees post on the Skyline Intranet. Skyline expects to adopt and adhere to a privacy policy. However, Franchisee acknowledges that, as administrator of the Skyline Intranet, Skyline can technically access and view any communication that anyone posts on the Skyline Intranet. Franchisee further acknowledges that the Skyline Intranet facility and all communications that are posted to it shall become Skyline's property, free of any claims of privacy or privilege that Franchisee or any other person may assert. Upon receipt of notice from Skyline that the Skyline Intranet has become operational, Franchisee agrees to purchase and install all necessary equipment and services to establish and continually maintain electronic connection with the Skyline Intranet to allow Skyline to send messages to and receive messages from Franchisee. Franchisee's obligation to maintain connection with the Skyline Intranet shall continue until the Franchise Agreement's expiration or termination (or, if earlier, until Skyline discontinues the service).

(l) Franchisee acknowledges that some franchisees of Skyline operate under different forms of franchise or license agreements and may not be required to participate in local, cooperative or national advertising programs of the type required for Franchisee under this Agreement and no assurance can be given that all franchisees will pay equivalent amounts or that any particular franchisee will benefit directly or on a pro rata basis from any advertising payments required to be made hereunder.

10. RENOVATION OF RESTAURANT

(a) Franchisee shall use only such exterior and interior signs, including any and all replacements thereof, that comply with and satisfy Skyline's then current requirements.

(b) (1) Whenever and as frequently as Skyline determines is necessary to maintain an attractive appearance, safe environment and good brand image Franchisee will, within 120 days after notification from Skyline, complete the replacement, remodeling or refurbishment of the Restaurant building, signage, furniture, fixtures and equipment to meet the then current Skyline standards. If such work is delayed by events beyond the reasonable control of Franchisee, then the time for performance shall be extended by the number of days such performance is so delayed; provided, however that all such work shall, in any event, be completed within 180 days after the date of the original notification from Skyline. The scope of work required in connection with such remodel must be approved by Skyline in writing. Franchisee acknowledges and agrees that this obligation may require significant capital or other expenditures over the term of this Agreement. (2) Franchisee will not be required to remodel its restaurant to meet the then current Skyline standards pursuant to Section 10(b)(1) more often than once every 7 years during the term of this Agreement. Franchisee may not be required to make expenditures for a remodel of its Restaurant to meet Skyline's then current standards and specifications in excess of two and one-half (2 ½%) percent of its Gross Sales over the 6 year period prior to the commencement date of such remodel. Franchisee may not be required to remodel a Restaurant located on leased premises if such remodel would fall within the last twenty-four (24) months of Franchisee's tenancy in such leased premises and Franchisee notifies Skyline in writing that it will cease operating the Restaurant and requests termination of this Agreement as of the expiration of its tenancy or Franchisee has received Skyline's written approval to relocate the Restaurant to an alternate site pursuant to the terms of this Agreement. The limitations of this Section 10(b)(2) shall not apply to any maintenance, repairs, refurbishment or replacement required under Sections 7(g) and (h).

(c) Franchisee may be required to purchase additional equipment required to prepare new menu items from time to time.

(d) Any replacements, repairs or remodeling undertaken by Franchisee shall be in accordance with Skyline's then current standards and specifications. Further, if the cost of such replacement, repairs or remodeling exceeds Ten Thousand ($10,000.00) Dollars, Franchisee shall obtain the prior written consent of Skyline.

(e) Skyline agrees that it or its affiliates shall perform remodeling, repairs, replacements and refurbishments to the Skyline Chili restaurants owned by them comparable that required of Franchisee hereunder.

(f) Skyline shall have the authority to enforce the provisions of Subsections 10(a) through (d) by seeking injunctive relief in the same manner as set forth in Section 5 above.

11. INSURANCE AND INDEMNIFICATION

(a) <u>Notice of Lawsuits and Investigations</u>. Franchisee shall promptly notify Skyline in writing of the commencement of any investigation, inquiry, action, suit or proceeding against Franchisee, any of its parents, subsidiaries, affiliates, owners, principals, partners, directors, managers, officers, employees and/or agents (each a "Representative"), or of the issuance of any subpoena, summons, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which arises out of, concerns, or may affect the operation, reputation or financial condition of the Restaurant, including any action or proceeding brought by Franchisee against its employees, Owners or other persons who are associated or affiliated with Franchisee.

(b) Indemnification. Franchisee shall, at its own cost and expense, indemnify, defend (using legal counsel and other advisors approved by Skyline) or at Skyline's option reimburse Skyline for the defense of, and hold Skyline, its parents, subsidiaries, affiliates and their respective shareholders, directors, officers, employees and agents and the respective heirs, successors and assigns of all of the foregoing (the "Skyline Entities") harmless from and against any and all losses, costs, expenses, liabilities or damages the Skyline Entities, either jointly or separately, may incur, including reasonable attorneys' and advisors' fees, as a result of any claims, demands, lawsuits, charges, actions or judgments of any kind or nature by anyone whomsoever arising out of or otherwise connected with this Agreement or the operation or ownership of the Restaurant by the Franchisee, except such losses, expenses, liability or damage arising from or through a default by Skyline or failure by Skyline to perform its obligations under the terms of this Agreement. In furtherance of the foregoing, upon receipt of notice of a claim for indemnity hereunder, Franchisee shall, at the election of Skyline, either: (i) provide a defense to the Skyline Entities using legal counsel and other advisors approved by Skyline; or (ii) reimburse Skyline on a current basis for all of Skyline's reasonable costs and expenses incurred in defending such claims, demands, lawsuits, charges, actions, demands or judgments, including without limitation, attorneys' and advisors' fees and costs. In addition, Franchisee shall, in either case, reimburse Skyline on a current basis for all of Skyline's costs and expenses incurred in investigating any such claims, demands, lawsuits, charges, actions or judgments. The entire cost and liability of defending Skyline and resolving any claims, demands, lawsuits, charges, actions or judgments for which Skyline is entitled to indemnification hereunder shall be at Franchisee's sole cost and expense. Franchisee shall not enter into any settlement of any claim, demand, lawsuit, charge, action or judgment against Skyline without the prior written consent of Skyline. Franchisee's obligation to obtain and maintain the policy or policies of insurance described in Subsection 11(c), below, shall not be limited in any way by reason of any insurance which may be maintained by Skyline nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provision set forth in this Subsection 11(b).

(c) Insurance.

(1) Minimum Insurance Requirements. Franchisee shall obtain and maintain during the term of this Agreement insurance of the types and in the amounts described below:

(i) Commercial General Liability. Franchisee shall maintain commercial general liability, and if necessary commercial umbrella insurance with limits of not less than $1,000,000 per occurrence, $2,000,000 general aggregate and $1,000,000 products-completed operations aggregate. Such insurance shall be written on an occurrence form and shall cover liability arising from premises, operations, independent contractors, non-owned automobile, product-completed operations, property damage, death, bodily injury, personal injury, advertising injury, and blanket contractual (i.e. liability assumed under a contract, including the tort liability of another assumed in a contract). Such limits may be achieved through a combination of primary and umbrella annual aggregate liability coverage. Skyline, its parent company and any other entity that Skyline reasonably requests shall be named as an additional insured on all such policies, utilizing policy forms acceptable to Skyline. This insurance shall apply as primary and non-contributory, and waive all rights of subrogation against Skyline, its parent company and any other entity that Skyline reasonably requests.

(ii) Business Auto Policy. Franchisee shall maintain automobile liability, and if necessary, commercial umbrella liability insurance with a limit of not less than $1,000,000 per person and $2,000,000 per accident. Coverage as required hereunder shall cover liability arising out of any auto (including but not limited to owned, hired, and non-owned autos). Skyline, its parent company and any other entity that Skyline reasonably requests shall be named as an additional insured on all such policies, utilizing policy forms acceptable to Skyline. This insurance shall apply as primary and non-contributory, and waive all rights of subrogation against Skyline, its parent company and any other entity that Skyline reasonably requests.

(iii) Employment Practices Liability Insurance. Franchisee shall maintain Employment Practices Liability Insurance to cover an employer against employment claims made by employees with a limit of not less than $500,000.

(iv) Cyber Liability Insurance. Franchisee shall maintain Cyber Liability Insurance to cover a business' liability for a data breach and similar claims with a limit of not less than $1,000,000.

(v) Workmen's Compensation & Similar Insurance. Franchisee shall maintain Workmen's Compensation, Unemployment Compensation, disability insurance, social security and other similar types of insurance coverages in such amounts as may now or hereafter be required by any applicable law.

(vi) Commercial Umbrella Coverage. Franchisee shall maintain "commercial umbrella" coverage in the amount of at least $3,000,000 that includes all policies required to be maintained under Subsections 11(c)(1)(i) and (ii) as "underlying insurance." Skyline may, at any time, require Franchisee to maintain "commercial umbrella" coverage in the amount of at least $3,000,000 for the policies required to be maintained under Subsections 11(c)(1)(iii) and (iv) by written notice to Franchisee. Skyline, its parent company, if any, and any other entity that Skyline reasonably requests shall be named as an additional insured on all such policies, utilizing policy forms acceptable to Skyline. This insurance shall apply as primary and non-contributory, and waive all rights of subrogation against Skyline, its parent company and any other entity that Skyline reasonably requests.

(vii) Commercial Property Insurance. Franchisee shall maintain "all risks" property insurance, (including business interruption and extra expense coverage with an indemnity period of at least 12 months), on the premises and property of every description and kind owned by Franchisee or for which Franchisee is legally liable, or which is installed by or on behalf of Franchisee within the premises or used in the operation of the Restaurant including, without limitation, stock in trade, furniture, equipment, partitions, trade fixtures and leasehold improvements, whether on or off the premises, all in an amount not less than the full replacement cost thereof. During the construction of the Restaurant, policies of builder's risk insurance shall be maintained in amounts satisfactory to Skyline. All such insurance shall name Skyline, its parent company and any other entity that Skyline reasonably requests as a loss payee as its interest may appear and shall include a waiver of subrogation in favor of Skyline and any other loss payee.

(2) Skyline shall have the right to require Franchisee to purchase additional types of insurance or purchase insurance with increased coverage limits; provided that such additional or increased coverage is required under the terms of the then current individual franchise agreement for the franchise of Skyline Chili restaurants.

(3) All policies of commercial insurance required to be maintained by Franchisee hereunder shall stipulate that Skyline shall receive at least thirty (30) days prior written notice of the cancellation thereof. Upon issuance of each policy or renewal thereof, Franchisee shall deliver to Skyline certificates of insurance from the company or companies providing all insurance required to be maintained under Subsection 11(c), above, including evidence of the required provision of additional insured status of Skyline, its parent company and any other entity that Skyline reasonably requests. All such policies shall be renewed and evidence of renewal mailed to Skyline prior to the expiration date of such policy or policies.

(4) All policies of commercial insurance required to be maintained by Franchisee hereunder shall be written by a responsible carrier or carriers authorized to do business in the State in which the Restaurant is located with a minimum rating of "A(VII)" from A.M. Best Company (or comparable ratings from a reputable insurance rating service, in the event such A.M. Best ratings are discontinued or materially altered).

(5) Franchisee acknowledges that the minimum insurance coverage requirements set forth in this Agreement are not representations or warranties of any kind that such coverage is sufficient for Franchisee's Restaurant's operations. The requirements represent only the minimum coverage that Skyline deems acceptable to protect its interests. It is Franchisee's responsibility to obtain insurance coverage for its Restaurant that Franchisee deems appropriate, based on Franchisee's own independent investigation. Skyline is not responsible if Franchisee sustains losses that exceed Franchisee's insurance coverage under any circumstances.

(6) Should Franchisee, for any reason, fail to procure or maintain the minimum insurance coverage required by this Section 11, Skyline shall have the immediate right and authority, but not the obligation, to procure such insurance and charge its cost to Franchisee. Franchisee shall reimburse Skyline for all out-of-pocket costs incurred by Skyline in obtaining such insurance on behalf of Franchisee immediately upon Franchisee's receipt of an invoice therefor.

(7) Franchisee hereby waives all rights, claims, demands and actions against the Skyline Entities (as defined in Subsection 11(b), above) for recovery of damages to the extent any such damages are covered by any of the insurance required to be maintained under Subsection 11(c)(1), above.

(d) Subject to the provisions of Section 8(b), Skyline shall cooperate with Franchisee to protect Franchisee against the infringement of the Skyline System and Marks by a third party, including but not limited to the defense or prosecution of any lawsuits if such action is deemed to be necessary or advisable in the judgment of Skyline's legal counsel.

12. CONDITIONS AND LIMITATIONS UPON ASSIGNMENT

(a) Franchisee shall neither sell, assign, transfer or encumber this Agreement or any part thereof, or any other interests hereunder, nor suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law or otherwise, except as provided in this Agreement. If Franchisee is a corporation, partnership, limited liability company, limited liability partnership, unincorporated association or similar entity, the terms of this Section shall be deemed to apply to any sale, resale, pledge, assignment, transfer or encumbrance of the voting stock of, or other ownership interest in the Franchisee, which would alone or together with other related, previous, simultaneous or proposed transfers, result in a change of "control" of Franchisee within the meaning of the Securities and Exchange Act of 1934 and the regulations thereunder. Franchisee acknowledges and agrees that the purpose of this Section is to insure that the control and operation of the Restaurant shall remain with the original holder or holders of ownership interests in the Franchisee and that Skyline's grant of this Agreement to Franchisee is based upon the present individual(s) holding stock or ownership interests in the Franchisee and that any change in control of the Franchisee without the prior written consent of Skyline shall be grounds for Skyline to terminate this Agreement.

(b) In the event of death, disability or permanent incapacity of Franchisee or any shareholder of Franchisee (or any individual who shall have an ownership interest in Franchisee), Skyline shall not unreasonably withhold its consent to the transfer (by will, operation of law or contract) of all of the interest in the Franchisee which any such individual shall have to other shareholders or individuals who have an ownership interest in the Franchisee, or to his or her respective spouse, parents, siblings, nieces, nephews or descendants, by blood, marriage or adoption, or to trusts for the benefit of any such persons, a custodianship for any such person who is a minor, or an entity of which such persons or trusts are the only owners, provided that the requirements of Subsection 12(e) hereof are met. In the event that Franchisee's heirs or the heirs of an individual who was a shareholder or had an ownership interest in the Franchisee do not obtain the consent of Skyline as prescribed herein, the personal representative of such individual shall have a reasonable time to dispose of such interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

(c) If Franchisee receives or desires to accept a bona fide written offer from an independent third party for the purchase of the Restaurant, the Franchisee, or Franchisee's interest in this Agreement, Skyline (or a person or entity designated by Skyline) shall have the option, exercisable within thirty (30) days after receipt of written notice and a copy of such offer and other information set forth in this Subsection, to purchase such business, development rights and interest in this Agreement which Franchisee may possess on the same terms and conditions as offered by said independent third party. Notwithstanding the preceding, Skyline shall have the right to pay the designated purchase price in cash and shall further be entitled to require Franchisee to give such written representations and warranties as are customary in connection with the sale of a similar type of business in the area in which the Restaurant to be sold is located. In order that Skyline may have information sufficient to enable it to determine whether to exercise this right of first refusal, Franchisee shall deliver to Skyline annual financial statements as of the end of the Franchisee's most recent fiscal year, and interim financial statements up to the date of such offer, certified as being accurate and a fair presentation by Franchisee's President, Chief Financial Officer or other officer acceptable to Skyline, and such other information about the business and operations of Franchisee as Skyline shall deem reasonably necessary. If Skyline does not exercise its option, Franchisee may, within thirty (30) days from the expiration of the right of first refusal period, sell, assign and transfer its business, or interest in this Agreement to said independent third party provided Skyline has consented to such transfer as required by this Section. Any material change in the terms of said offer prior to the closing of the sale to such independent third party shall constitute a new offer subject to the same rights of first refusal by Skyline or its designee as in the case of an initial offer. Failure of Skyline to exercise the purchase rights afforded hereunder shall not constitute a waiver of any other provisions of this Agreement, including all the requirements of this Section with respect to the proposed transfer.

(d) In the event Franchisee or its successor is a corporation, partnership (general or limited), limited liability company, limited liability partnership or similar entity, the Articles of Incorporation (Charter) and Code of Regulations (Bylaws), the Partnership Agreement, the Operating Agreement or similar governing document(s), and the certificates representing the shares or other ownership interests in the entity, shall reflect that the issuance and transfer of voting stock or other ownership interests therein ("securities") is restricted by the terms of this Agreement. Franchisee shall furnish Skyline, at the time of execution of this Agreement or assignment to the corporation, partnership or other entity, an agreement executed by all the shareholders, partners, members or owners of the Franchisee, stating that no shareholder, member, partner or owner will sell, assign or transfer, either voluntarily or by operation of law, any securities of the Franchisee to any person or entity without the prior written consent of Skyline.

(e) Skyline agrees not to unreasonably withhold its consent to a sale, assignment or transfer by Franchisee of the Restaurant, the Franchisee or Franchisee's interest in this Agreement. Consent to such transfer otherwise permitted or permissible may be refused unless:

(1) All obligations of the Franchisee created by this Agreement and all other Franchise documents and the relationship created hereunder are assumed by the transferee ("Transferee").

(2) All ascertained or liquidated debts of Franchisee to Skyline and its affiliates are paid.

(3) Franchisee is not in default under this Agreement or any amendments hereto or any other agreements with Skyline or its affiliates.

(4) Transferee satisfactorily completes the training required of new franchisees upon Skyline's then current terms prior to the date of transfer.

(5) Franchisee satisfies Skyline that the Transferee meets all the requirements of Skyline for new franchisees including, but not limited to, good reputation and character, business acumen, operational ability, financial strength and other business considerations.

(6) Transferee executes, or in appropriate circumstances causes all necessary parties to execute, Skyline's then standard form Franchise Agreement for the Restaurant and such other then current ancillary agreements then being required by Skyline of new franchisees as of the date of transfer, provided that the Term shall not be extended.

(7) Franchisee executes a general release in form satisfactory to Skyline of any and all claims against Skyline.

(8) Franchisee pays to Skyline a transfer fee of Five Thousand ($5,000.00) Dollars or such higher amount as Skyline charges all of its franchisees similarly situated. Said transfer fee is to be paid at the time the request is submitted for transfer in accordance with this Section and said fee is not refundable regardless of whether Skyline consents to the transfer or waiver of any requirements is granted.

(9) In addition to the Transfer Fee described above, a transferee executing a new franchise agreement with the full new term then being offered by Skyline shall pay a prorated Renewal Fee equal to the then current Renewal Fee multiplied by a percentage equal to the number of full and partial years that have expired in the then current Term of this Agreement as of the date of the transfer divided by the length in years of the then current Term, such prorated fee to be paid by transferee to Skyline on or before the effective date of the transfer. For example, if a transfer by a Franchisee in the fifth year of a ten year term is approved, then the transferee would pay to Skyline a prorated Renewal Fee of $5,000.00 (assuming a then current Renewal Fee of $10,000.00).

(f) This Agreement shall inure to the benefit of Skyline, its successors and assigns, and Skyline shall have the right to transfer, assign, pledge or collaterally assign all or any part of its rights, obligations or interest herein to any person or legal entity, including without limitation, any Master Franchisee of Skyline, and to subcontract with third parties, including without limitation, any Master Franchisee of Skyline, for the performance of all or any part of Skyline's obligations hereunder. Franchisee hereby agrees to accept performance of all or any part of Skyline's obligations hereunder from such third party and shall comply with Skyline's written directions with respect to the assignment of any rights or interests herein by Skyline.

(g) Notwithstanding the preceding, Franchisee or any shareholder (or any individual who shall have an ownership interest in Franchisee) may transfer less than a controlling interest (cumulatively) in the Franchisee (whether in one or more transactions) to his or her respective spouse, parents, siblings, nieces, nephews or descendants, by blood, marriage or adoption, or to trusts for the benefit of any such persons, a custodianship for any such person who is a minor, or an entity of which such persons or trusts are the only owners, provided that: (i) Franchisee provides prior written notice of such transfer to Skyline, and in the case of a Managing Owner, Skyline's prior written consent; (ii) Franchisee provides Skyline with such other information regarding the transfer or the transferees as Skyline may reasonably request; (iii) all such transfers cumulatively do not result in a change in control of Franchisee; (iv) none of the proposed transferees have any interest, direct or indirect, in the ownership or operation of any restaurant engaged in the sale of chili and related products or which is otherwise similar to Skyline in appearance or products sold; and (v) the requirements of Subsections 12(e)(1), (2), (3) and (7) hereof are met.

13. NON-COMPETITION

Franchisee, Managing Owner, all other owners and any other persons controlling, controlled by or under common control with Franchisee will not, during the term of this Agreement or for a period of one (1) year following termination of this Agreement, without Skyline's prior written consent, have any interest, direct or indirect in the ownership or operation of any restaurant that is engaged in the sale of chili and related products or which is otherwise similar to a Skyline Chili Restaurant in appearance or products sold that is located either: (i) within the boundaries of the Cooperative (as defined in Section 9(d)), if any, in which the Restaurant is or was located;

or (ii) within five (5) miles of any Skyline Chili Restaurant. In addition, neither Franchisee, Managing Owner, any other owner of Franchisee, nor any person controlling, controlled by or under common control with Franchisee shall, during the term of this Agreement or thereafter, use in connection with the operation of any restaurant wherever located, any of the Marks or any names, marks, systems, insignia or symbols which are licensed hereunder or cause or permit any such restaurant to look like, copy or imitate any Skyline Chili Restaurant or to be operated in any manner tending to have such an effect.

14. CONFIDENTIALITY

(a) The term "Confidential Information" shall mean the Skyline System and all parts thereof, including without limitation the Confidential Manuals, and all information that Skyline, its representatives, agents or advisors has delivered, is delivering or will deliver to Franchisee, Managing Owner, any other owner, any other persons controlling, controlled by or under common control with Franchisee, or their respective accountants, attorneys or advisors (the "Franchisee Recipients"), that: (i) in whatever format (tangible, intangible, oral, visual, electronic, etc.), concerns Skyline, its assets, properties, liabilities, finances, financial condition, financial projections, customers, potential customers, products, suppliers, agreements with third parties, know-how, data, processes, techniques, technology, programs, pricing plans, marketing plans, trade methods, business plans and the like that is not publicly available and the use or disclosure of which would harm Skyline's business or competitive position, regardless of whether such information is marked as confidential or not and with respect to intangible, oral or visual information, regardless of whether the confidential nature of such information is confirmed in writing; or, (ii) in written, recorded, photographic, machine readable or other physical form is marked or labeled as "Confidential"; or, (iii) subject to Section 14(a)(i) above, in oral or visual form is identified at the time of such oral or visual disclosure as Confidential Information and the confidential nature of such disclosure is confirmed in writing as soon as practicable thereafter; or, (iv) Franchisee Recipients know is of a confidential nature.

(b) Confidential Information does not include information that: (i) is or becomes generally available to the public other than as a result of a prohibited disclosure by Franchisee Recipients; (ii) was lawfully available to Franchisee Recipients on a non-confidential basis prior to disclosure to Franchisee Recipients by Skyline, its representatives, agents or advisors; (iii) becomes available to Franchisee Recipients on a non-confidential basis from a source other than Skyline, its representatives, agents or advisors, provided that such source is not bound by a confidentiality or similar agreement relating to the information with Skyline, its representatives, agents or advisors and is not otherwise prohibited from transmitting the information to Franchisee Recipients by a contractual, legal or fiduciary obligation; (iv) is independently developed by Franchisee Recipients; or (v) is approved for release by Skyline.

(c) Confidential Information shall be held by Franchisee Recipients in the strictest confidence and secrecy. Franchisee Recipients shall use at least the same degree of care to avoid inadvertent disclosure or un-permitted use of the Confidential Information that it employs with respect to its own proprietary or confidential information that it does not wish to have disclosed, but in no event less than reasonable care. Franchisee Recipients shall use the Confidential Information only for the purpose of operating the Restaurant under the terms of this Agreement (the "Permitted Purpose") and shall not use, or permit the use of, the Confidential Information for any other purpose without the prior written consent of Skyline or in any manner that would constitute a violation of federal or state securities laws. Franchisee acknowledges and agrees that the Skyline System is a technologically advanced program of accounting, identification schemes, management systems, techniques and business operation plans that would, if used by other persons, corporations or entities, give such other persons, corporations or entities a substantial competitive advantage which is presently enjoyed by Skyline. Except as provided below, Franchisee Recipients shall not disclose the Confidential Information to any other person. The Franchisee Recipients may disclose the Confidential Information among themselves (i.e. among Franchisee, persons controlling, controlled by or under common control with Franchisee, or their respective accountants, attorneys or advisors) and to Franchisee's directors, officers and employees, provided that each such person: (i) reasonably has need to have access to the Confidential Information for the Permitted Purpose; (ii) is instructed by the Franchisee Recipients not to further disclose the Confidential Information to any person; (iii) will not use such Confidential Information for any purpose other than the Permitted Purpose; and, (iv) is advised of the terms and conditions of this Agreement and agrees to be bound by the such terms and conditions as if he or she were a party hereto.

(d) If Franchisee Recipients are required (by oral question, interrogatories, requests for information or documents, subpoena, court order, civil investigation, demand or similar process) to disclose any Confidential Information, they will, unless prohibited by law, provide Skyline with prompt notice of such request(s) so that Skyline may seek an appropriate protective order. In the event that such a protective order or other appropriate remedy to prevent such disclosure is not obtained, Franchisee Recipients may disclose only that portion of the Confidential Information (and only to those persons) which is legally required and Franchisee Recipients agree to fully cooperate with Skyline, at Skyline's sole cost and expense, in securing assurances that the disclosed Confidential Information will be accorded confidential treatment.

(e) Franchisee agrees that the Confidential Information, including without limitation, the Confidential Manuals and any other material designated for use with the Skyline System, delivered to Franchisee Recipients by Skyline, shall at all times be deemed to be and shall remain the sole property of Skyline and Franchisee agrees that it shall acquire no right, title or interest therein by virtue of its authorization to use such information pursuant to this Agreement.

15. DEFAULT AND TERMINATION

(a) The occurrence of any of the following events shall constitute a default under this Agreement:

(1) If Franchisee fails to have the Restaurant site "under control" or the Restaurant under construction or open as set forth in Section 5 of this Agreement.

(2) If Franchisee shall misuse the Skyline System or Marks or any other names, marks, systems, insignia, symbols or rights provided by Skyline to Franchisee or otherwise materially impairs the goodwill associated therewith or Skyline's rights therein or if Franchisee shall use at the Restaurant any names, marks, systems, insignia or symbols not authorized by Skyline.

(3) If Franchisee or persons controlling, controlled by or under common control with Franchisee shall have any interest, direct or indirect in the ownership or operation of any restaurant engaged in the sale of chili or related products or which is otherwise similar to Skyline Chili Restaurants in appearance or products sold as prohibited by Section 13 hereof, or in any

restaurant which looks like, copies or imitates any Skyline Chili Restaurant or operates in a manner tending to have such effect other than in accordance with Section 13 hereof.

(4) If Franchisee shall fail to remit any payments when due to Skyline or to any subsidiary, affiliate or designee of Skyline.

(5) If Franchisee shall fail to submit to Skyline the financial or other information required under this Agreement.

(6) If Franchisee shall fail to construct, maintain or remodel the Restaurant or the equipment in accordance with Skyline's plans and specifications or to equip the Restaurant in accordance with Skyline's standards and specifications.

(7) If Franchisee shall fail to operate the Restaurant in accordance with Skyline's Confidential Manuals or shall fail to comply with the training requirements of this Agreement or shall fail to use food products, ingredients and methods of preparation which conform to the specifications and standards of Skyline, or shall fail in any other way to maintain Skyline's standards of quality in appearance and service in the operation of the Restaurant.

(8) If Franchisee shall attempt to effect any sale, assignment, transfer or encumbrance other than in accordance with Section 12 hereof.

(9) If Franchisee shall cease operations at the Restaurant without the written consent of Skyline for any reason except for a period of not more than one hundred eighty (180) days as result of fire, condemnation or act of God.

(10) If Franchisee fails to obtain Skyline's prior written approval or consent as expressly required under the provisions of this Agreement.

(11) If Franchisee defaults in the performance of any other obligation under this Agreement.

(12) Except as provided in Section 16, below, if Franchisee shall be in default under any lease or sublease of the Restaurant site beyond any applicable grace or cure period or loses the right to possession thereof for any reason whatsoever.

(13) If Franchisee makes or has made any material misrepresentation to Skyline in connection with obtaining this Agreement or in conducting the business franchised and licensed hereunder.

(14) If Franchisee knowingly maintains false books or records, or knowingly submits any false reports to Skyline.

(15) If an immediate threat or danger to public health or safety results from the construction, maintenance or operation of the Restaurant.

(16) If Franchisee or any person controlling, controlled by or under common control with Franchisee shall be convicted of, or enter a plea of no contest to: a felony; a crime involving moral turpitude; or, any other crime or offense that Skyline believes is reasonably

likely to have an adverse effect on the Skyline System, the Marks, the goodwill associated therewith or Skyline's interest therein.

(17) If Franchisee shall sell or distribute, or permit to be sold or distributed, a product purported to be or otherwise held out to the customers of the Restaurant or the general public to be a Secret Recipe Product that is not a Secret Recipe Product purchased from Skyline or its designated distributors (e.g. the use in Franchisee's Restaurant of chili other than genuine Skyline secret recipe chili purchased from Skyline or its designated distributors).

(18) If Franchisee shall adulterate any Secret Recipe Product used, sold or distributed, or permit the adulteration of any Secret Recipe Product used, sold or distributed in connection with the Restaurant, by the addition to or deletion from the Secret Recipe Product of any spice, ingredient or other item, other than in accordance with the Confidential Manuals or other written directions from Skyline, or otherwise (e.g. the use in Franchisee's Restaurant of genuine Skyline secret recipe chili that has been mixed with other non-Skyline chili or to which additional spices have been added).

(19) If Franchisee or any person controlling, controlled by or under common control with Franchisee shall become insolvent by reason of inability to pay its debts as they mature; shall be adjudicated a bankrupt; shall file or have filed against it a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States (unless, in the case of an involuntary petition in bankruptcy, such petition is dismissed within sixty (60) days after the filing thereof); or if a receiver, permanent or temporary, of the business assets or property of Franchisee or any such person or any part thereof is appointed by any court of competent authority; or if Franchisee or any such person requests the appointment of a receiver or makes a general assignment for the benefit of creditors; or if a final judgment against Franchisee or any other such person in the amount of Ten Thousand ($10,000.00) Dollars or more remains unsatisfied for thirty (30) days or longer; or if the bank accounts, property or receivables of Franchisee or any such person are attached and such attachment proceedings are not dismissed within a thirty (30) day period; or if execution is levied against the business or property of Franchisee or any such person; or if suit to foreclose any lien or mortgage against the Restaurant, the premises thereof or equipment thereon is instituted and not dismissed within thirty (30) days.

(b) Upon the occurrence of any of the events of default as set forth in this Section 15, Skyline may, without prejudice to any other rights or remedies contained in this Agreement or as provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice is given to Franchisee by Skyline of any of the events of default set forth in Subsections 15(a)(1) through 15(a)(11) above, if such defaults are not cured within such thirty (30) day period. Provided, however, that notwithstanding the preceding sentence, if Skyline has sent two (2) or more prior notices of default to Franchisee during any consecutive twelve (12) month period, whether for the same or different defaults, then Skyline may terminate this Agreement effective immediately upon sending of notice thereof by Skyline, without opportunity to cure. Provided further, that termination shall be effective immediately upon sending of notice thereof by Skyline upon the occurrence of any of the events of default as specified in Subsections 15(a)(12) through 15(a)(18) above, without opportunity to cure. Provided further, that termination shall be effective immediately upon the occurrence of any of the events of default as specified in Subsection 15(a)(19) above, without any notice to Franchisee or opportunity to cure.

(c) Upon termination of this Agreement for any reason or upon expiration of the term hereof, Franchisee agrees as follows:

(1) To cease immediately serving Skyline's Secret Recipe Products, including without limitation, Skyline's secret recipe chili, and to promptly offer for sale to Skyline all of Franchisee's inventory of Secret Recipe Products at cost.

(2) To pay immediately to Skyline the full amount of all sums due under this Agreement.

(3) To cease immediately to use the Skyline System and the Marks provided by Skyline hereunder and any confusingly similar names, marks, systems, insignia, symbols or other rights, procedures or methods except to the extent permitted pursuant to Subsection 15(d) below.

(4) To cease any use of the word "Skyline" in its corporate, partnership or other business name as provided in Section 8(c), above.

(5) To return all of Skyline's Confidential Information held in tangible or electronic form, including the Confidential Manuals and all other manuals, plans and specifications, designs, records, data, samples, models, programs, handbooks or drawings relating to or concerning the Skyline System or Skyline's operations or business, together with all copies thereof (in tangible or electronic form) and all notes, summaries or abstracts prepared therefrom.

(6) To cease immediately to hold itself out in any way as a franchisee of Skyline or to do anything which would indicate any relationship between it and Skyline except to the extent permitted pursuant to Subsection 15(d) below.

(7) To permit Skyline's agents to enter the premises and to remove or permanently cover all signs or advertisements identifiable in any way with Skyline's name or image.

(d) The termination of this Agreement shall not: (i) affect the right of Franchisee to operate other Skyline Chili Restaurants in accordance with the terms of other franchise agreements and until and unless such other franchise agreements are terminated in accordance with their terms; or (ii) affect the rights and obligations of Skyline and Franchisee set forth in Section 7(c), which shall survive termination of this Agreement.

(e) If Skyline shall be in material breach of the terms of this Agreement for more than thirty (30) days after receipt of written notice thereof from Franchisee, then Franchisee may terminate this Agreement and upon such termination the one year post-termination non-competition provisions of Section 13 hereof shall be waived and of no further force and effect, provided that if such material breach is of a nature which cannot be cured within such thirty (30) day period through the use of reasonable commercial efforts and Skyline, in good faith, has commenced to cure such material breach within such thirty (30) day period and diligently pursues such cure to completion, then Skyline shall not be considered in breach hereunder and Franchisee shall have no right to terminate.

16. RELOCATION OF RESTAURANT

(a) This Agreement relates solely to the operation of the Restaurant at the location set forth in Section 1(a), above. Except as provided in Section 16(b), below, Franchisee shall have no right to relocate or move the Restaurant from the location set forth in Section 1(a) without the prior written consent of Skyline, which consent may be withheld by Skyline for any reason, including without limitation, the potential impact on existing Skyline Chili restaurants or new trade areas in which Skyline anticipates establishing one or more Skyline Chili restaurants. Skyline may require Franchisee to submit any information reasonably requested by Skyline in connection with Franchisee's request for consent to such relocation. At a minimum Skyline may require Franchisee to submit such information as would be required in connection with the establishment of a new franchise location. Skyline may further impose such terms, conditions and restrictions as it deems appropriate, in its sole discretion, in connection with granting its consent to a relocation, including without limitation, the execution of Skyline's then standard form Franchise Agreement for the Restaurant and such other then current ancillary agreements then being required by Skyline of new franchisees as of the date of the approval of the relocation and the payment of a Relocation Fee calculated as provided in Section 16(b)(3), below.

(b) In the event Franchisee loses the right to possession under any lease or sublease of the Restaurant site other than by reason of a default of Franchisee under such lease or sublease, then Franchisee may, subject to the terms, conditions and limitations of this Section 16(b), relocate the Restaurant to another site within Franchisee's Assigned Restaurant Area.

(1) In order to relocate the Restaurant hereunder, the following events must have occurred:

(i) Franchisee must notify Skyline in writing of the date upon which Franchisee will lose possession of its existing Restaurant site and the anticipated closing date of the Restaurant immediately upon becoming aware that it is going to lose its lease or sublease for the Restaurant site and certify in writing to Skyline the reasons for loss of the lease or sublease.

(ii) Franchisee must submit a written request for approval of an alternate site within Franchisee's Assigned Restaurant Area to Skyline along with any information Skyline may reasonably request with respect to the alternate site. At a minimum Skyline may require Franchisee to submit such information as would be required in connection with the establishment of a new franchise location. Skyline retains the right to reject an alternate site for any reason, including without limitation, the potential impact on existing Skyline Chili restaurants or new trade areas in which Skyline anticipates establishing one or more Skyline Chili restaurants.

(iii) In the event that the alternate site is within the overlapping Assigned Restaurant Area of another franchisee of Skyline, Franchisee must obtain the consent of such other franchisee within whose overlapping Assigned Restaurant Area the alternate site is located to relocate to such alternate site. Franchisee must also obtain such written evidence and documentation of such consent as Skyline may reasonably require from such other franchisee, which may include, without limitation, an addendum to such other franchisee's franchise agreement acknowledging and consenting to the relocation. Franchisee shall enter into an addendum to its Franchise Agreement acknowledging and consenting to the overlapping Assigned Restaurant Areas with respect to the alternate site. Franchisee shall also demonstrate, to Skyline's reasonable satisfaction, compliance with or waiver of the terms and conditions of any contracts or agreements between Franchisee and such other franchisee, with respect to relocation of Franchisee's Restaurant, or both Franchisee and such other franchisee shall certify to Skyline in writing that no such contracts or agreements exist.

(iv) Franchisee must complete the relocation of the Restaurant to the alternate site and re-open for business within one hundred eighty (180) days after the closing of the Restaurant at the existing site, except in the case of condemnation or casualty loss, in which event Franchisee must complete the relocation of the Restaurant to the alternate site and re-open for business within three hundred sixty-five (365) days after the closing of the Restaurant at the existing site.

(v) All plans and specifications for the development of the alternate site must be approved by Skyline in writing before any work is begun on the alternate site. Once such plans and specifications have been approved by Skyline, Franchisee shall not deviate from such plans and specifications in any material respect in the construction or remodeling of the alternate site without the prior written approval of Skyline. If at any time Skyline determines that Franchisee has not constructed or remodeled the Restaurant in accordance with the plans and specifications previously approved by Skyline, Skyline shall, in addition to any other remedies, have the right to obtain an injunction from a court of competent authority against the continued construction or remodeling and the opening of the Restaurant (or, if the Restaurant is already open, against the continued operation of the Restaurant) and Franchisee hereby consents to the obtaining of any such injunction.

(2) Upon completion of the alternate site and the opening of the Restaurant at the alternate site, Franchisee shall enter into an addendum to this Agreement in form and content reasonably acceptable to Skyline to provide for the relocation of the Restaurant to the alternate site and modifying the Assigned Restaurant Area as provided in Subsection 16(b)(3), below (which addendum may include a general release of Skyline by Franchisee).

(3) Upon relocation of the Restaurant to the alternate site, Franchisee's Assigned Restaurant Area shall remain as originally set forth in this Agreement and shall not change due to the change in location of the Restaurant. For example, assuming Franchisee's Assigned Restaurant Area is defined as a circle having a radius of one (1) mile with the Restaurant's primary entrance door as its center, after Franchisee's relocation of the Restaurant to the alternate site, Franchisee's Assigned Restaurant Area would remain as a circle with a radius of one (1) mile having the original location (not the relocated site) of the Restaurant as its center. Notwithstanding the preceding, as a condition to its approval of a relocation under this Section 16(b) Skyline may, in its sole discretion, require that the Assigned Restaurant Area be moved to conform to the new location of the Restaurant. In the event that Skyline requires that the Assigned Restaurant Area be conformed to the new location, then Franchisee shall be required to: (i) execute, or in appropriate circumstances causes all necessary parties to execute, Skyline's then standard form Franchise Agreement for the Restaurant and such other then current ancillary agreements then being required by Skyline of new franchisees as of the date of the approval of the relocation, which Franchise Agreement shall provide for a new ten year Term commencing

on the date the relocated Restaurant is opened for business; and (ii) Franchisee shall pay a Relocation Fee equal to the then current Renewal Fee multiplied by a percentage equal to the number of full and partial years that have expired in the then current Term as of the date of the approval of the relocation divided by the length in years of the then current Term, such Relocation Fee to be paid upon approval of the relocation by Skyline. For example, if a Franchisee in the fifth year of a ten year term with an Assigned Restaurant Area consisting of a circle having a radius of one (1) mile with the Restaurant's primary entrance door as its center relocates pursuant to the provisions hereof and Skyline requires that the Assigned Restaurant Area conform to the new location, then the Franchisee's Assigned Restaurant Area would become a circle having a radius of one (1) mile with the relocated Restaurant's primary entrance door as its center, the Franchisee would pay to Skyline a Relocation Fee of $5,000.00 (assuming a then current Renewal Fee of $10,000.00 multiplied by 5/10) and execute the then current form of Franchise Agreement with a full new Term after the date the relocated Restaurant is opened for business.

17. RELATIONSHIP OF THE PARTIES

Franchisee is an independent contractor and is not an agent, partner, joint venturer or employee of Skyline, and no fiduciary relationship between the parties exists. Franchisee shall have no right to bind or obligate Skyline in any way nor shall it represent that it has any right to do so. Other than to require compliance with the terms and conditions of this Agreement and the Confidential Manuals for the purpose of protecting the System, the Marks and the goodwill embodied therein, Skyline shall not exercise control over the time, manner, method or mode of operation of Franchisee's business or day-to-day operations. Skyline shall have no control over the engagement, discharge, supervision, training or terms and conditions of employment of Franchisee's employees nor shall Skyline in any way supervise, control or direct Franchisee's employees. Franchisee agrees that Franchisee's Restaurant will be under the direct control of Franchisee at all times. Franchisee is solely responsible for all employment decisions and functions of the Restaurant including, without limitation, those related to hiring, firing, training, compliance with wage and hour requirements, and all other employment laws, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Skyline on these subjects. Franchisee only shall make all hiring, firing, disciplining, compensation, benefits, and scheduling decisions, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Skyline. The parties intend that Skyline shall not be deemed a joint employer with Franchisee for any reason. Skyline shall not withhold or in any way be responsible for the payment of any federal, state, or local income or occupational taxes, FICA taxes, FUTA, unemployment compensation, or workers' compensation contributions, vacation pay, sick leave, retirement benefits, or any other fringe benefits or payments for or on behalf of Franchisee's employees. All such payments, withholdings and benefits are the sole responsibility of Franchisee. Franchisee shall be solely responsible for operating its business in compliance with all applicable laws, rules and regulations and shall be solely responsible for any and all claims, demands, actions, costs, expenses or liabilities of any type arising from or in any way related to the operation of Franchisee's business or the premises on which Franchisee's business is located. In all public records and in all correspondence with other persons on stationery, business forms and checks, Franchisee shall indicate its independent ownership of the Restaurant and that it is a Franchisee of Skyline. Franchisee shall exhibit on the premises in such places as may be designated by Skyline, a notification that the Restaurant is operated by an independent operator and not by

Skyline. Franchisee will include such notices to its employees as Skyline may reasonably request regarding its independent ownership in its employee handbook or other materials used by Franchisee to communicate its employment policies and practices to its employees.

18. THIRD PARTIES

It is expressly agreed by Franchisee that the franchise granted under this Agreement consists only of a franchise to use the Skyline System and the Marks in the operation of a restaurant at the location described in Section 1(a) above. This Agreement is made solely for the benefit of the parties hereto, their permissible successors and assigns, and no other person shall acquire or have any rights under or by virtue of this Agreement.

19. TAXES, PERMITS AND INDEBTEDNESS

Franchisee shall pay when due all taxes and accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Restaurant and the conduct of Franchisee's business under this Agreement. Franchisee shall comply with all federal, state and local laws and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper operation of the Restaurant and the conduct of the Franchisee's business under this Agreement.

20. CONSENT OR APPROVAL BY SKYLINE

Whenever this Agreement requires Skyline's prior approval or consent, Franchisee shall make a timely written request to Skyline therefor and such approval shall be obtained in writing. Skyline will also consider granting in its sole discretion other reasonable requests individually submitted by Franchisee in writing for Skyline's prior waiver of any obligation imposed hereunder. Skyline makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee by providing any waiver, approval, consent or suggestion to Franchisee in connection with this Agreement or by reason of any neglect, delay or denial of any requests therefor. Any waiver granted by Skyline shall be subject to Skyline's continuing review and may subsequently be revoked for any reason effective upon ten (10) days prior written notice to Franchisee and shall be without prejudice to any other rights Skyline may have.

21. GOVERNING LAW

This Agreement, after review by Franchisee, was accepted by Skyline in Ohio and shall be governed by and construed in accordance with the internal laws of the State of Ohio (without regard to conflicts of law principles that would result in the application of the laws of any state other than the State of Ohio).

22. MEDIATION; ARBITRATION; WAIVER OF JURY; WAIVER OF PUNITIVE DAMAGES; TIME LIMITATION OF ACTIONS

(a) Non-Binding Mediation

(1) All controversies, disputes and claims between Skyline, its parents, subsidiaries, affiliates, and their respective shareholders, officers, directors, employees and agents (collectively the "Skyline Entities"), or any of them, on the one hand, and Franchisee, its parents, subsidiaries, affiliates, owners, partners, officers, directors, employees and agents

(collectively the "Franchisee Entities"), or any of them, on the other hand, arising out of or related to this Agreement, the Restaurant or the business operated by Franchisee under this Agreement shall be subject to non-binding mediation pursuant to the terms of this Subsection 22(a). Except as specified in Subsection 22(a)(5), no litigation or arbitration may be commenced between such parties prior to the mediation termination date, as defined in Subsection 22(a)(4), on any claim which is subject to non-binding mediation hereunder, whether or not the mediation has been commenced. The commencement or pendency of litigation or arbitration shall not stay non-binding mediation required hereunder, and non-binding mediation required hereunder shall not stay any litigation or arbitration commenced in conformity with Subsection 22(a)(5). Mediation under this Subsection 22(a) is not intended to alter or suspend the rights or obligations of the parties under this Agreement or to determine the validity or effect of any provision of this Agreement, but is intended to provide the parties with an opportunity to amicably and expeditiously resolve disputes in a cost-effective manner on mutually acceptable terms and conditions.

(2) The non-binding mediation provided for hereunder shall be commenced by the party demanding mediation (the "complainant") by giving written notice of the demand for mediation (the "demand") to the party with whom mediation is sought (the "respondent"). The demand shall specify with reasonable particularity the matter or matters on which non-binding mediation is being sought. A copy of the demand shall be given by the complainant simultaneously to Skyline if Skyline is not a complainant or a respondent.

(3) Non-binding mediation hereunder shall be conducted by a mediator or mediation program designated by Skyline in writing (the "designation") in Cincinnati, Ohio, or by such mediator as complainant and respondent may otherwise agree to. Skyline shall send the designation to complainant and respondent within a reasonable time after its receipt of the demand.

(4) Non-binding mediation hereunder shall be concluded within sixty (60) days after the giving of the demand or such longer period as may be mutually agreed to in writing by the parties to the mediation (the "mediation termination date"). All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others except as necessary to comply with legal or regulatory requirements, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator and mediation service.

(5) If Franchisee is more than thirty (30) days past due in any of its payments to any of the Skyline Entities, none of the Skyline Entities shall be required to seek or to participate in mediation of any matter or dispute under this Subsection 22(a) (although they reserve the right to require mediation), and any of the Skyline Entities shall be free to commence or to pursue arbitration and/or litigation, as permitted hereunder, at any time. None of the Skyline Entities shall be required to seek or to participate in mediation of any matter or dispute relating to: (i) an Event of Default under Section 15(a)(12) through 15(a)(19) hereof, inclusive; or (ii) the indemnification or insurance provisions of this Agreement, (although they reserve the right to require mediation). Nothing in this Subsection 22(a) shall prevent any party from instituting or pursuing litigation at any time to specifically enforce or enjoin the violation of the provisions of Sections 13 and/or 14, preserve the status quo, protect the Marks, protect the health or safety of the public, or avoid irreparable harm.

(b) Binding Arbitration

(1) In the event that the parties have not settled their dispute by the mediation termination date (as defined in Subsection 22(a)(4), above) or in the event that the particular controversy, dispute or claim is not subject to mediation under Subsection 22(a), then, except as otherwise specifically provided herein, all controversies, disputes and claims between the Skyline Entities, or any of them, on the one hand, and the Franchisee Entities, or any of them, on the other hand, arising out of or related to this Agreement, the Restaurant or the business operated by Franchisee under this Agreement shall be determined solely and exclusively by binding arbitration pursuant to the terms of this Subsection 22(b).

(2) Arbitration under this Subsection 22(b) shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Rules") at the American Arbitration Association office located in Cincinnati, Ohio office, subject to the following:

(i) A single arbitrator shall be selected by the parties to arbitrate the dispute. If the parties cannot agree on an arbitrator within fifteen (15) business days after filing of a demand for arbitration with the American Arbitration Association, a single arbitrator with experience in franchise law and practice will be chosen pursuant to the Rules. All arbitration proceedings shall be held in Cincinnati, Ohio.

(ii) Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of the provisions of this Subsection 22(b) and the procedures set forth hereunder, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrator. No potential arbitrator may serve unless he or she has agreed in writing to abide and be bound by the procedures set forth herein.

(iii) No discovery will be permitted in connection with the arbitration unless it is expressly authorized by the arbitrator upon a showing of substantial need by the party seeking discovery.

(iv) The arbitrator may not award non-monetary or equitable relief of any sort. The arbitrator shall have no power to award punitive damages or any other damages not measured by the prevailing party's actual damages, and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitrator have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

(v) Notice of arbitration will be made within a reasonable time after the dispute, controversy or claim in question has arisen (or after the mediation termination date); but in no event after the earlier of: the date when institution of legal or equitable proceedings based on such dispute, controversy or claim in question would be barred by the applicable statute of limitations; or, one (1) year after the occurrence of the facts giving rise to such dispute, controversy or claim, except for an action by Skyline for non-payment, violation of Sections 13 and/or 14 hereof, to protect the Marks or under the indemnification or insurance sections of this Agreement, which shall be subject only to the applicable statute of limitations. The parties hereby expressly waive their right to institute or pursue any action beyond the time limits set forth in this Subsection 22(b)(2)(v), whether in arbitration or in any other forum.

(vi) The arbitrator shall have no authority to award attorneys' fees unless they could be awarded by a court deciding the matter in the same jurisdiction. The arbitrator, in his or her discretion, may require that the cost of arbitration be paid by the party against whom the arbitration decision is made or require such other division of the cost of the arbitration as the arbitrator deems appropriate under the circumstances.

(vii) All aspects of the arbitration shall be treated as confidential. Neither the parties nor the arbitrator may disclose the existence, content or results of the arbitration, except as necessary to comply with legal or regulatory requirements.

(3) Nothing in this Subsection22(b) shall prevent any party from instituting or pursuing litigation at any time to specifically enforce or enjoin the violation of the provisions of Sections 13 and/or 14, preserve the status quo, protect the Marks, protect the health or safety of the public, or avoid irreparable harm. None of the Skyline Entities shall be required to seek or to participate in arbitration of any matter or dispute relating to the indemnification or insurance provisions of this Agreement (although they reserve the right to require arbitration).

(4) In the event of a conflict between the Rules and the provisions of this Subsection 22(b), the provisions of this Subsection shall control.

(5) The result of the arbitration will be binding on the parties, and judgment on the arbitrator's award may be entered in any court having jurisdiction.

(c) Waiver of Jury Trial

Skyline and Franchisee hereby irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, permitted hereunder.

(d) Waiver of Punitive/Exemplary Damages

Skyline and Franchisee hereby waive to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained, whether in arbitration or in any other forum.

(e) Time Limitation for Actions

Except for an action by Skyline for non-payment, violation of the provisions of Sections 13 and/or 14 hereof, to protect the Marks, or under the indemnification or insurance sections of this Agreement, which shall be subject only to the applicable statute of limitations, an action or arbitration on any controversy, dispute or claim between the Skyline Entities, or any of them, on the one hand, and the Franchisee Entities, or any of them, on the other hand, arising out of or related to this Agreement, the Restaurant or the business operated by Franchisee under this Agreement shall be commenced before the earlier of: (i) the date when institution of legal or equitable proceedings based on such dispute, controversy or claim in question would be barred by the applicable statute of limitations; or, (ii) one (1) year after the occurrence of the facts giving rise to such controversy, dispute or claim. Except as provided above, any action or arbitration not commenced within the foregoing time period shall be barred.

23. REMEDIES

Except as otherwise provided in this Agreement, the parties hereto reserve all other rights and remedies available to them under the laws and regulations of copyright, patent, trademark, trade secret, and other applicable laws and administrative regulations; provided that nothing herein is intended, nor shall it be construed, to limit the scope or applicability of the arbitration provisions of Section 22. The remedies set forth in this Agreement for the performance of the covenants, terms and conditions contained herein are cumulative and concurrent and: (i) may be pursued singularly or in combination; (ii) may be pursued successively or concurrently; and (iii) may be exercised as often as occasion therefor shall occur. In the event of any breach or threatened breach of this Agreement by Franchisee, Skyline shall immediately be entitled to injunctive relief (including a temporary restraining order, preliminary injunction, and specific performance), in addition to any other remedies available to it, without showing or proving actual damage sustained and shall not thereby be deemed to have elected its remedies. It is specifically understood and agreed that Skyline may incur incalculable and irreparable damage from any violation of Sections 5, 7, 8, 13, 14 and 19 and all subsections thereunder, and that Skyline has no adequate remedy at law and is entitled to injunctive relief, including specific performance for any actual or threatened violation.

24. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits and schedules attached hereto, if any, constitute the entire, full and complete Agreement between Skyline and Franchisee concerning the subject matter hereof and supersede all prior agreements, if any, no other representation having induced Franchisee to execute this Agreement and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein which are of any force or effect with reference to this Agreement or otherwise. Notwithstanding the foregoing, nothing in this Agreement shall disclaim, or require Franchisee to waive reliance on, any representation that Skyline made in the most recent franchise disclosure document (including its exhibits and amendments) that Skyline delivered to Franchisee or Franchisee's representative, subject to any changes to the contract terms and conditions described in that franchise disclosure document as reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).

25. AMENDMENT

No amendment, change or variance from this Agreement shall be binding on either party unless in writing executed by both parties.

26. NON-WAIVER

No failure of Skyline to exercise any power or right reserved to it or to insist upon strict compliance by Franchisee with any obligation or condition hereunder and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Skyline's right to demand exact compliance with the terms hereof. Waiver by Skyline of any particular default by Franchisee shall not affect or impair Skyline's right in respect of any subsequent default of the same or of a different nature nor shall any delay, forbearance or omission of Skyline to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof affect or impair Skyline's rights nor shall such constitute a waiver by Skyline of any rights hereunder or the rights to declare any subsequent breach or default. Subsequent acceptance by Skyline of any payments due to it hereunder or other payments by Franchisee shall not be deemed to be a waiver by Skyline of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

27. SEVERABILITY AND REFORMATION

(a) Should any provision of this Agreement, or the application thereof, to any extent, be held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement, or alternative applications thereof, shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law or equity.

(b) Further, should any provision of this Agreement be held invalid or unenforceable by reason of an excessive scope, restriction or obligation, such provision shall be deemed reformed to provide for such scope, restriction or obligation to the fullest extent deemed not to be invalid or unenforceable.

(c) Further, should any provision of this Agreement be in conflict with any mandatory applicable provisions of the Franchise Laws (as defined below) of any state wherein the Restaurant is located or otherwise having jurisdiction over this Agreement, such provision shall be considered modified to the extent, and only to the extent, necessary to conform to such mandatory provisions of that state's Franchise Laws. As stated in this Agreement, the term "Franchise Laws" means any mandatory provision of the law of any state which specifically regulates the offer, sale, termination, renewal or other specific aspects of franchises and does not mean the general laws of such state other than such specific franchise act.

28. AUTHORITY

The parties hereto and the individuals executing this Agreement on behalf of such parties warrant that they have the full right, power and authority to enter into this Agreement and to cause the same to create a legal and binding obligation on the party on whose behalf the Agreement is executed.

29. NOTICE

(a) All notices authorized or required to be given herein shall be in writing and will be duly given if (1) delivered personally, or (2) mailed by U.S. Postal Service certified mail, postage prepaid, return receipt requested, or (3) sent by nationally recognized overnight delivery service, or (4) sent by e-mail or other electronic system, to a party at the following addresses, or at such other address as may be subsequently furnished by such party in a written notice delivered in accordance with the terms of this Section:

If to Skyline at:

Skyline Chili, LLC
4180 Thunderbird Lane
Fairfield, OH 45014
Attention: Franchise Department

If to Franchisee at:

Attention:

(b) Any notice so addressed will (1) if delivered personally be deemed given upon delivery, (2) if sent by U.S. Postal Service certified mail, be deemed given five (5) days after deposit with the U.S. Postal Service, (3) if sent by nationally recognized overnight delivery service be deemed given on the next business day after such notice is deposited with the delivery service, or (4) if sent by e-mail or other electronic system upon acknowledgement of receipt by the intended recipient.

(c) Franchisee agrees to maintain at all times, and to inform/update Skyline as to, a functioning email address (or such other electronic communications methods as specified by Skyline) and telephone numbers for the Restaurant, the Managing Owner and each other owner of Franchisee. Routine operational communications between Skyline and Franchisee may be made by e-mail, facsimile, telephone or in any other manner agreed to by Skyline.

30. FORCE MAJEURE

Notwithstanding any provision of this Agreement to the contrary, neither party shall have any liability to the other for a temporary cessation of performance or delay in performance resulting from flood, fire or other extreme weather conditions, national emergency, strikes or other labor difficulties, war, civil unrest, power failure, equipment failure or any cause of like nature beyond its reasonable control; provided that nothing in this Section is intended nor shall it be construed to relieve either party hereto of any obligation to pay money hereunder or extend any time for payment hereunder.

31. BINDING UPON SUCCESSORS

In the case of any sale, assignment or transfer of or under this Agreement permitted under Section 12 hereof, this Agreement or the relevant provisions shall be binding upon, and inure to the benefit of, the successors, executors, heirs, representatives, administrators and assigns of the parties hereto.

32. OBLIGATIONS OF OWNERS

Franchisee represents and warrants that all of the owners of Franchisee are listed on the signature page. Each owner of Franchisee shall execute this Agreement and by executing this Agreement hereby agrees to be bound by the terms of this Agreement applicable to owners of Franchisee, including without limitation Sections 8 (Limitation Of Franchise And Rights To Use of Marks And System), 13 (Non-Competition), 14 (Confidentiality) and 22 (Mediation; Arbitration; Waiver Of Jury; Waiver Of Punitive Damages; Time Limitation Of Actions). If Franchisee is not owned directly by natural persons, then each successive level of ownership shall execute this Agreement until the owners who are natural persons (or trustees on behalf of trusts) execute this Agreement and agree to be bound by the provisions of this Agreement applicable to owners of the Franchisee, including without limitation Sections 8, 13, 14 and 22. If any person who has not signed this Agreement shall at any time acquire any ownership interest in Franchisee, then each such new owner shall execute a joinder or counterpart signature page agreeing to be bound by all of the terms and conditions of this Agreement applicable to owners of Franchisee, including without limitation Sections 8, 13, 14 and 22.

33. COUNTERPARTS, SECTION HEADINGS, PRONOUNS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The recitations shall be considered a part of this Agreement. The section and paragraph headings in this Agreement are for convenience and reference only and shall not be deemed to alter or affect any provision hereof. Each pronoun used herein shall be deemed to include the singular or plural and other genders as the context may require.

34. EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by Skyline Chili, LLC and all of the terms and conditions hereof shall be in full force and effect as of the Effective Date, except that the initial Term of the Agreement shall not commence until the Commencement Date set forth on ***Exhibit B***.

35. SURVIVAL OF OBLIGATIONS

All rights, obligations and provisions of this Agreement that by their terms apply to time periods after the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement, including without limitation, Sections 4(e), 4(g), 7(c), 7(n), 8, 11(a), 11(g), 12, 13, 14, 15, 17, 18, 19, 21, 22, 23, 24, 25, 26, 27, 32, 33and 35.

36. ELECTRONIC SIGNATURE

This Agreement and any addenda, amendments or other documents related hereto may be executed by facsimile or other electronic transmission of such signature (e.g. PDF or other electronic image) or by electronic signature (e.g. DocuSign) and such execution shall have the full force and effect of an original hard copy signature, shall be effective to bind such party to this Agreement, shall be deemed “written” or “in writing,” and shall be treated as an original record established and maintained in the ordinary course of business for all purposes. A printed copy of such electronically transmitted or signed document, including this Agreement, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically transmitted or signed documents on the basis of such electronic transmission or signature.

37. ACKNOWLEDGMENTS

Franchisee acknowledges that:

(a) **It has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks, making the success of the venture largely dependent upon the business abilities of the Franchisee as well as other variables. Skyline expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any representations, warranties or guarantees, express or**

implied as to the potential volume, profits or success of the business venture contemplated by this Agreement except for such earnings information as may have been set forth in the Franchise Disclosure Document received by Franchisee.

(b) **Franchisee hereby expressly warrants that it has no knowledge of any representation by Skyline or its officers, directors, shareholders, employees, agents or servants about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein and further represents to Skyline as an inducement to its entry into this Agreement that Franchisee has made no misrepresentations in obtaining this Agreement.**

(c) **Franchisee has received, read and understood this Agreement, the attachments hereto, if any, and any other documents delivered to Franchisee by Skyline. Skyline has fully and adequately explained the provisions of each to its satisfaction and Skyline has afforded it ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.**

(d) **Franchisee has received Skyline's Franchise Disclosure Document for the state in which the Restaurant is located at least (14) days prior to the execution of any agreements or payment of any consideration. Franchisee has also received the final franchise agreements at least five (5) business days prior to the execution of any such agreements or the payment of any consideration to Skyline.**

(e) **Franchisee is aware that some present franchisees of Skyline may operate under different forms of agreements, and consequently that Skyline's obligations and rights in respect to its various franchisees may differ materially in certain circumstances.**

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

FRANCHISEE:

____

By: ________________________________
Signature

____
Printed Name

Title: ________________________________

Dated: ____________________

OWNERS OF FRANCHISEE:

The owners of Franchisee hereby execute this Agreement pursuant to the terms of Section 32.

Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*

Attach additional sheets as necessary.

SKYLINE:

Skyline Chili, LLC

By: ______________________________

Title: ______________________________

Dated: ____________________

Skyline - Franchise Agreement - Version 02/25/2024
4863-4643-2945.1

EXHIBIT A

ASSIGNED RESTAURANT AREA

Unless Section 1(b) is marked to reference this ***Exhibit A*** for a description of the Assigned Restaurant Area and the Assigned Restaurant Area is of a non-standard type (i.e. other than a circular area) and described below, the Assigned Restaurant Area shall be a circle with the radius and center point described in Section 1(b), above.

EXHIBIT B

COMMENCEMENT DATE

The Term of this Agreement shall commence on ____________, 20__.

ADDENDUM TO INDIANA FRANCHISE AGREEMENT

This Addendum to the Indiana Franchise Agreement is entered as of ________________________________,

by and between ____________________________________, hereinafter referred to as the "Franchisee", and **Skyline Chili, LLC**, hereinafter referred to as "Skyline." Franchisee and Skyline hereby further agree as follows:

1. This addendum is executed coincidentally with the execution of the Franchise Agreement of even date herewith to which it is attached and is intended to be an integral part of that Franchise Agreement (hereinafter "this Agreement").

2. That Section 11(a) of this Agreement be amended by inserting the following underlined language into Section 11(a) as indicated:

> ". . . or failure by Skyline to perform its obligations under the terms of this Agreement <u>or imposed on Skyline by Title 23, Article 2, Chapter 2.7 of the Indiana Code</u>. In furtherance of the foregoing . . ."

3. That Section 13 of this Agreement be amended by inserting the following underlined language into Section 13 as indicated:

> "... during the term of this Agreement or<u>, within the Assigned Restaurant Area defined in Section 1(b) of this Agreement,</u> for a period of one (1) year ..."

4. That Section 2(b)(4) and Section 12(e)(7) hereby deleted in their entirety and removed.

5. That Section 21 of this Agreement is hereby restated in its entirety to read as follows:

> This Agreement shall be interpreted and construed under the laws of Indiana, which laws shall prevail in the event of any conflict of law. In the event of any conflict of any clause in this Agreement with any mandatory applicable provisions of the Franchise Laws or other laws of the state wherein the Restaurant is located such clause shall be considered modified to the extent, and only to the extent, necessary to conform with such mandatory provisions of that state's laws. As stated in this Agreement, the term "Franchise Laws" means any mandatory provision of the law of any state which specifically regulates the offer, sale, termination, renewal or other specific aspects of franchises and does not mean the general laws other than such specific franchise act.

6. That Section 23 of this Agreement is hereby restated in its entirety to read as follows:

> Except as otherwise provided in this Agreement, the parties hereto reserve all other rights and remedies available to them under the laws and regulations of copyright, patent, trademark, trade secret, and other applicable laws and administrative regulations; provided that nothing herein is intended, nor shall it be construed, to limit the scope or applicability of the arbitration provisions of Section 22. The remedies set forth in this Agreement for the performance of the covenants, terms and conditions contained herein are cumulative and concurrent and: (i) may be pursued singularly or in combination; (ii) may be pursued successively or concurrently; and (iii) may be exercised as often as occasion therefor shall occur.

7. Notwithstanding the provisions of Section 1(c)(4) of the Franchise Agreement, Skyline shall not establish a Skyline-owned outlet within the Assigned Restaurant Area engaged in substantially identical business to that of Franchisee under the Franchise Agreement in violation of Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1(2) and 2(4).

8. The provisions of Sections 22(c) and 22(d) of the Franchise Agreement are hereby deleted to the extent prohibited by Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1(5) and 1(10).

9. The provisions of Section 22(e) of the Franchise Agreement shall not apply to an action under Indiana Code, Title 23, Article 2, Chapter 2.5 or Chapter 2.7, which shall be limited solely by Indiana Code, Title 23, Article 2, Chapter 2.5, Section 30 and Indiana Code, Title 23, Chapter 2.7, Section 7, respectively.

10. To the extent of and in the instance that any terms or provisions of the Franchise Agreement are inconsistent or in conflict with the Indiana Franchise Disclosure Act (Indiana Code, Title 23, Article 2, Chapter 2.5, Sections 1 to 51, as amended) and the Indiana Deceptive Franchise Practices Act (Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 to 7, as amended), the terms of these Acts shall govern and control.

11. Except as herein provided, all of the terms of the Franchise Agreement executed coincidentally herewith are hereby reaffirmed as though fully herein written.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

IN WITNESS WHEREOF, Skyline and the Franchisee have executed this Addendum to the Franchise Agreement as of the day and year first above written.

FRANCHISEE:

____

By: ____________________________________
Signature

____
Printed Name

Title: ____________________________________

Dated: ______________________

OWNERS OF FRANCHISEE:

The owners of Franchisee hereby execute this Agreement pursuant to the terms of Section 32.

Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	*Signature*
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*
Signature	Signature
Printed Name *Percent Ownership (____%)*	*Printed Name* *Percent Ownership (____%)*

Attach additional sheets as necessary.

SKYLINE:

Skyline Chili, LLC

By: ____________________________________

Title: ____________________________________

Dated: ____________________

EXHIBIT H

SKYLINE CHILI, LLC
CATERING ADDENDUM

SKYLINE CHILI, INC.
CATERING ADDENDUM

This "Addendum" is made and entered into as of ______________________________, by and between **Skyline Chili, LLC**, an Ohio limited liability company (hereinafter "Skyline") and the undersigned franchisee of Skyline (hereinafter "Franchisee").

WHEREAS, Skyline and Franchisee are parties to a Franchise Agreement dated ___________, 20___ pursuant to which Franchisee operates a Skyline Chili Restaurant located at ______________________________ (the "Franchise Agreement"); and

WHEREAS, Franchisee desires to provide off-site catering services, other than in connection with a Special Event Location (as defined in the Franchise Agreement), consisting of the preparation and service of Skyline food products and other approved items.

NOW THEREFORE, in consideration of the foregoing and of the covenants herein contained, the parties hereby agree as follows:

1. Grant Of License Rights

Subject to the terms and conditions of the Franchise Agreement and this Addendum, as applicable, Skyline hereby grants to Franchisee a non-exclusive license to use the Marks in connection with the provision of catering services consisting of the preparation and service of Skyline food products and other approved items ("Catering Services"). Such Catering Services shall be conducted solely as an adjunct to Franchisee's licensed Skyline Chili Restaurant. Franchisee shall not conduct Catering Services from or use any location for the operation of Catering Services other the Skyline Chili Restaurant described in the Franchise Agreement or another Skyline Chili Restaurant operated by Franchisee under a license with Skyline.

2. Term

This Addendum shall commence on ______________________, and unless terminated earlier shall expire upon the expiration or earlier termination of the Franchise Agreement.

3. Fees

(a) Franchisee shall include "Catering Gross Sales" (as defined below) in Gross Sales reported under the Franchise Agreement. The amount of such Catering Gross Sales shall be included in Gross Sales for all purposes, including the calculation of monthly License Fee or royalty and the calculation of monthly Advertising Contribution to be paid by Franchisee under the Franchise Agreement.

(b) "Catering Gross Sales" as used herein shall include, but shall not be limited to, all receipts from operations, sales, charges, fees, orders taken, services and all revenues of any kind and nature whether for cash or credit in, from, about or by reason of the Catering Services. Notwithstanding the preceding, Catering Gross Sales shall not include: (i) intracompany transfers; (ii) bona fide credits and refunds upon return of merchandise; (iii) amounts collected and turned over to Franchisee for use tax, sales tax and all other similar taxes (other than taxes on net income) levied by any governmental body; (iv) income from sales by the Franchisee of items such as clothing and other premium or promotional items; and (v) the value of any coupons received. If Franchisee is operating under a form of Franchise Agreement permitting payment of license fees on imputed gross sales based upon cubes of Skyline chili purchased and Franchisee has elected such method of reporting and payment, then Catering Gross Sales shall be calculated and paid in the same manner based solely on Imputed Gross Sales Per Cube.

4. Standards Of Operation

Franchisee hereby agrees that it will fulfill the following requirements:

(a) Except as otherwise agreed in writing by Skyline, Franchisee shall serve only those items from Skyline's approved menu and those non-menu items listed on ***Exhibit A*** at the Site. Franchisee shall, upon request, provide Skyline with samples of any non-menu items proposed to be served at the Site for review and approval by Skyline. Any non-menu items served shall be in all material respects the same as any samples provided to Skyline. Skyline menu items shall be served only in Skyline approved carry-out containers.

(b) Franchisee shall ensure that at least one person working at each catered event has been certified under the National Restaurant Association ServSafe program or such other food safety certification program(s) that Skyline may recognize from time to time. Franchisee shall prepare and serve Skyline food products in connection with Catering Services in accordance with Skyline's Confidential Manuals and such other manuals, policies and written procedures as Skyline may deliver to Franchisee from time to time, including without limitation, Skyline's HACCP Program and any Catering Operations Manual. Franchisee shall ensure that all food products are promptly transferred from carriers to warmer or hot holding units and/or put into refrigeration or placed on ice upon arrival at a catering event. Temperature logs must be completed for each catering event and included in the Temperature Log Book for Franchisee's Restaurant from which Catering Services are conducted.

(c) Franchisee agrees that the Marks will be displayed only in the manner authorized by Skyline. The color, size, design and location of all Skyline related signage to be used in connection with Catering Services must be pre-approved by Skyline.

(d) Franchisee shall obtain and maintain in good working order machinery, equipment, furnishings, signs and other personal property (hereinafter collectively referred to as the "Equipment") required for use in the preparation and serving of Skyline food products in connection with Catering Services. All carriers used for transporting food products in connection with Catering Services shall be NSF approved food safe carriers or such other food safe carriers as Skyline may from time to time reasonably designate. All warm and hot holding units used in connection with Catering Services shall be NSF approved and of commercial quality or as Skyline may otherwise designate from time to time. Franchisee agrees that all products, supplies, ingredients and materials (hereinafter referred to as "Products") purchased and used in the preparation and serving of Skyline food products in connection with Catering Services shall be of such quality and quantity as meet Skyline's standards and specifications as published from time to time. Upon notice from Skyline that any Equipment or Products fail to meet such standards or specifications, Franchisee shall immediately terminate the use of such Equipment or Products.

(e) Franchisee shall comply with all laws, ordinances, and regulations affecting the operation of the Catering Services.

(f) Franchise shall obtain and maintain any and all licenses or permits required for the operation of the Catering Services.

(g) Franchisee shall permit authorized personnel of Skyline to visit any facilities used in connection with Catering Services and any catered event at any time for the purpose of inspecting and examining the operations and facilities and shall cooperate with and assist such representative. Skyline's representative may remove from the Site samples of any ingredients and products without payment therefor, in amounts reasonably necessary for testing by Skyline or an independent certified laboratory to determine whether said samples meet Skyline's then current specifications. Upon notice from Skyline, Franchisee shall take such steps as may be necessary to immediately correct any deficiencies detected during any inspection or by any such testing including, without limitation, immediately ceasing to use any methods, ingredients, products or advertising materials which do not conform to Skyline's then current specifications, standards and requirements, or with respect to non-menu items, which do not meet Skyline's standards for quality or do not materially conform to samples approved by Skyline.

(h) Franchisee shall not agree to any terms or provisions in any agreement to provide Catering Services that are in conflict with the terms and conditions hereof or of the Franchise Agreement.

5. Additional Limitation Of License And Rights To Use Of Marks

Franchisee acknowledges and agrees that ownership of all right, title and interest in and to the Skyline System and the Marks shall remain vested solely in Skyline and that Franchisee is only permitted to use the Marks in connection with Catering Services pursuant to the provisions of the Franchise Agreement and this Addendum. Franchisee's use of the Marks in connection with Catering Services shall be subject to the pre-approval of Skyline and shall be in accordance with any policies, procedures or directions given to Franchisee by Skyline.

6. Insurance And Indemnification

(a) Franchisee's obligation to indemnify Skyline under the terms of the Franchise Agreement shall include any and all claims arising out of or in any way related to the Catering Services.

(b) Franchisee shall obtain and maintain during the term of this Agreement insurance with respect to the Catering Services and the operations conducted by Franchisee thereon of the same types as are required under the Franchise Agreement for the operation of Franchisee's Restaurant. Skyline shall be included as an additional insured on all such policies to the same extent as required under the Franchise Agreement. If Franchisee has been approved to sell alcoholic beverages of any kind in connection with Catering Services, then Franchisee shall also obtain and maintain such types and amounts of public liability insurance related to the sale of alcoholic beverages as Skyline may, in its sole discretion, require from time to time, and shall name Skyline as an additional insured on all such policies. Franchisee shall provide Skyline with proof of all required insurance prior to engaging in Catering Services.

7. Incorporation of Franchise Agreement

Except as modified hereby, all of the terms and conditions of the Franchise Agreement shall also be applicable to Franchisee's Catering Services. Except as otherwise provided herein, all defined terms shall have the same meaning herein as in the Franchise Agreement. In the event of a conflict between the provisions of this Addendum and the Franchise Agreement, the provisions of this Addendum shall control. A default under the terms of this Addendum shall constitute a default under the terms of the Franchise Agreement and shall be subject to the provisions of the Franchise Agreement regarding default, cure and remedies.

8. Miscellaneous

The parties hereto and the individuals executing this Addendum on behalf of such parties warrant that they have the full right, power and authority to enter into this Addendum and to cause the same to create a legal and binding obligation on the party on whose behalf the Addendum is executed.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

Skyline:

Skyline Chili, LLC

By: ________________________________

Title: ________________________________

Dated: ________________________________

Franchisee:

____

By: ________________________________

Title: ________________________________

Dated: ________________________________

SKYLINE CHILI, LLC.
CATERING ADDENDUM
VERSION: 02/25/2024

4850-0842-3442.5:SKY00.GB002

EXHIBIT A

APPROVED MENU ITEMS

Franchisee may serve at the Site the following items from the Skyline Chili Restaurant menu:

1. All approved menu items.
2. Soft Drinks (limited to the brands supplied by Skyline's approved soft drink supplier(s))

APPROVED NON-MENU ITEMS

Franchisee may serve other non-menu items only if it has received the prior written consent of Skyline at least 72 hours prior to the catered event.

INITIALS

EXHIBIT I

SKYLINE CHILI, LLC
SPECIAL EVENT ADDENDUM

SKYLINE CHILI, LLC
SPECIAL EVENT ADDENDUM

This "Addendum" is made and entered into as of ______________________________, by and between **Skyline Chili, LLC**, an Ohio Corporation (hereinafter "Skyline") and the undersigned franchisee of Skyline (hereinafter "Franchisee").

WHEREAS, Skyline and Franchisee are parties to a Franchise Agreement dated ___________, 20___ pursuant to which Franchisee operates a Skyline Chili Restaurant located at ____ (the "Franchise Agreement"); and

WHEREAS, Franchisee desires to prepare and serve Skyline food products on a temporary or intermittent basis at a "Special Event Location" (as defined in the Franchise Agreement) other than the Restaurant(s) identified in the Franchise Agreement.

NOW THEREFORE, in consideration of the foregoing and of the covenants herein contained, the parties hereby agree as follows:

1. Grant Of License Rights

(a) Subject to the terms and conditions of the Franchise Agreement and this Addendum, as applicable, Skyline hereby grants to Franchisee a non-exclusive license to use the Marks in connection with the preparation and sale of Skyline food products at and only at the following location:

(which location and premises are hereinafter referred to as the "Site").

2. Term

This Agreement shall commence on ______________, 20___, and unless terminated earlier shall expire on ___________________, 20___. Either party may terminate this Agreement upon not less than thirty (30) days prior written notice with or without cause.

3. Fees

(a) Franchisee shall include "Special Event Gross Sales" (as defined below) in Gross Sales reported under the Franchise Agreement. The amount of such Special Event Gross Sales shall be included in Gross Sales for all purposes, including the calculation of monthly License Fee or royalty and the calculation of monthly Advertising Contribution to be paid by Franchisee under the Franchise Agreement.

(b) "Special Event Gross Sales" as used herein shall include, but shall not be limited to, all receipts from operations, sales, charges, fees, orders taken, services and all revenues of any kind and nature whether for cash or credit in, from, about or by reason of the operation of the Site as licensee, permittee or otherwise. Notwithstanding the preceding, Special Event Gross Sales shall not include: (i) intracompany transfers; (ii) bona fide credits and refunds upon return of merchandise; (iii) amounts collected and turned over to Franchisee for use tax, sales tax and all other similar taxes (other than taxes on net income) levied by any governmental body; (iv) income from sales by the Franchisee of items such as clothing and other premium or promotional items; and (v) the value of any coupons received. If Franchisee is operating under a form of Franchise Agreement permitting payment of license fees on imputed gross sales based upon cubes of Skyline chili purchased and Franchisee has elected such method of reporting and payment, then Special Event Gross Sales shall be calculated and paid in the same manner based solely on Imputed Gross Sales Per Cube.

4. Standards Of Operation

Franchisee hereby agrees that it will fulfill the following requirements:

(a) Except as otherwise agreed in writing by Skyline, Franchisee shall serve only those items from Skyline's approved menu and those non-menu items listed on ***Exhibit A*** at the Site. Franchisee shall, upon request, provide Skyline with samples of any non-menu items proposed to be served at the Site for review and approval by Skyline. Any non-menu items served at the Site shall be in all material respects the same as any samples provided to Skyline. Unless otherwise agreed by Skyline in writing, Skyline menu items shall be served only in Skyline approved carry-out containers.

(b) Franchisee shall ensure that at least one person working at each catered event has been certified under the National Restaurant Association ServSafe program or such other food safety certification program(s) that Skyline may recognize from time to time. Franchisee shall prepare and serve Skyline food products at the Site in accordance with Skyline's Confidential Manual and such other manuals, policies and written procedures as Skyline may deliver to Franchisee from time to time, including without limitation, including without limitation, Skyline's HACCP Program and any Special Event Operations Manual. Temperature logs must be completed for the Site and included in the Temperature Log Book for Franchisee's Restaurant identified in the Franchise Agreement.

(c) Franchisee agrees that the Marks will be displayed at the Site only in the manner authorized by Skyline. The color, size, design and location of all Skyline related signage to be used at the Site must be pre-approved by Skyline.

(d) Franchisee shall obtain and maintain in good working order machinery, equipment, furnishings, signs and other personal property (hereinafter collectively referred to as the "Equipment") required for use in the preparation and serving of Skyline food products at the Site. Franchisee agrees that all products, supplies, ingredients and materials (hereinafter referred to as "Products") purchased and used in the preparation and serving of Skyline food products at the Site shall be of such quality and quantity as meet Skyline's standards and specifications as published from time to time. Upon notice from Skyline that any Equipment or Products fail to meet such standards or specifications, Franchisee shall immediately terminate the use of such Equipment or Products.

(e) Franchisee shall comply with all laws, ordinances, and regulations affecting the operation of the Site.

(f) Franchise shall obtain and maintain any and all licenses or permits required for the operation of the Site.

(g) Franchisee shall permit authorized personnel of Skyline to enter the Site at any time for the purpose of inspecting and examining the operations and facilities and shall cooperate with and assist such representative. Skyline's representative may remove from the Site samples of any ingredients and products without payment therefor, in amounts reasonably necessary for testing by Skyline or an independent certified laboratory to determine whether said samples meet Skyline's then current specifications. Upon notice from Skyline, Franchisee shall take such steps as may be necessary to immediately correct any deficiencies detected during any inspection or by any such testing including, without limitation, immediately ceasing to use any methods, ingredients, products or advertising materials which do not conform to Skyline's then current specifications, standards and requirements, or with respect to non-menu items, which do not meet Skyline's standards for quality or do not materially conform to samples approved by Skyline.

(h) Franchisee represents and warrants that attached as ***Exhibit B*** are true and accurate copies of all of the written agreements, if any, between Franchisee and any third party with respect to the operation of the Site. Franchisee further represents and warrants that there are no additional oral agreements with any third party with respect to the operation of the Site, except as have been disclosed to Skyline in a writing attached hereto as ***Exhibit B*** (collectively with the written documents referenced in the preceding sentence, the "Special Event Agreements"). Franchisee further agrees to provide Skyline with notice (including copies of any written documents) of any amendment, modification or supplement, whether written or oral, to the Special Event Agreements as soon as practicable after such amendment, modification or supplement has been agreed to. Franchisee shall not, without the written consent of Skyline, agree to any terms or provisions in the Special Event Agreements that are in conflict with the terms and conditions hereof.

5. Additional Limitation Of License And Rights To Use Of Marks

Franchisee acknowledges and agrees that ownership of all right, title and interest in and to the Skyline System and the Marks shall remain vested solely in Skyline and that Franchisee is only permitted to use the Marks at the Site pursuant to the provisions of the Franchise Agreement and this Addenda. Franchisee's use of the Marks at the Site shall be subject to the pre-approval of Skyline and shall be in accordance with any policies, procedures or directions given to Franchisee by Skyline.

6. Insurance And Indemnification

(a) Franchisee's obligation to indemnify Skyline under the terms of the Franchise Agreement shall include any and all claims arising out of or in any way related to Franchisee's operations at the Site.

(b) Franchisee shall obtain and maintain during the term of this Agreement insurance with respect to the Site and the operations conducted by Franchisee thereon of the same types as are required under the Franchise Agreement for Franchisee's Restaurant. Skyline shall be included as an additional insured on all such policies to the same extent as required under the Franchise Agreement. If Franchisee has been approved to sell alcoholic beverages of any kind at the Site, then Franchisee shall also obtain and maintain such types and amounts of public liability insurance related to the sale of alcoholic beverages as Skyline may, in its sole discretion, require from time to time, and shall name Skyline as an additional insured on all such policies. Franchisee shall provide Skyline with proof of all required insurance prior to commencing operations at the Site.

7. Incorporation of Franchise Agreement

Except as modified hereby, the terms and conditions of the Franchise Agreement shall be applicable to this Agreement and Franchisee's operations at the Site, including without limitation, Sections 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 33 and 36. Except as otherwise provided herein, all defined terms shall have the same meaning herein as in the Franchise Agreement. In the event of a conflict between the provisions of this Agreement and the Franchise Agreement, the provisions of this

Agreement shall control. A default under the terms of this Agreement shall constitute a default under the terms of the Franchise Agreement and shall be subject to the provisions of the Franchise Agreement regarding default, cure and remedies.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

Skyline:	**Franchisee:**
Skyline Chili, LLC	
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________
Dated: ______________________	Dated: ______________________

SKYLINE CHILI, LLC
SPECIAL EVENT ADDENDUM
VERSION: 02/25/2024

4817-8221-7490.6 :SKY00.GB002

EXHIBIT A

APPROVED MENU ITEMS

Franchisee may serve at the Site the following items from the Skyline Chili Restaurant menu:

1. Coney Dog
2. Cheese Coney Dog
3. Hot Dog with Cheese
4. Chili Cheese Sandwich
5. Soft Drinks

Franchisee may server other menu items only if it has received the prior written consent of Skyline.

APPROVED NON-MENU ITEMS

In addition to the menu items listed above, Franchisee may serve the following at the Site:

1. Potato Chips, Pretzels and Similar Snack Food Items

Franchisee may serve other non-menu items only if it has received the prior written consent of Skyline at least 72 hours prior to the catered event.

INITIALS

EXHIBIT B

SPECIAL EVENT AGREEMENTS

Franchisee has attached to this Exhibit B, all Special Event Agreements, as defined in Section 4(h) of the Agreement.

INITIALS

EXHIBIT J

SKYLINE CHILI, LLC
POS SUBLICENSE AND SUPPORT AGREEMENT

IMPORTANT POINTS REGARDING THE POS SUBLICENSE AND SUPPORT AGREEMENT

The following is not a detailed summary of the entire POS Sublicense and Support Agreement, but just some points we want you to be sure you understand **before** you sign up for support with Skyline Chili, LLC ("Skyline"):

_____ In order to qualify for support, you must purchase, maintain and upgrade your hardware in accordance with the specifications Skyline establishes from time to time. You may purchase your hardware through Skyline at Skyline's cost or through other vendors, provided it meets Skyline's specifications.

_____ Skyline licenses the Software from Heartland Payment Systems, Inc. ("Heartland"), and in turn sublicenses the Software to you. License and maintenance fees may be payable monthly or annually depending on the type of billing you have selected.

_____ Standard Support Services and pricing are available only if you elect not to customize the end user elements of the Software (e.g. pricing, menu items, discounts, inventory items, recipes, vendors). If you elect to use a customized menu and you want support from Skyline, you must elect and pay for the higher cost Custom Support Services.

_____ Hardware Support Services covers the cost of labor only. Skyline will invoice you for all required replacement parts and materials.

_____ You must purchase Connectivity Services (a managed broadband connection to the Internet) from Skyline in order to receive support from Skyline.

_____ Skyline will apply all updates to the Software remotely and will have remote access to your POS System and data.

_____ As long as you are under support, you may not install any hardware or software on your POS System without the prior approval of Skyline. If you install any hardware or software not on the authorized list available from Skyline or remove any hardware or software on your POS System or if you make any changes to your POS System without Skyline's consent and it renders a portion of your POS System inoperable, you will be charged an additional fee for restoring your POS System to working order.

_____ Training will be provided at Skyline's standard training rates.

_____ In the event that Skyline moves to a different POS system for its company-owned restaurants, Skyline may terminate support of the current POS System on not less than twelve (12) months notice.

_____ You will be responsible for backing up all of your own locally installed software and all transaction data. If you elect to transmit transaction data to Skyline's central server, then Skyline will have a backup of your transaction data.

_____ If you elect not to enter into a support agreement or allow your support contract to lapse and later want sign up for support with Skyline, you will be required to pay a "catch-up" fee of up to one year's Standard Support Fees.

_____ Help desk hours of operation and holiday schedule are subject to change from time to time in Skyline's sole discretion.

POS SUBLICENSE AND SUPPORT AGREEMENT

This Agreement is entered into effective as of ________________________ (the "Effective Date"), by and between:

Skyline:	Skyline Chili, LLC an Ohio corporation 4180 Thunderbird Lane Fairfield, Ohio 45014 Tel: 513-874-1188 Fax: 513-874-3591 Attention: Information Systems	**Franchisee:**	______________________________ ______________________________ ______________________________ ______________________________ Tel: ________________________ Fax: ________________________ Attention: ____________________

WHEREAS, Skyline Chili, LLC ("Skyline") is the franchisor of the Skyline Chili® system; and

WHEREAS, Franchisee operates a Skyline Chili restaurant under the terms and conditions of a franchise agreement with Skyline; and

WHEREAS, Skyline licenses the Heartland Commerce, Inc. ("Heartland") IRIS point of sale ("POS") software (the "Software") in the operation of its company-owned Skyline Chili restaurants pursuant to the terms of a master Restaurant License Agreement (the "Master License Agreement"); and

WHEREAS, pursuant to the terms of the Master License Agreement, Skyline is authorized to sublicense the Software to franchisees of Skyline; and

WHEREAS, the hardware required to operate the Software, along with the Software and any other third party software specified by Skyline shall be referred to as the "POS System";

WHEREAS, Skyline has access to the personnel that provide technical support services to Skyline's company-owned Skyline Chili restaurants with respect to the Software; and

WHEREAS, Franchisee desires to sublicense the Software from Skyline for use in its franchised Skyline Chili restaurant; and

WHEREAS, Franchisee has requested that Skyline provide technical support services in connection with Franchisee's use of the POS System in the operation of its Skyline Chili restaurant.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. **SUBLICENSE** Franchisee's use of the Software shall be subject to the terms and conditions of one of the following sublicenses (as available from Heartland and selected by Franchisee):

☐ **Traditional License**. Sublicense attached hereto as ***Exhibit A*** and incorporated herein by reference shall apply to a Traditional License. Franchisee pays an Initial License Fee for the right to use the Software for as long as Franchisee remains a franchisee of Skyline and annual Maintenance Fees for updates and bug fixes to the Software as more particularly described in ***Exhibit G***.

☐ **Software as a Service ("SaaS") License**. Sublicense attached hereto as ***Exhibit A*** and incorporated herein by reference shall apply to a SaaS License. Franchisee pay a monthly license fee for the right to use the Software and for any updates and bug fixes to the Software as more particularly described in ***Exhibit G***.

(in either case, hereinafter referred to as the "Sublicense").

2. **SUPPORT SERVICES.**

2.1 ***Support Services*.** Subject to the terms and conditions of this Agreement, Skyline will supply the following technical support services to Franchisee during the term of this Agreement for the POS System installed at Franchisee's Skyline Chili Restaurant(s) identified in ***Exhibit F*** (each a Licensed Site), attached hereto and incorporated herein by reference:

☒ **Hardware Support Services** as described in ***Exhibit B***.

☐ **Standard Support Services** as described in ***Exhibit C***.

☐ **Custom Support Services** as described in ***Exhibit D***.

☒ **Connectivity Services** as described in ***Exhibit E***.

☐ Post transaction data to Skyline central server; or

☐ Do not post transaction data to Skyline central server.

ALL SERVICES ARE PROVIDED UNDER THE TERMS AND CONDITIONS SET FORTH IN THE EXHIBITS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

2.2 ***Additional Services***. Skyline may provide Franchisee with additional products, service offerings (e.g. customer wi-fi hotspot service), consulting, training and technical support services outside the scope of Standard or Custom Support Services at its discretion (collectively "Additional Services"). Additional Services may be provided by Skyline or third parties. Unless otherwise stated by Skyline, all Additional Services shall be billed to Franchisee on a time and materials basis at Skyline's then current hourly rates. The following are not included as part of Standard Support Services or Custom Support Services and shall be charged as Additional Services:

(a) Restoration of Franchisee's POS System to working order as a result of the installation of any unauthorized hardware or software or removal of any hardware or software on Franchisee's POS System or any changes made to Franchisee's POS System by someone other than Skyline without Skyline's consent.

(b) Post installation training of Franchisee's personnel.

2.3 ***Standard of Service.*** Skyline's sole obligation hereunder is to use reasonable commercial efforts to provide the services described herein to Franchisee in accordance with the terms of this Agreement.

3. FEES & PAYMENT TERMS.

3.1 ***Fee Schedule.*** Franchisee shall pay Skyline fees as described in ***Exhibit G***, attached hereto and incorporated herein by reference. All fees are subject to change from time to time upon written notice from Skyline.

3.2 ***Invoicing, Payment & Taxes.*** Fees for Standard Software Support, Custom Software Support and Connectivity will be due and payable monthly in advance with the initial payment due upon execution of this Agreement by Franchisee and thereafter due on or before the first day of each calendar month. Unless otherwise stated by Skyline, all other applicable fees shall be payable 30 days after the invoice date. Any amounts not paid by the due date shall be considered “Delinquent Amounts”. In the event Franchisee has any Delinquent Amounts outstanding, Skyline may cease doing work for Franchisee hereunder until all such Delinquent Amounts, including any late charges, are paid and Franchisee’s account is current. Franchisee hereby waives and releases Skyline from any and all claims, demands, suits or actions as a result of such discontinuance of work as a result of the existence of Delinquent Amounts. Franchisee further agrees that Skyline may invoice and collect from Franchisee all costs (including reasonable attorneys’ fees) which Skyline may incur to collect the Delinquent Amounts. Any amounts payable by Franchisee hereunder which remain unpaid after the due date shall be subject to a late charge equal to the lesser of 1.5% per month or the highest rate of interest permitted by law from the due date until such amount is paid. Franchisee shall be responsible for the payment of all sales, use, property, value-added or other taxes based on services performed pursuant to this Agreement or on Franchisee’s use of the services.

4. OBLIGATIONS OF FRANCHISEE. Franchisee acknowledges and agrees that Skyline’s obligations hereunder are limited to providing the Sublicense of the Software and the Support Services, and that Franchisee is primarily responsible for the use and operation of the POS System. In order to facilitate the provisions of Support Services, Franchisee shall: (a) provide Skyline with all information, facilities and assistance that Skyline may reasonably request in fulfilling its obligations hereunder; (b) assign a person familiar with the Software to act as primary contact with Skyline; (c) provide Skyline with a list of personnel at each restaurant location upon whom Skyline is authorized to rely in providing services under this Agreement and accepting orders for Additional Services (an initial list of such personnel shall be included in ***Exhibit F***) and keep such list up to date; (d) provide broadband remote access to the Software to Skyline at all times using Connectivity Services; and (e) undertake proper supervision, control and management of the use of the Software and the hardware on which is it operated, including, but not limited to: (A) assuring proper installation and configuration of the hardware on which the Software is operated, the Software itself and any other software operated on such hardware; (B) assuring proper hardware and software maintenance procedures and operating methods; and (C) assuring proper procedures for the security of the data such as back-up plans and procedures. **Support Services do not include backup of Franchisee’s transaction data or locally installed software. Franchisee shall be solely responsible for backing up its locally installed software and all transaction data and reports generated by the POS System. However, if you elect to transmit transaction data to Skyline’s central server, then Skyline will have a backup of your transaction data in the event it is lost from your POS System.**

5. CONFIDENTIALITY. Any information labeled or otherwise identified by Skyline as “Confidential Information” and provided to Franchisee as a result of this Agreement and the services provided hereunder shall be held in confidence by Franchisee as if it was part of the Skyline System pursuant to the confidentiality provisions contained in Franchisee’s franchise agreement with Skyline Chili, LLC To the extent Franchisee has multiple franchise agreements, Franchisee shall comply with the most stringent of the confidentiality obligations contained in such franchise agreements with respect to any Confidential Information provided to Franchisee by Skyline hereunder. For purposes of this Agreement, Confidential Information shall also include all information, in whatever format (tangible, intangible, oral, visual, electronic, etc.) and regardless of whether labeled as such or not, regarding Skyline’s or its affiliates’ assets, properties, liabilities, finances, financial condition, financial projections, customers, potential customers, products, suppliers, agreements with third parties, know-how, data, processes, techniques, technology, programs, pricing plans, marketing plans, trade methods, business plans and the like that is not publicly available, the Software, Software specifications and all supporting documentation.

6. INDEMNIFICATION. Franchisee shall indemnify, defend (using counsel designated by Skyline) and hold Skyline, its parents, subsidiaries, affiliates and their respective shareholders, members, directors, officers, employees and agents and the respective heirs, successors and assigns of any of the foregoing, harmless from and against any and all liability, claims, demands, losses or causes of action whatsoever, including reasonable attorneys' fees and costs, resulting, in whole or in part from: (a) Franchisee's use or misuse of the POS System or which is related to the POS System in any way; (b) Franchisee's use or misuse of the Connectivity Services, including without limitation, any materials downloaded, displayed, transmitted, stored or distributed with the use of the Connectivity Services; (c) any intentionally wrongful or negligent act or failure to act on the part of Franchisee; and/or (d) Franchisee's breach of any of terms and conditions of this Agreement.

7. LIMITATION OF LIABILITY. In no event shall Skyline, its parents, subsidiaries, affiliates and their respective shareholders, members, directors, officers, employees and agents and the respective heirs, successors and assigns of any of the foregoing, be liable for special, indirect, incidental or consequential damages, including loss of profits, revenue, data or use, arising from the design, inability to use or use of the Software or the obligations created by this Agreement, including without limitation, the quality, timing, delivery or failure to deliver the services to be provided hereunder, even if Skyline has been advised of the possibility of such damages, and whether such loss or liability arises under the express or implied terms of this Agreement or in an action based on contract, tort, warranty, statute or otherwise. **Skyline's aggregate liability for damages pursuant to this Agreement, regardless of the form of action, shall not exceed the Fees (excluding any amounts paid for Hardware, Initial License Fees or Annual Maintenance Fees) paid to Skyline by Franchisee during the most recent six month term ending prior to the date of the claim. Franchisee acknowledges and agrees that the fees charged by Skyline hereunder reflect the allocation of risks provided herein, that it has read and understands the resulting allocation of risks and that such allocation is fundamental to this Agreement.**

8. NON-SOLICITATION. During the term of this Agreement and for a period of one (1) year after the termination hereof for any reason, Franchisee shall not, directly or indirectly: (a) employ, or attempt to employ, or assist any other person in employing or attempting to employ, any person who at any time during the one (1) year period immediately preceding such termination was an employee of Skyline or its affiliates; or (b) entice, solicit or attempt to entice or solicit any contractor or consultant of Skyline or its affiliates away from employment or retention with or by Skyline or its affiliates.

9. TERM & TERMINATION.

9.1 ***Term.***

(a) ***Support Services.*** This Agreement shall have an initial term of twelve (12) months commencing upon the Effective Date. This Agreement shall automatically renew for additional terms of twelve (12) months each unless terminated by written notice from either party hereto. The "Term" of this Agreement shall include the initial term and any renewal terms. Either party hereto may terminate this Agreement, without cause, upon thirty (30) days prior written notice to the other party, such termination to be effective upon the first day of the first calendar month after the thirty day notice period has expired.

(b) ***Sublicense***. The Traditional Sublicense granted pursuant to ***Exhibit A*** shall, unless terminated earlier as provided herein, continue in effect for so long as Franchisee's Franchise Agreement with Skyline Chili, LLC for the Licensed Site remains in full force and effect. The SaaS Sublicense granted pursuant to ***Exhibit A*** shall be for the term of the Agreement, provided that Franchisee remains current in payment of the Monthly License Fees.

9.2 ***Termination.***

(a) ***Termination of Agreement Generally.*** A party may, without prejudice to any other rights or remedies, terminate this Agreement, including both Support Services and the Sublicense granted herein, by written notice to the other party, upon the occurrence of any one or more of the following events of default: (a) the other party is in default of any provision of this Agreement on its part to be observed and performed and such default is incapable of remedy; (b) the other party is in default of any provision of this Agreement on its part to be observed and performed and such party does not remedy such default within thirty (30) days after receiving written notice thereof from the non-defaulting party; (c) the other party shall be subject to an order or a resolution shall be passed for the winding-up or dissolution of the other party; (d) the other party shall file a voluntary petition or be adjudged a bankrupt under any present or future bankruptcy or similar law (including a petition or proceeding for reorganization, or extension of payment, composition or adjudgment of liabilities); (e) an involuntary petition in bankruptcy under any present or future bankruptcy or similar law is filed against the other party and not dismissed within sixty (60) days after the filing thereof; (f) a receiver is appointed for the other party or a substantial part of its property; (g) the other party shall make a general assignment of its assets or an assignment of its interest under this Agreement for the benefit of its creditors; (h) the interest of the other party under this Agreement shall be attached or sold under execution or other legal process; or (i) the other party shall enter into or propose a composition or arrangement with its creditors generally.

(b) ***Additional Termination Events.*** Skyline shall further have the right to terminate this Agreement, including both Support Services and the Sublicense granted herein immediately: (i) with respect to any restaurant location for which Franchisee's franchise agreement with Skyline Chili, LLC for the operation of a Skyline Chili restaurant is terminated or expires without renewal; (ii) upon notification by Franchisee or discovery by Skyline that Franchisee has permanently ceased using the Software; (iii) the Master License Agreement is terminated or expires; (iv) Franchisee makes any successful or unsuccessful attempts to copy, reproduce or duplicate the Software, except as permitted herein, (v) Franchisee makes any successful or unsuccessful attempts to use the Software on systems or at locations not permitted under the terms of the Sublicense; (vi) Franchisee makes any successful or unsuccessful attempts to reverse engineer, reverse compile, de-compile, or disassemble the Software; (vii) Franchisee makes any successful or unsuccessful attempts to directly or indirectly alienate, assign, sublicense, or otherwise transfer this Sublicense or all or any part of the rights granted to Franchisee hereunder without Skyline's prior written consent; or (viii) Franchisee fails to provide and maintain a remote broadband connection to Franchisee's POS System acceptable to Skyline. Skyline shall further have the right to terminate Support Services under this Agreement if Skyline Chili, LLC ceases to use the Software in its company-owned Skyline Chili restaurants, provided that Skyline shall not terminate Support Services as a result of Skyline Chili Inc. ceasing to use the Software in its company-owned Skyline Chili restaurants without first giving Franchisee at least twelve (12) months prior written notice.

(c) ***Effect of Termination of Support Services on Sublicense.*** Unless resulting from an event of default on the part of Franchisee, termination, expiration or lapse of Support Services by Skyline pursuant to this Agreement shall not terminate the Traditional Sublicense granted herein and the terms and conditions of this Agreement shall remain in full force and effect with respect to the Traditional Sublicense until the Traditional Sublicense is terminated. Upon termination of Support Services, Franchisee shall no longer be entitled to receive revisions, bug fixes or updates from Skyline. The SaaS Sublicense is dependent on continued payment of the Monthly License Fees. Skyline does not typically sublicense the Software in the absence of Support Services, but provided Franchisee is not in default and remains current in its payment of Monthly License Fees, Skyline will provide Franchisee with a reasonable period of time within which to convert to a direct license with Heartland or another POS system.

9.3 ***Late Enrollment/Re-Enrollment.*** If Franchisee does not elect to receive Support Services from Skyline when first available or if Franchisee allows its contract for Support Services to lapse, and then Franchisee desires to sign up for Support Services from Skyline at a later date, in addition to the fees set forth in ***Exhibit G***, Franchisee must pay a "catch-up" fee in an amount equal to the monthly Standard Support Fee multiplied by the shortest of the following: (i) the number of full and partial months since Franchisee first became eligible to contract for Support Services from Skyline; (ii) the number of full and partial months since Franchisee's contract for Support Services lapsed; or (iii) 12 months.

9.4 ***Survival.*** All rights, obligations and provisions of this Agreement that by their terms apply to time periods after the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement, including without limitation, Sections 2.2, 4, 5, 6, 7, 9 and 10.

10. DISPUTE RESOLUTION All disputes shall be resolved pursuant to the procedures set forth in the most recent franchise agreement between Skyline Chili, LLC and Franchisee, and such procedures are hereby incorporated herein by reference, including without limitation, the requirements regarding mediation and binding arbitration.

11. GENERAL PROVISIONS.

11.1 *Notice.* All notices, requests, demands and other communications (collectively "Notices") given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (i) if sent by United States Postal Service certified mail, return receipt requested, postage prepaid, upon the date of receipt shown on the return receipt; (ii) if sent by nationally recognized overnight courier (e.g. Federal Express), one business day after deposit with the courier service; (iii) if sent by facsimile transmission, with a physical copy mailed on the same day in the manner provided in (a) or (b) above, when transmitted and receipt is electronically confirmed; or (iv) if otherwise actually personally delivered, when delivered. All Notices shall be delivered to the addresses first set forth above, provided that either party hereto may change its address by written notice given to the other party in the manner set forth herein. Normal day-to-day support communications may be conducted by telephone or as otherwise provided in accordance with Skyline's policies on Standard Support Services.

11.2 *Severability*. Should any provision of this Agreement, or the application thereof, to any extent, be held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement, or alternative applications thereof, shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law or equity. Further, should any provision of this Agreement be held invalid or unenforceable by reason of an excessive scope, restriction or obligation, such provision shall be deemed reformed to provide for such scope, restriction or obligation to the fullest extent deemed not to be invalid or unenforceable.

11.3 *Entire Agreement.* This Agreement, any Exhibits or documents attached hereto or referenced herein and any Work Order(s) entered into pursuant to this Agreement contain the entire agreement between the parties with respect to the transactions contemplated hereby and supersede all previous oral negotiations, commitments, understandings, agreements, representations and warranties.

11.4 *Assignment.* This Agreement shall not be assignable by the Franchisee without the prior written consent of Skyline, and any purported assignment made without such consent shall be null and void.

11.5 *Amendment.* This Agreement cannot be altered or otherwise amended except pursuant to an instrument in writing signed by Skyline and the Franchisee. It is expressly agreed that the terms of this Agreement and any Work Order entered into pursuant hereto shall supersede the terms in any Franchisee purchase order or other ordering document.

11.6 *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

11.7 *No Sale of Goods.* The parties hereto agree that the Sublicense and the provision of services hereunder shall not be considered the sale of or transaction in goods for any purpose and hereby disclaim the applicability of any laws relating to the sale of goods with respect to the services provided hereunder.

11.8 *Section Headings and Construction.* The section headings in this Agreement have been inserted for the purpose of convenience and ready reference. They do not purport to and will not be deemed to define, limit or extend the scope or intent of the paragraphs to which they appertain. Singular terms shall be construed as plural, neuter as male or female, and vice versa, where the context requires.

11.9 *Authority.* The parties hereto and the individuals executing this Agreement on behalf of such parties warrant that they have the full right, power and authority to enter into this Agreement and to cause the same to create a legal and binding obligation on the party on whose behalf the Agreement is executed.

11.10 *Waiver.* The failure or delay of either party at any time to exercise any right under any provision of this Agreement shall not limit or operate as a waiver thereof, nor shall the single or partial exercise thereof preclude or limit any other or further exercise thereof, nor shall the waiver of any breach of any provision be a waiver of any other or further breach of any provision or a waiver of the provision itself or of any other provision of this Agreement.

11.11 *Force Majeure.* Notwithstanding any provision of this Agreement to the contrary, neither party shall have any liability to the other for a temporary cessation of performance or delay in performance resulting from flood, fire or other extreme weather conditions, national emergency, strikes or other labor difficulties, war, civil unrest, power failure, equipment failure or any cause of like nature beyond its reasonable control; provided that nothing in this Section is intended nor shall it be construed to relieve either party hereto of any obligation to pay money hereunder or extend any time for payment hereunder.

11.12 *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the domestic laws of the State of Ohio, without regard to conflict of law principles (i.e. as Ohio law would be applied to contracts executed and performed wholly within the State of Ohio by Ohio residents).

11.13 *Counterparts.* This Agreement may be executed in multiple counterparts each of which when fully executed will be considered an original, but all of which together will constitute but one and the same instrument.

11.14 *Electronic Signature*. This Agreement and any amendments may be executed by facsimile or other electronic transmission of such signature (e.g. PDF or other electronic image) or by electronic signature (e.g. DocuSign) and such execution shall have the full force and effect of an original hard copy signature, shall be effective to bind such party to this Agreement, shall be deemed “written” or “in writing,” and shall be treated as an original record established and maintained in the ordinary course of business for all purposes. A printed copy of such electronically transmitted or signed document, including this Agreement, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically transmitted or signed documents on the basis of such electronic transmission or signature.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Agreement.

SKYLINE:	**FRANCHISEE:**
SKYLINE CHILI, LLC	______________________________
______________________________	______________________________
Authorized Signature	*Authorized Signature*
______________________________	______________________________
Printed Name	*Printed Name*
______________________________	______________________________
Title	*Title*
______________________________	______________________________
Date	*Date*

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EXHIBIT A

SOFTWARE SUBLICENSE AGREEMENT

YOU SHOULD CAREFULLY READ THE ENTIRE SUBLICENSE AGREEMENT PRIOR TO USING OR INSTALLING THE SOFTWARE IN YOUR STORE. YOUR RIGHTS IN THE SOFTWARE ARE DESCRIBED HEREIN AND IN ANY RELATED LICENSE OR SERVICE AGREEMENT WITH SKYLINE CHILI, LLC (THE “RELATED AGREEMENTS”). YOUR AGREEMENT TO USE OR INSTALL THE SOFTWARE IN YOUR STORE INDICATES YOUR ACCEPTANCE TO THIS AGREEMENT AND ITS TERMS AND CONDITIONS.

1. SOFTWARE. This sublicense agreement ("Sublicense") is a legal agreement between you (“Franchisee”) a franchisee of Skyline Chili, LLC and Skyline Chili, LLC ("Skyline") for the Software provided to you by Skyline pursuant to the terms and conditions of Master License Agreement between Heartland Commerce, Inc. (“Heartland”) and Skyline, which includes computer software in object code form and associated media and printed materials, and may include on-line or electronic documentation (the "Software").

2. GRANT OF LICENSE. Subject to and conditioned upon the payment of the license fees (the “License Fees”) set forth in the POS Sublicense and Support Agreement (the “Agreement”) and your strict compliance with the terms and conditions set forth in this Sublicense, Skyline grants to you a nonexclusive and non-transferable license to use and display the Software at each location specified in the Agreement (each a "Licensed Site" and collectively, the "Licensed Sites") during the term of the Agreement. Except as specified in this Sublicense, you are not licensed to use the Software for any other purpose whatsoever. This Sublicense is your proof of license to exercise the rights granted herein and must be retained by you.

3. RESTRICTIONS ON USE. Your rights are expressly limited to the use of the Software at the Licensed Sites. You shall not disassemble, decompile, decode, reverse engineer, reprint, transcribe, extract, adapt, translate or modify the Software, or any portion thereof, without the express written consent of Skyline and Heartland. You may not assign, transfer or sublicense the Software without the prior written consent of Skyline and Heartland. Neither the Software nor any materials provided to you in connection with the Software may be copied, reprinted, transcribed or reproduced in whole or in part, except for use as backup by you. You shall not in any way modify or enhance, or otherwise create derivative works or improvements to, the Software, or any materials furnished or produced in connection with the Software, without the prior written consent of Heartland, nor disclose to any third party the Software, including but not limited to the user manuals, training manuals, programming guides or other materials provided to you in connection with the Software. You shall not use the Software in violation of any law, regulation or rule.

4. RIGHTS IN PROPRIETARY MATERIAL. The Software is protected by copyright and contains proprietary information protected by copyright laws, intellectual property laws, international treaty provisions and other applicable laws. You shall not remove, alter or obscure any proprietary or other legend or restrictive notice contained in or affixed to the Software. Any backup copy of the Software shall include all copyright and other intellectual property protection notices. The copyright and all other right, title and interest in and to the Software (including but not limited to, any images, photographs, animation, video, audio, music and text incorporated into the Software) shall at all times remain with Heartland and its licensors. The Software and any copies thereof remain the property of Heartland and as such are deemed to be licensed to you during the term of this Sublicense. The Software is licensed, not sold. You acknowledge that Heartland holds all right, title, and interest in and to all tangible and intangible intellectual property contained in the Software, including all trade secrets, copyrights, and other intellectual property rights pertaining thereto. You have only the limited revocable right to use the Software expressly stated in this Sublicense.

5. MAINTENANCE AND SUPPORT. Payment of the license fee includes software maintenance to cover corrections to defects, updates and upgrades to the Software issued by Heartland.

6. WARRANTIES. Skyline warrants that it has the right and authority to sublicense the Software to Franchisee hereunder in accordance with the terms and conditions of the Agreement. Aside from the foregoing, the Software is licensed to Franchisee **“AS IS”** without representation as to its condition, the existence of any latent or patent defects, its performance or its suitability for Franchisee’s use. Neither Skyline nor Heartland make any

warranty that all nonconformities or defects have been or can be eliminated from the Software or that operation of the Software will be uninterrupted or error free.

7. DISCLAIMER. **EXCEPT FOR THE WARRANTY SET FORTH IN SECTION 6 ABOVE, THE SOFTWARE IS LICENSED TO FRANCHISEE "AS IS", AND SKYLINE AND ITS LICENSORS DISCLAIM ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, INCLUDING (WITHOUT LIMITATION) ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

9. LIMITATION OF LIABILITY AND DAMAGES. **SKYLINE'S AGGREGATE LIABILITY FOR DAMAGES PURSUANT TO THIS SUBLICENSE, REGARDLESS OF THE FORM OF ACTION, SHALL NOT EXCEED THE FEES (EXCLUDING ANY AMOUNTS PAID FOR HARDWARE, INITIAL LICENSE FEES OR ANNUAL MAINTENANCE FEES, IF APPLICABLE) PAID TO SKYLINE BY FRANCHISEE DURING THE MOST RECENT SIX MONTH PERIOD ENDING PRIOR TO THE DATE OF THE CLAIM. NEITHER SKYLINE NOR ITS LICENSORS SHALL HAVE ANY LIABILITY FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHATSOEVER, INCLUDING WITHOUT LIMITATION, DAMAGES FOR LOSS OF PROFITS, INTERRUPTION OF BUSINESS, OR ANY OTHER MONETARY LOSS, ARISING OUT OF THE USE OR INABILITY TO USE THE SOFTWARE, OR FOR MISSTATEMENTS, MISTAKES OR OMISSIONS IN THE SOFTWARE, EVEN IF SKYLINE OR ITS LICENSORS HAS BEEN APPRISED OF OR HAD REASON TO KNOW OF THE POSSIBILITY OF SUCH DAMAGES.**

10. TERM AND TERMINATION. Skyline may terminate this Sublicense at any time if you fail to pay the license fees set forth in the Agreement or comply with the terms and conditions herein. If this Sublicense is terminated for any reason, you shall immediately cease use of the Software and return all copies of the Software to Skyline, and you shall certify in writing that all copies of the Software have either been returned to Skyline or destroyed.

11. EXPORT REGULATION. The Software may be subject to US export control laws, including the US Export Administration Act and its associated regulations. You shall not, directly or indirectly, export, re-export or release the Software to, or make the Software accessible from, any jurisdiction or country other than the United States without prior written consent from Skyline and Heartland.

12. INDEMNIFICATION. Franchisee agrees to indemnify, hold harmless and defend Skyline and its licensors from and against any and all claims, damages, losses and expenses of any kind arising from or connected with the operation of Franchisee's business.

13. SEVERABILITY. If any provision of this Sublicense is found to be invalid or unenforceable, such provision shall be severed from this Sublicense while not affecting the validity or enforceability of the remaining provisions, which shall remain in full force and effect.

14. NO WAIVER. No failure to exercise and no delay in exercising, on the part of either party, any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege hereunder preclude further exercise of the same right or the exercise of any other right hereunder.

15. GOVERNING LAW. This Sublicense shall be governed by and construed in accordance with the laws of Ohio, excluding the choice of law provisions of such laws, and shall benefit Skyline, its licensors, its successors and assignees.

16. NO THIRD PARTY BENEFICIARIES. This Sublicense shall benefit Skyline, its licensors (including without limitation, Heartland), its successors and assignees and Franchisee. Nothing herein, express or implied, is intended to or shall confer on any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Sublicense.

17. THIRD PARTY SOFTWARE/HARDWARE. Franchisee shall have the sole responsibility to obtain and pay for any third party software or hardware which may become necessary or desirable to operate the Software and Skyline shall bear no responsibility or liability for the license of such third party software or hardware.

18. NO RIGHT TO SUPPORT FROM HEARTLAND. As a sublicensee of the Software from Skyline, Franchisee acknowledges and agrees that it has no contract directly with Heartland and shall have no right to revisions, bug-fixes, upgrades, new version upgrades, maintenance, help desk support or maintenance from Heartland. Franchisee's sole rights with respect to the Software shall be pursuant to this Sublicense and the Agreement.

19. ELECTRONIC SIGNATURE. This Agreement and any amendments may be executed by facsimile or other electronic transmission of such signature (e.g. PDF or other electronic image) or by electronic signature (e.g. DocuSign) and such execution shall have the full force and effect of an original hard copy signature, shall be effective to bind such party to this Agreement, shall be deemed "written" or "in writing," and shall be treated as an original record established and maintained in the ordinary course of business for all purposes. A printed copy of such electronically transmitted or signed document, including this Agreement, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically transmitted or signed documents on the basis of such electronic transmission or signature.

THIS SUBLICENSE AND THE AGREEMENT OF WHICH IT IS A PART REPRESENT THE ENTIRE AGREEMENT CONCERNING THE SOFTWARE BETWEEN FRANCHISEE AND SKYLINE AND IT SUPERSEDES ANY PRIOR PROPOSAL, REPRESENTATION, OR UNDERSTANDING REGARDING THIS SOFTWARE. In the event of any conflict between this Sublicense and the Related Agreements, the terms of this Sublicense shall control with respect to the license of the Software.

SIGNATURES APPEAR ON THE FOLLOWING PAGE(S)

As stated above, your installation or use of the software indicates your acceptance of this Sublicense and signifies that you have read the above Sublicense and agree to its terms and conditions.

SKYLINE:	**FRANCHISEE:**
SKYLINE CHILI, LLC	____
____	____
Authorized Signature	*Authorized Signature*
____	____
Printed Name	*Printed Name*
____	____
Title	*Title*
____	____
Date	*Date*

EXHIBIT B

HARDWARE SUPPORT SERVICES

B1 **Required Hardware.**

B1.1 **Initial Purchase.** Franchisee shall purchase and use only the hardware specified by Skyline from time to time to operate the POS System, including Connectivity Hardware if Franchisee has elected Connectivity Services (the "Hardware"). Franchisee may purchase such Hardware from Skyline or from other vendors. If Franchisee purchases the Hardware from Skyline, Skyline shall, to the fullest extent possible, make available to Franchisee any warranties offered by the manufacturers or suppliers of such hardware, but **as between Skyline and Franchisee, all such Hardware is sold "AS IS."**

B1.2 **Upgrades.** Franchisee shall upgrade its Hardware to Skyline's then current specifications as required by Skyline from time to time. If Franchisee shall fail to purchase the required Hardware or shall fail to upgrade the Hardware from time to time as required by Skyline, then Skyline may terminate this Agreement.

B2 **Hardware Support Services.**

B2.1 During the term hereof, Skyline will use reasonable commercial efforts to diagnose and, to the extent such labor is not included in the Hardware's warranty, provide the labor to repair or replace, as commercially reasonable, Franchisee's Hardware.

B2.2 Franchisee's personnel may be required to work directly with hardware vendors (e.g. Dell Computer) in troubleshooting hardware problems. While Skyline anticipates being the primary source of contact, Franchisee will cooperate in making its personnel available to speak directly with hardware vendors or coordinate with any technicians dispatched by Skyline or by hardware vendors to repair or replace any part of the Hardware. Franchisee acknowledges that hardware vendors often require troubleshooting sessions over the telephone with someone on-site at the location of the Hardware prior to authorizing the delivery of replacement parts or the dispatch of a technician. Franchisee agrees to cooperate with Skyline in making its personnel available for such troubleshooting sessions, provided that Skyline shall use its best efforts not to request such cooperation by Franchisee's personnel during the lunch (11:30 a.m. – 1:00 p.m.) and dinner (5:30 p.m. – 7:00 p.m.) hours. Franchisee will be responsible for all shipping charges for Hardware shipped to or from Skyline for repair or replacement. Franchisee will be responsible for shipping charges in accordance with the manufacturer's policies for all Hardware shipped to or from the manufacturer for repair or replacement.

EXHIBIT C

STANDARD SUPPORT SERVICES

Pursuant to the terms and conditions of this Agreement, Skyline will, during the Term hereof, provide the following Standard Support Services to Franchisee in connection with Franchisee's use of the Software at its franchised Skyline Chili restaurant:

C1 **Hardware Support.** All Hardware Support Services described in ***Exhibit B*** are included with Standard Support Services and Standard Support Services shall be subject to all of the restrictions and conditions set forth in ***Exhibit B***.

C2 **Telephone Help Desk Support.**

C2.1 Skyline will provide telephone help desk support seven days per week during the hours of 8:00 a.m. to 12:00 midnight Eastern Standard Time, excluding normal Skyline holidays (currently Thanksgiving, Christmas and Easter). **Help desk hours of operation and holiday schedule are subject to change from time to time in Skyline's sole discretion, upon not less than thirty (30) days prior written notice.** Telephone help desk support is intended to provide assistance to Franchisee's personnel in the troubleshooting and operation of the POS System at the Skyline Chili restaurants identified in ***Exhibit F***.

C2.2 Help desk support is provided by means of voice-mail messaging with technician call-back. Franchisee will be provided with a restaurant identification number to be used in all communications with the help desk. Franchisee will also be provided with stickers to be placed on the back office computer equipment the with help desk phone number. In order to initiate a support call, the Franchisee will call into the help desk voice mail system at 513-874-3658, extension 256. A recorded message will prompt the caller leave a message. After the prompt, the caller should begin speaking and leave a message with the Franchisee's restaurant identification number, the name of the on-site contact, the telephone number of the on-site contact and a brief description of the problem. An Skyline technician will then return the call and attempt to resolve the problem. Skyline technicians will use reasonable commercial efforts to return all calls within 60 minutes. If Franchisee has not received a return call within 60 minutes, a second call should be placed.

C2.3 Skyline will use reasonable commercial efforts to resolve the problem or provide a work-around over the telephone. Franchisee acknowledges that: (a) Skyline is not the developer of the Software; (b) Skyline makes no representations or warranties with respect to the POS System; and (c) Skyline cannot guarantee that all technical support issues and problems with the POS System can be resolved by Skyline.

C2.4 Franchisee will be entitled to a maximum of five (5) hours of help desk support per month as part of Standard Support Services. Any help desk support in excess of this may be invoiced to Franchisee as Additional Services in Skyline's sole discretion.

C2.5 Franchisee acknowledges and agrees that help desk support is not to be used as a training device for new or untrained personnel. If Skyline determines, in its reasonable judgment, that one or more of Franchisee's personnel have not had adequate training on the Software and the help desk function is being used as a replacement for training, Skyline may refuse to provide further help desk support to the personnel in question until Franchisee demonstrates that such personnel have had adequate training on the Software.

C3 **Standardized Software Setup.**

C3.1 The Software provides the capability for the end user customization of certain user configurable portions of the Software. Skyline Chili, LLC has prepared and maintains a standard setup of end user menus and configurations of the Software in connection with the operation of its company-owned Skyline Chili restaurants. At Franchisee's option, Skyline will install and maintain a standard setup on Franchisee's POS System as part of Standard Support Services.

C3.2 Skyline will: (a) provide periodic updates to the standard setup to conform the setup for changes in pricing, menu items, discounts, inventory items, recipes, vendors, etc.; and (b) provide updates to the standard setup required by any upgrades, patches or bug fixes issued for the Software. **Franchisee will be responsible for reviewing the user customizable portions of the standard setup to ensure that the settings are accurate and that they meet Franchisee's needs. Skyline, its parents, subsidiaries, affiliates and their respective shareholders, members, directors, officers, employees and agents and the respective heirs, successors and assigns of any of the foregoing, will not be liable for any errors or inaccuracies in user customizable options included in the standard setup such as menus, menu prices, sales tax rates, credit card processing information, discounts, etc. Franchisee's sole remedy in the event of such errors or inaccuracies is for Skyline to correct such errors or inaccuracies upon notice thereof from Franchisee.**

C3.3 If Franchisee elects to install Skyline's standard setup, Skyline will "lock out" the ability of Franchisee's personnel to make changes to the menus and other user configurable portions of the Software until such time as Franchisee notifies Skyline that it no longer elects to use the standard setup. Franchisee acknowledges and agrees that this lock-out is necessary to the efficient support and maintenance of the standard setup. Upon request, Skyline will provide Franchisee with any passwords or other codes necessary to unlock the standard setup; **provided, that if Franchisee or Franchisee's personnel modify the standard setup, Franchisee will be deemed to have elected Custom Support Services under this Agreement and shall be subject to *Exhibit D*.** If Skyline is requested to provide support to restore a standard setup or correct any problems with the POS System due to modifications by Franchisee, Franchisee's personnel or any third party, Skyline will charge for such restoration or correction as Additional Services.

C3.4 Franchisee acknowledges that use of the standard setup will facilitate Skyline's ability to provide help desk support, minimize the need for Additional Services and will relieve Franchisee's personnel from the necessity of updating the user configurable portions of the Software.

C3.5 **If Franchisee elects not to use the standard setup on its POS System, then Franchisee must elect Custom Support Services under this Agreement.**

C4 **Software Upgrades.**

C4.1 Skyline will remotely apply all upgrades, patches and bug fixes that are issued by Heartland for the Software.

C5 **Unsupported Hardware and Software.**

C5.1 Skyline will maintain a list of authorized hardware and software for use on the POS System. This list may be changed from time to time in the sole discretion of Skyline. Franchisee will be provided with a copy of the list of authorized hardware and software at installation and updated copies will be available from Skyline upon request during the term of this Agreement. During the term of this Agreement, Franchisee shall not install any unapproved hardware or software on the POS System. Skyline may cease to provide Support Services or terminate this Agreement if Franchisee violates the foregoing sentence.

C5.2 Skyline will, subject to the availability of qualified personnel, undertake the evaluation of any software proposed by Franchisee for use on the POS System. Franchisee must purchase a copy of the proposed software for Skyline to evaluate (the copy will be returned to Franchisee upon completion of the evaluation process) and Franchisee may be charged for the evaluation as Additional Services, in Skyline's sole discretion. Skyline will provide Franchisee with the results of the evaluation and will either approve or disapprove such software for use on a supported POS System.

EXHIBIT D

CUSTOM SUPPORT SERVICES

Pursuant to the terms and conditions of this Agreement, if Franchisee has elected, Skyline will, during the Term hereof, provide the following Custom Support Services to Franchisee in connection with Franchisee's use of the Software at one of its franchised Skyline Chili restaurants:

D1 **Custom Software Setup and Maintenance.**

D1.1 All Hardware Support Services described in ***Exhibit B*** and all Standard Support Services described in ***Exhibit C*** are included with Custom Support Services **and**, except as set forth below, Custom Support Services shall be subject to all of the restrictions and conditions set forth in ***Exhibit B*** and ***Exhibit C***.

D1.2 In addition to Standard Support Services, Custom Support Services include all services required to conform any Software updates to Franchisee's custom Software setup for changes in pricing, menu items, discounts, inventory items, recipes, vendors and other end-user customizations made to the standard setup by Franchisee.

D1.3 In connection with each periodic standard update issued by Skyline as part of Standard Support Services, Skyline will: (a) prepare a customized update to conform the standard update for changes in pricing, menu items, discounts, inventory items, recipes, vendors and other end-user customizations made to the standard by Franchisee; and (b) provide updates to Franchisee's customized setup required by any upgrades, patches or bug fixes issued for the Software. **Franchisee will be responsible for reviewing the user customizable portions of the standard setup to ensure that the settings are accurate and that they meet Franchisee's needs. Skyline, its parents, subsidiaries, affiliates and their respective shareholders, members, directors, officers, employees and agents and the respective heirs, successors and assigns of any of the foregoing, will not be liable for any errors or inaccuracies in user customizable options included in the standard setup such as menus, menu prices, sales tax rates, credit card processing information, discounts, etc. Franchisee's sole remedy in the event of such errors or inaccuracies is for Skyline to correct such errors or inaccuracies upon notice thereof from Franchisee.**

D1.4 Franchisee shall provide all data required by Skyline to prepare the end-user customizations for Franchisee.

D1.5 Franchisee must give Skyline at least thirty (30) days' prior written notice of any requested changes to Franchisee's customized setup.

D1.6 Skyline will not be required to make changes to Franchisee's customized setup more than twelve times during any annual term of this Agreement.

D2 **Software Upgrades.**

D2.1 Skyline will remotely apply all upgrades, patches and bug fixes that are issued by Heartland for the Software.

EXHIBIT E

CONNECTIVITY SERVICES

Pursuant to the terms and conditions of this Agreement, if Franchisee has elected to receive Standard Support Services (with or without Modification Rights) or Custom Support Services, Franchisee must also elect to receive Connectivity Services from Skyline pursuant to this Exhibit E. For each Licensed Site for which Franchisee has elected Connectivity Services, Skyline will, during the Term hereof, provide the following Connectivity Services to Franchisee in connection with Franchisee's use of the Software at its franchised Skyline Chili restaurant:

E1 **Required Hardware.**

E1.1 **Initial Purchase.** Franchisee shall purchase and use the hardware specified by Skyline from time to time to obtain a managed broadband Internet connection (the "Connectivity Hardware"). Franchisee may purchase such Hardware from Skyline or from other vendors. If Franchisee purchases the Hardware from Skyline, Skyline shall, to the fullest extent possible, make available to Franchisee any warranties offered by the manufacturers or suppliers of such hardware, but **as between Skyline and Franchisee, all such Hardware is sold "AS IS."**

E1.2 **Upgrades.** Franchisee shall upgrade its Connectivity Hardware to Skyline's then current specifications as required by Skyline from time to time. If Franchisee shall fail to purchase the required Hardware or shall fail to upgrade the Hardware from time to time as required by Skyline, then Skyline may terminate this Agreement.

E2 **Connectivity Services.** Skyline shall provide the following services:

E2.1 **Broadband Internet Service.** Skyline will arrange for a broadband internet connection for Franchisee's POS System. The actual type and speed of the connection will depend upon the location of the Franchisee's Skyline Chili restaurant(s) and the qualified service providers available in that location. Franchisee acknowledges and agrees that the service provider will be solely responsible for the quality of the broadband connection and Skyline's is simply arranging the connection and including the cost thereof in the Connectivity Fee.

E2.2 **Software Management Service.** Skyline will provide software management services for Franchisee's POS System, which services may change from time to time, but which shall include:

(a) Antivirus Protection.
(b) SPAM Filtering.
(c) Spyware Detection.
(d) Electronic delivery of the Software revisions, bug fixes and updates provided by Heartland under the Master License Agreement.
(e) Application of patches and updates to the operating system.
(f) Internet Filtering.
(g) Remote access to Franchisee's POS System.
(h) Network security scans (as required by the Payment Card Industry Security Standards).

Franchisee understands that Skyline will have remote access to its POS System and that any information contained on such POS System will be available for inspection and retrieval by Skyline.

The cost of any client licenses for the software used in providing the Software Management Service described above is included in the Connectivity Fee.

Franchisee acknowledges that antivirus protection, SPAM filtering, spyware detection and Internet filtering are all designed to protect the POS System and the Franchisee, but that none of these measures can provide absolute protection against malicious attacks or misuse of the POS System. Skyline, its parents, subsidiaries, affiliates and their respective shareholders, members, directors, officers, employees and agents and the respective heirs, successors and assigns of any of the foregoing, shall have no liability for the failure of these safeguards to protect the POS System from malicious attach or misuse.

E3 **Restrictions on Use.**

E3.1 Franchisee will use the broadband connection sourced by Skyline hereunder solely for the POS System and not for any other purpose. If Franchisee desires to use an Internet connection to provide Wi-Fi connectivity for its customers, television, music or other entertainment services or any other purpose, it must obtain a separate Internet connection to provide such services. Any such separate Internet connection shall be completely separate from the Connectivity Services provided by Skyline hereunder.

E3.2 Franchisee will not use the broadband connection for any illegal purpose.

E3.3 Franchisee will not use the broadband connection to send spam, or Unsolicited Bulk Email (UBE).

E3.4 Franchisee shall not use the broadband connection or the POS System for the storage, delivery or transmission of any material containing anything abusive or unethical. Abusive and unethical materials and uses include, but are not limited to, pornography, obscenity, nudity, violations of privacy, infringements of the copyrighted works, patents or other intellectual property of a third party, computer viruses, any harassing and harmful material or uses, any illegal activity, or material advocating illegal activity, and any infringement of privacy or libel.

E3.5 Franchisee will comply with all terms, conditions and restrictions of the specific service provider supplying the broadband connection.

E3.6 Franchisee will be solely responsible for all use of the broadband connection and the Internet by Franchisee and its employees, contractors and agents. Skyline will have no liability to Franchisee for any illegal or improper use of the broadband connection or the Internet by Franchisee or its employees, contractors or agents. Franchisee shall indemnify, defend (using counsel selected by Skyline) and hold Skyline, its parents, subsidiaries, affiliates and their respective shareholders, members, directors, officers, employees and agents and the respective heirs, successors and assigns of any of the foregoing, harmless from any and all claims, demands, causes of action, damages, losses or liabilities in any way related to the use of the broadband connection or the Internet or the breach of any of the provisions of this Section E3 by Franchisee or its employees, contractors or agents.

E4 **Centralized Posting of Transaction Data.**

E4.1 Franchisee may optionally elect to transmit its transaction data to Skyline's central server. If Franchisee elects this option, Franchisee's transaction data will be transmitted to Skyline's central server and backed up by Skyline.

EXHIBIT F

SUPPORTED RESTAURANT LOCATIONS/LICENSED SITES

Restaurant Address	Support ID No.	Authorized Personnel

EXHIBIT G

FEE SCHEDULE

G1 **Software Sublicense Fees.** Sublicense fees will be based on the type of license offered by Heartland and selected by Franchisee. Skyline will provide Franchisee with additional information regarding the Software and the license fees at the time Franchisee selects from the types of license offered by Heartland. The Traditional License may be selected only as long as it continues to be offered by Heartland.

G1.1 **Traditional License**

G1.1.1 **Initial License Fee**: The Initial License Fee to use the Software in each Skyline Chili restaurant identified in ***Exhibit F*** shall be based on the amount charged by Heartland (or its successors or assigns) to Skyline Chili, LLC for an initial license fee of the Software for use in a single restaurant location; provided that Skyline may charge Franchisee a mark-up on such fees. **The fees charged by Heartland may change from time to time and in the event of a change, any increase shall be passed through to Franchisee.**

G1.1.2 **Annual Maintenance Fee**: The Annual Maintenance Fee to use the Software in each Skyline Chili restaurant identified in ***Exhibit F*** shall be based on the amount charged by Heartland (or its successor or assigns) to Skyline Chili, LLC for annual maintenance of the Software for use in a single restaurant location; provided that Skyline may charge Franchisee a mark-up on such fees. **The Annual Maintenance Fee is in addition to the monthly Support Fees set forth in Section G4 below. The fees charged by Heartland may change from time to time and in the event of a change, any increase shall be passed through to Franchisee.**

G1.2 **SaaS License**

G1.1.1 **Monthly License Fee:** Under the SaaS License, there is no Initial License Fee – instead, the fee to use the Software in each Skyline Chili restaurant identified in ***Exhibit F*** shall be based on the amount charged by Heartland (or it successors or assigns) to Skyline for the monthly license and maintenance fee or use of the Software in a single restaurant location; provided that Skyline may charge Franchisee a mark-up on such fees. Software maintenance is included in the Monthly License Fee under the SaaS License. **The Monthly License Fees are in addition to the monthly Support Fees set forth in Section G4 below. The fees charged by Heartland may change from time to time and in the event of a change, any increase shall be passed through to Franchisee.**

G2 **Hardware.**

G2.1 **Purchase**. In connection with the POS System to be supported, Franchisee is required to purchase, maintain and use only the hardware specified by Skyline from time to time. Franchisee may purchase such hardware from Skyline or from other vendors. If purchased from Skyline, Skyline may mark-up the price at which it resells all such hardware to Franchisees. Terms of sale for hardware purchased from Skyline shall be as follows:

Payment Due Date	Amount	Terms
Upon placing order with Skyline	33%	NET/10
2 weeks prior to installation	33%	NET/10
Installation	Balance	NET/10

G2.2 **Hardware Support Fee:** The monthly fee for Hardware Support Services is included within the Standard Support Fee or Custom Support Fee, as applicable. **The Hardware Support Fee covers Skyline's labor only. Franchisee will be charged for all replacement parts and materials used in providing Hardware Support Service at Skyline's cost plus any markup Skyline may then be charging on parts and materials.**

G3 **Initial Support Services.** Franchisee will be responsible for preparing the restaurant for installation, including installation of adequate electrical outlets and data cabling and for the initial installation of the POS System. Skyline will perform this work or arrange with approved subcontractors to perform this work for Franchisee. Pricing for this installation work will be quoted based on the materials and services required. After the POS System has been installed, Skyline will provide initial on-site support and training at Franchisee's Skyline Chili restaurant on a time and materials basis at the labor rate of $250.00 per day.

G4 **Support Fees.**

G4.1 **Standard Support Fee - $165**/month per Skyline Chili restaurant.

G4.2 **Custom Support Fee - $205**/month per Skyline Chili restaurant. For multi-unit operators using the same customizations at more than one restaurant, the Custom Support Fee shall be charged only for the first restaurant in each group using the same customizations. The remaining restaurants in the group shall pay $165/month. For example, a multi-unit operator with 10 restaurants using one customized setup at 4 restaurants and a different customized setup at 6 restaurants would pay $205/month for 2 restaurants, and $165/month for the remaining 8 restaurants.

G5 **Connectivity Fees** - **$170.00**/month per Skyline Chili restaurant

G6 **Training Fees** - **$250**/day per Skyline trainer.

G7 **Payment.** Support Fees and Connectivity Fees shall be payable monthly in advance on the first day of each month during the term of this Agreement.

G8 **Fees for Additional Services.** Unless otherwise stated by Skyline, Additional Services will be billed on a time and materials basis at Skyline's then current hourly rates, which are subject to change from time to time without notice (as of the date of this Agreement, the hourly rate for Additional Services is **$100.00** per hour).

G9 **Incidental Expenses**. For any on-site services requested by Franchisee, Franchisee will reimburse Skyline for actual, reasonable travel and out-of-pocket expenses incurred, including lodging and meals, in accordance with Skyline's standard employee travel reimbursement policies in effect from time to time.

All Fees are subject to change upon written notice by Skyline.

State Effective Dates

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

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

State	Effective Date
California	Not Applicable
Hawaii	Not Applicable
Illinois	Not Applicable
Indiana	July 15, 2024
Maryland	Not Applicable
Michigan	Not Applicable
Minnesota	Not Applicable
New York	Not Applicable
North Dakota	Not Applicable
Rhode Island	Not Applicable
South Dakota	Not Applicable
Virginia	Not Applicable
Washington	Not Applicable
Wisconsin	Not Applicable

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

Skyline currently offers franchises only in the states of Florida, Indiana, Kentucky and Ohio, so it does not register with any of the other states listed in the table above.

23 RECEIPT

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

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

If Skyline Chili, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator for your state listed in Exhibit A.

This franchise is being sold by:

Daniel N. March
Name of Franchise Seller(s)
Skyline Chili, LLC
4180 Thunderbird Lane
Fairfield, Ohio 45014
(513) 874-1188

This Franchise Disclosure Document is issued February 25, 2025.

The registered agent authorized to receive service of process on behalf of Skyline for each state in which Skyline sells franchises is listed in Exhibit B.

I received a disclosure document dated February 25, 2025, that included the following Exhibits:

A List of State Administrators
B List of Agents for Service of Process
C Table of Contents of Skyline Chili, Inc. Operations Manual
D List of Franchisees
E Financial Statements (audited financial statements for the fiscal years 2022, 2023 and 2024, and unaudited financial statements for the most recent fiscal quarter)
F Area Franchise Agreement (and state specific addendum, if any)
G Franchise Agreement (and state specific addendum, if any)
H Catering Addendum
I Special Event Addendum
J POS Sublicense and Support Agreement

______________________ Date	______________________ Franchisee's Signature
	______________________ Printed Name
	______________________ Company Name

YOUR COPY: YOU SHOULD SIGN, DATE AND RETAIN THIS COPY FOR YOUR FILES.

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Name of Franchise Seller(s)
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I Special Event Addendum
J POS Sublicense and Support Agreement

_______________________ Date

_______________________ Franchisee's Signature

_______________________ Printed Name

_______________________ Company Name

SKYLINE COPY: YOU MUST SIGN, DATE AND RETURN THIS COPY TO SKYLINE UPON RECEIPT OF THE DISCLOSURE DOCUMENT.